

Beyond Agriculture: Making markets work for the poor

Theme 1:

Building linkages and enhancing trust between small-scale rural producers, buyers in growing markets and suppliers of critical inputs¹

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Introduction

There is growing consensus that agricultural growth is critical to meet the ambitious Millennium Development Goal of eradicating extreme poverty and hunger. Global studies highlight that the distribution and incidence of poverty is predominantly a rural problem and that it is increasingly concentrated in South Asia and sub-Saharan Africa. Likewise, the United Nations Millennium Project's Task Force on Hunger (2005) estimate that half of the 852 million chronically or acutely malnourished live in smallholder farming households, two-tenths are landless, one-tenth are pastoralists, fisherfolk, and forest users. The remainder, around two-tenths, live in rapidly spreading urban slum areas.

In sub-Saharan Africa where poverty is increasing in many countries, the Food and Agricultural Organisation of the United Nations (FAO) estimate that 64% of the total population are directly involved in agriculture as their primary source of income and livelihood. Projections by the World Bank to the year 2015 show that the people living in absolute poverty in sub-Saharan Africa will increase by 25% from 315 million in 1999 to 404 million in 2015 (World Bank, 2003).

The achievement of agricultural growth in general, and smallholder agricultural growth in particular, requires a balanced set of measures at all levels from international trade to national, and household levels. Peacock et al. (2004) in their report on Investment in Smallholder Agriculture in sub-Saharan Africa identify and focus on four core and priority components needed to develop farmers' capacity to respond to new opportunities and thereby provide the foundations for a 'pathway out of poverty'. These are:

- a) Empowered and enabled rural poor,
- b) Access to land and water resources,
- c) Effective and efficient front-line support services, and
- d) Improved and accessible rural infrastructure.

The concern for the provision of 'effective and efficient front-line support services' is mirrored in the sixth of seven recommendations made by the UN Millennium Project's Task

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Force on Hunger (2005), which urges governments to ‘increase incomes and make markets work for the poor’ through a series of interventions that are oriented primarily to improving the availability and access of rural communities and their enterprises to a range of essential services. Finally, the Rural Economic and Enterprise Development (REED) framework developed by a working group of donor and international technical assistance institutions, also identifies ‘access to effective and efficient support services and resources’ as one of the ten cornerstones for successful intervention that seek to promote economic rural growth (GTZ, 2003).

From the foregoing it is evident that: a) a concerted effort needs to be made to address poverty and hunger, and that efforts up to now have not been sufficiently effective, particularly in Africa, b) a market orientation to agricultural production is vital if we are to achieve the growth necessary to improve the livelihoods of the rural poor, and c) a key component to establishing and strengthening the links of farmers with markets is the provision of a range of effective and efficient support services.

The agreement that market orientation is vital presupposes that smallholder farmers have unreserved access to market opportunities. In reality, trade liberalisation and the increasing concentration and vertical integration of markets means that, even if smallholder farmers target domestic rather than international markets, agricultural and trade policies in third countries, and particularly developed countries, affect the opportunities open to smallholder farmers. In addition, there are many sensitive domestic political and social reasons in developed countries for avoiding changes in the status quo. For example, opening more favourable markets for developing countries in OECD markets will lead to a loss in jobs, cause significant changes in rural economies and possibly lead to increased food and agricultural products prices.

Whilst we recognise the major inequities with market access at the meso and macro levels, this paper starts from the premise that promotion, establishment and strengthening of rural agroenterprises are essential components of both local and national development. We believe that success in agroenterprise development will improve household food security, income and employment. If correctly managed this approach will empower rural communities to increasingly become agents of their own change and contribute towards a shift from risk to resilience. The paper will focus on building local entrepreneurial and leadership skills, improving social linkages and enhancing trust among actors and between stakeholders involved in agroenterprise development.

The situation analysis provided by the above papers and the interventions recommended suggest that we know what needs to be done to move forward. The question that now arises is whether we know how to move forward and achieve at different levels – macro (political), meso (institutional) and micro (farmer-market) – changes in practice, attitude and behaviour that will lead to the interventions having the desired outcomes in terms of reducing poverty and hunger. Our focus is on the ‘how’ of implementing change in development situations, based on our experience, and to the extent possible, compare and contrast our experience with that of others.

What are the challenges?

The challenges to growth in smallholder agriculture are many and varied, among them are the following:

- **Low value goods:** The majority of farm families have been accustomed to producing basic staples for their own subsistence, with a little surplus for sale to provide them with the cash to buy clothes, food items that they cannot produce themselves, and to access essential health and educational services.
- **Market pressure:** Since the collapse of Government led agricultural support programmes in the 1970s, structural adjustment and market liberalisation has meant that smallholder farm families in developing countries face the ever-increasing imperative of incorporating themselves into the market economy in order to generate sufficient cash income that will allow them to access essential basic needs and thereby improve their livelihood.
- **Undermining existing markets:** At the same time that Governments have reduced their role in the food market, relief agencies have significantly increased their supply of free or highly subsidised imported food into developing countries. In a bid to avoid criticism for not meeting the needs of food insecure communities, agencies such as the World Food Programme (WFP) have become formidable procurement agents that are able to react to food needs and raise cash more rapidly than the local private sector. In many cases this has meant that local marketing structures and systems are being bypassed and eroded by the very agents that aim to assist developing countries.
- **Oversupplied markets:** The success of many AID programs at the production level has led to oversupply of many global commodity markets. Support to new entrants in the coffee market led to the virtual collapse of economies in Eastern Africa and there are no immediate market options for the farmers who relied on these markets for their income and the Governments who relied upon the taxation of such goods for their support and debt repayment programmes.
- **Decline in commodity prices:** Even so-called 'cash crops' have experienced price declines in real terms over the past two decades. Trade liberalisation and globalisation, coupled with improved production efficiency of medium to large-scale producers and oversupply of major commodities (e.g. coffee, cotton, palm oil and rubber), some of which are important smallholder crops, has led to an increasingly harsh and competitive marketing reality. Prices for the top 10 traded tropical agricultural commodities are currently at a 40-year low and many farmers are removing perennial tree crops as prices have fallen below production costs.
- **Inconsistent policy.** There is growing evidence that attempts to alleviate poverty and hunger through interventions targeted at improving staple cash crop production is also flawed. Government programs to increase the productivity and production of staples such as maize, through the provision of seed, fertilisers and credit have proved that it is possible to increase production when agro-climatic conditions are favourable. However, the partial nature of these interventions, with no medium- to long-term vision or support for the development of sustainable local or regional markets or adequate and transparent management of strategic grain reserves result in a quick reverse of seemingly positive

outcomes in terms of productivity into situations where farmers lose money and are unable to repay loans and countries continue to require food aid⁴.

- **Lack of market information:** Most farmers receive no information about changes in the value of their products, whereas traders have reasonably rapid access to such trade based information. This skew in access to basic market information has been cited as a major impediment to empowering farmers to negotiate for better prices and thus to build market confidence and trade links. Despite the low cost of such services few Governments are investing in such services to support the farming community.
- **Poor organisation:** Farmers in many countries are poorly organised. This lack of scale means that trade suffers from poor quality, low volume, weak links and is often uncompetitive because of the consequent high transaction costs. The lack of organisation within the agricultural sector in many developing countries, and particularly in Africa, is often blamed on the collapse of the government led co-operative systems, through poor management and lack of marketing skills. In many countries this has led to a long term distrust of farmers working together.
- **Declining infrastructure:** Farmers are finding it increasingly difficult to compete in national and regional markets due to poor access to infrastructure such as roads, storage facilities, power and transportation. As poverty increases in many parts of Africa, these facilities are decreasing and therefore many communities are less able to engage in more distant markets than before.
- **Shocks:** Some of the most severe constraints to developing growth markets in many developing countries are based on natural and civil shocks. These severe impediments are caused by drought, floods, war, political and religious disputes and the devastating effects of a host of diseases such as HIV/AIDs, malaria and pests attacks such as locusts and grain borers.
- **New trends in the wholesale and retail sectors.** In addition to all of these major hurdles to growth in the small-scale sector, there are also significant changes in how goods are traded and the regulations that restrict access to these rapidly growing markets. At the wholesale level, consolidation or merging of buyers has meant that market power has shifted out of the hands of producers to the large corporations who bulk buy goods. At the retail sector, the rise of the supermarkets has also meant that supply chains are now monitorable and contracts only given to those producers who meet increasingly international food safety standards.

Meeting the challenges

Despite the worrying nature of these challenges there are many examples of smallholder farmers confronting them through projects that work in a systematic manner to address the basic problems in engaging the marketplace. The strategies used in these projects typically employ the following approaches:

⁴ As evidenced in Ethiopia in 2000/01 and 2001/02 and in Malawi in 2001/03 (Gray, G, personal communication; Government of Malawi, 2004).

- Increasing competitiveness through achieving economies of scale and value addition by collective action and improved production, post-production handling and processing, and marketing. An example is provided in Box 1 that describes the creation of a new market for cassava in the North Coast of Colombia that required innovations in production, processing and marketing.
- Diversifying their production, by incorporating higher value crops or livestock activities that have an identified demand. Box 2 summarise the experience of the Lishe Trust in bringing together small-scale farmers to produce and market a wide range of vegetable crops to satisfy the needs of a particular segment of the Dar es Salaam market in Tanzania.

These examples of farmers moving from a subsistence, or household food security, orientation to a greater level of market orientation illustrate the significant and major changes that are required in terms of how farmers and their communities see the world, relate to each other and interact with other actors beyond their communities. These changes mean that farmers must take on new skills to:

- Identify the right product for the right buyer at the right price and time;
- Establish a production systems that make efficient and sustainable use of existing financial, human and natural resources;
- Incorporate post-harvest handling, and possibly processing, techniques so that their products meet buyers' requirements;

Box 1. Cassava chipping and drying in the North Coast of Colombia

Over the period 1981 to 1989, the Integrated Cassava Research and Development (ICRD) Project was implemented in Northern Colombia as an inter-related set of institutional, organisational and technological interventions designed to link small-scale cassava farmers, with and without land, to expanding markets. By 1993, 101 small farmer-run cooperatives and 37 private individuals had established cassava chipping and sun-drying plants for the production of dry cassava chips for the animal feed industry. These plants produced 35,000 t/year of dry cassava valued at US\$ 6.2 million. It is estimated that 36% of small cassava farmers in the region sold cassava to drying plants and that 15% of farmers belonged to a cooperative. A study undertaken in the year 2000 assessed the project's impact on participating communities in terms of poverty alleviation, and identified the avenues by which the project was able to bring about positive changes. The study shows that agricultural research and development interventions can contribute tangibly to poverty alleviation when the following conditions are met: a) market and post-harvest technology R&D are integrated with production-oriented R&D, b) inter-institutional partnerships are developed whereby different institutions with complementary expertise, comparative advantages and mandates collaborate to respond to the demands of local community organisations and individuals, and c) existing social and human capital is used to create intimate networking among institutions, local social organisations, and individuals.

Source: Gottret and Raymond, 2003

Box 2. Production and marketing of high quality vegetables for the Dar es Salaam market

The West Usambara Mountains are located in the Tanga region of North East Tanzania. Altitudes range from 450 to 2,400 masl, average rainfall is 600-2,000 mm, with temperatures between 16 and 22°C. In 2002, total population of the area was estimated at 460,000 with farm sizes of 0.5 to 2.5 ha. Traditional staple crops were maize, beans and bananas; coffee and tea were introduced in the colonial era and missionaries brought the first vegetable seed. Over a twenty-year period, from 1981 to 2000, the Soil Erosion Control and Agro-forestry Project (SECAP) supported by GTZ promoted integrated, holistic soil and water conservation approaches in selected watersheds using participatory forest management for village and local authority forest reserves. In 1993-94 consultants carried out a marketing survey in major urban centres and identified the potential for vegetables and fruits. Supported by the SECAP project, 100 farmers in 4 village 'societies' initiated production of 9 types of vegetables and in 1996 a first delivery of 300 kg was made to the Sheraton Hotel, Jangwami Sea Breeze and Masudi grocery in Dar es Salaam. At the termination of the SECAP project in 2000, 60 farmers, of which 16 are women, established the Usambara Lishe Trust (ULT) as an NGO. Today ULT produces over 100 different vegetable and fruits and markets 5-6 t every week to 16 speciality market outlets in Dar es Salaam. ULT has established a reputation for producing high quality vegetables; and its legal status has facilitated access to credit. Major constraints to growth include weak horticultural extension, input and research services, especially for fruit trees where market opportunities are unrealised.

Source: Rimoy, 2003

- Improve business and marketing and organisational schemes, which improve competitiveness by reducing costs and increasing marketable volumes;
- Strengthen relations and links among market chain actors and
- Improve access to flows of both market-based information and new production and post-harvest handling technologies and financial services.

This transition for the majority of farmers, especially those that are located in more marginal areas and distant from markets, require orientation and mentoring from development organisations, access to a range of public and private services (inputs, transport, information, finance, etc.) and a set of government policies that provide an enabling environment that supports business in remote locations (see the 'market map' of Hellin et al., this conference, which clearly distinguishes between these levels) . The REED framework mentioned above and the approach being used by the International Centre for Tropical Agriculture's (CIAT) "Territorial approach to Rural Business Development", places these components within a defined spatial area, or "territory"⁵.

⁵ A territorial is here used to represent a geographical area bounded by administrative or agro-ecological limits. The minimum expression of a territory is the community or village. The maximum expression of a territory is usually determined by the reach, or radius of action of the support institutions or local government.

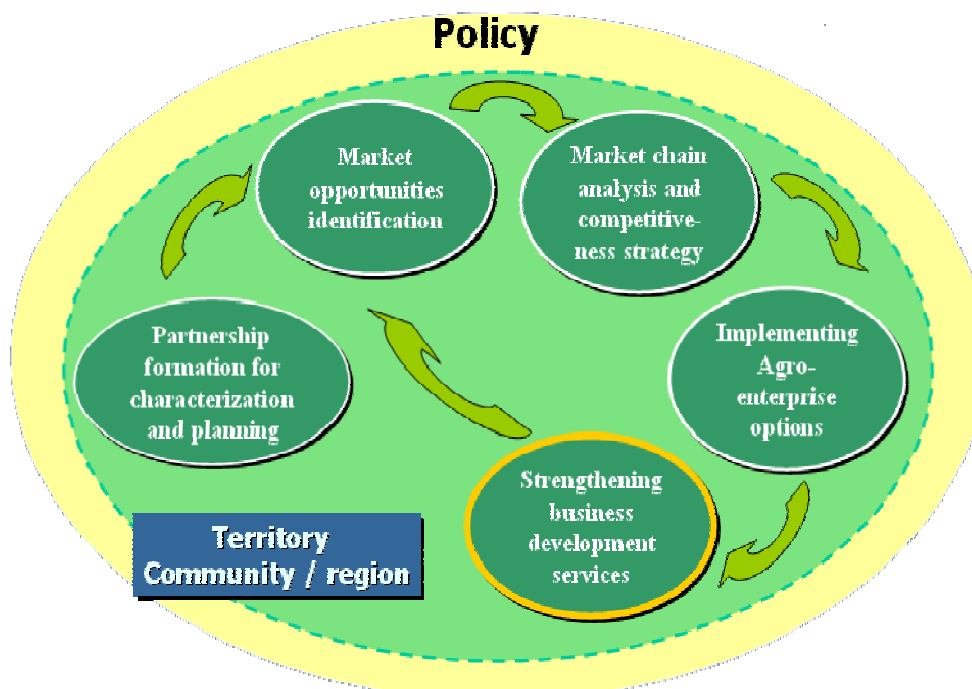


Figure 1. Components of a territorial approach to rural business development

The territorial approach proposed by CIAT seeks to contribute to the development of local capacities to facilitate rural enterprise development in a flexible, dynamic and coordinated fashion (Lundy et al, 2005). This approach includes the following components (Figure 1):

1. The identification and strengthening of an interest or working group composed of diverse local organizations with common goals and strategies for rural enterprise development.
2. Identification, management and development of market opportunities available to the region.
3. Participatory production to market chain analysis, consensus building with diverse actors along the chain and design of a shared strategy to increase chain competitiveness.
4. The implementation of the selected agroenterprise options that were identified and negotiated by the actors in the previous step.
5. Identification and promotion of appropriate and sustainable business development services and markets for these services for the region.

The entry point for this approach is the identification and consolidation of the local interest group. The other components are then subsequently developed in collaboration with that group. During the process, a number of policy – or enabling environment - related issues will be identified, and the local interest group needs to progressively incorporate these into their strategy and plan of action for the territory.

We use this example of an approach to agroenterprise development to illustrate that at different stages of the process, relationships, linkages and trust need to be established among

different actors. The principal instances are: a) the formation of the interest group that seeks to develop a shared vision, strategy and plan of action for promoting agro-enterprises in the territory, b) the development and subsequent implementation of a shared strategy among market chain actors for increasing the competitiveness of one or several selected supply chains, and c) the establishment of linkages between the demand and supply of business development services, that may be delivered by providers from within or outside the territory.

In this paper, we will concentrate our attention principally on the second of these: the development and subsequent implementation of a shared strategy for increasing the competitiveness of supply chains. In the concluding section, we will briefly consider the relationships between other stakeholders that are important for the support to the agroenterprise development process.

Linkages and trust: facilitators and champions

An important tool that is used in the analysis of market chains is the 'market map'. Figure 2 shows a market map drawn by producers, processors, traders and service providers belonging to a coffee market chain in Yorito, Honduras (see also Box 5). The map identifies the different actors, the linkages between them and values of coffee at different stages in the chain.

Market chain analysis such as the one depicted, case studies (Rottger, 2004; Santacoloma and Riveros 2004) and supported by the analysis of supply chains (Woods, 2004), identify two key actors in the process of enterprise development: the market or enterprise facilitator and the chain champion. The market facilitator role can be undertaken by a person from a local government or non-government organisation belonging to the territory whose task – as the name suggests - is to facilitate processes that build relationships and increase trust between the different actors in the process of developing shared plans and identifying opportunities for long-term cooperation (Woods, 2004). In many respects the facilitator is seeking to improve the efficiency and value of goods supplied by a community within a given territory.

The chain champion on the other hand is a higher order player within the supply chain of a given sub-sector selected for intervention. The chain champion needs to have a vision of the opportunities that could arise from closer collaboration and is someone with the energy to organise and drive processes of relationship building (Woods, 2004). Ideally this person is from the private sector and has self-motivated incentives to achieve enhanced chain performance. Whereas the market facilitator has to be present right at the start of the enterprise development process, it is likely that a chain champion will only emerge once there becomes a clearer idea of the specific actors involved in the selected supply chain whose performance and operational effectiveness we are intending to improve. The chain champion need not necessarily reside in the territory. Box 3 illustrates cases typical roles of market facilitators and chain champions.

The following section examines the steps in the agroenterprise process and the part played by these two actors.

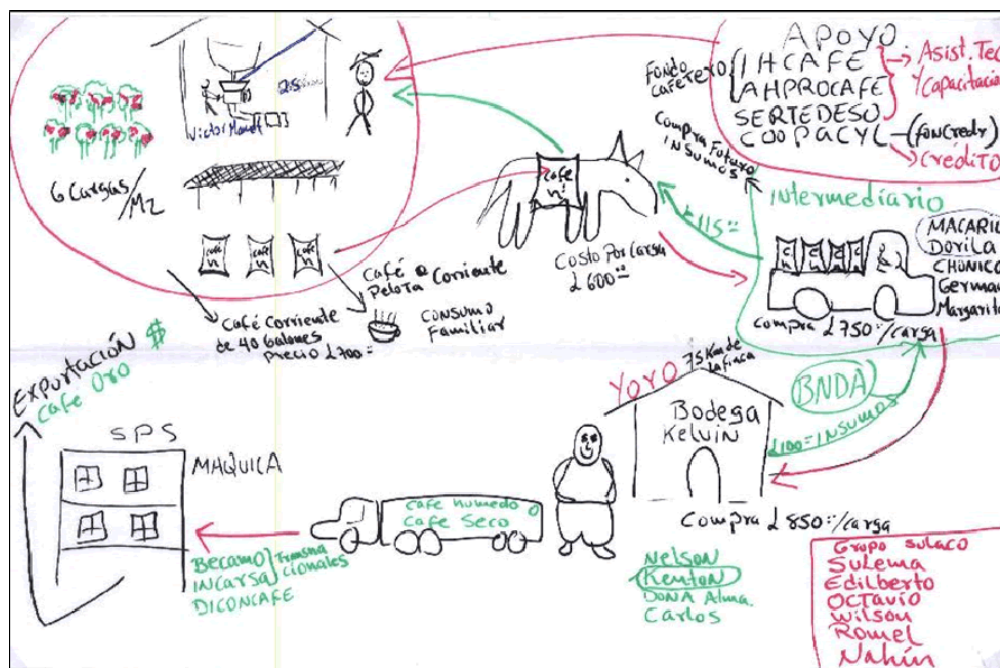


Figure 2. A market map prepared by producers, processors, traders and service providers to the coffee market chain in Yorito, Honduras

Building linkages: the agroenterprise development process

The partners in an interest group for agroenterprise development need information on which to base sound decisions to make best use of and combine the territory's assets in order to exploit natural resources in a way that benefits the local economy. The inherent risks associated with adopting a market and enterprise orientation can be significantly reduced if time is spent in both generating appropriate information and subsequently planning actions based on the analysis of this information. We can identify three major decision points:

1. At the outset, what to produce, where to produce and with whom to produce; this determines the sub-sectors and products with which to work;
2. Once sub-sectors have been chosen, what actions and activities need to be undertaken to develop or strengthen them; and
3. Once enterprises are up and running, what needs to be done to maintain and enhance their competitiveness.

Information can be gathered and socialized in different ways, and a distinction is made between 'contracted' information gathering and the use of participatory methods where the beneficiaries of the enterprise development play a key, if not central, role in the information collection and analysis process. In the former – contracted studies, experts are hired, sometimes to work with local counterparts and sometimes in total independence, to collect and analyze the information required. Both means are equally valid when they are used in the

Box 3. Market facilitators and chain champions

A facilitator: Africare and the Nyabyumba potato farmers

Since 2001 in its Uganda country programme Africare, the International NGO, incorporated an explicit market and enterprise component into its activities in Kabale District, in the South West of the country. The objective was to build the capacity of their target communities in the identification of market opportunities, and the selection of attractive options that could then be built into enterprises. The Nyabyumba farmers, with whom Africare have been working in improving seed potato production through a Farmers Field School, were anxious to assure a market for their seed potato by improving the market for ware potatoes. Supported by Berga Lemaga of ASARECA's Regional Potato Network, Stephen Tindimubona of the Ugandan National Seed Potato Producers' Association, Charles Musoke of Africare facilitated the process by which the group identified Nandos, the fast food chain, as a market that they could access. Since mid 2003 the Nyabyumba farmers have been able to supply consistently high quality potatoes directly to this niche market. Africare and other service providers have facilitated the farmer group in the signing of contracts, the design of production and delivery mechanisms, the strengthening of the management of their organisation and access to improved varieties and other inputs. As yet, a chain champion is not evident, and the nurturing of the gains achieved to date probably depends on the identification of such a person.

Source: Musoke et al., 2004.

A champion: Tropical Wholefoods and dried fruit production and marketing

Tropical Wholefoods, under the direction of Adam Brett, is a small privately owned company, which focuses on fair trade. It has been successfully selling fairly traded products in the UK since 1992 and has been growing progressively ever since. Their key products are dried tropical fruits and vegetables. The company works directly with farmers and farmer groups and presently they are importing from small fair trade producers in Uganda, Burkina Faso, Pakistan and Zambia. The company identified the opportunity and characterised the demand for dried fruit in a wide range of products and selected the most promising for development. Tropical Wholefoods supports their drying enterprises through helping them to access technical assistance, training and credit.

Source: Tropical Wholefoods. 2003. E-guide and resource pack. CD-rom.

A champion: Uganda Grain Traders Association

In 2002, the maize sector in Uganda reached a critical juncture. In that year, the country experienced a bumper maize grain harvest, which was intended to supply the food relief markets and to be sold into Kenya. However, in 2002, Kenya, which normally experiences a 2000-300,000 t maize deficit, had an unexpected surplus. Prices crashed and farmers were left unpaid. At this point, John Magnay, the chief executive of a local family input supply business, stepped in and set up a local consortium of grain traders and asked the Government of Uganda to provide an emergency line of credit to buy up to 50,000 t of grain. Facilitated by the Ministry of Trade, Magnay then set up a series of meetings with Government representatives from Malawi and Zambia, countries that had experienced severe drought and crop failure. A deal was struck and 30,000 t of grain was sold in Zambia. The effect was to take the slack out of the Ugandan market and rebuild confidence amongst the farmers.

Since that time, Magnay has formalized the traders' consortium under the Uganda Grain Traders logo, UGT, and has continued to buy and sell on behalf of this group in the East African region. John has led several campaigns to improve marketing of grains, among them: a) improving national storage, with a US\$ 3M state of the art storage facility in Kampala, b) supporting the regional market intelligence network RATIN, c) sensitising informal and formal traders on grain quality, particularly for export, and d) establishing a risk fund to support more formal regional trading of Uganda maize grain. Magnay represents Uganda Grain Traders at regional and national forums. He is thus becoming a chain champion for maize, beans and rice trading in Uganda, seeking to make these more formal and lucrative sub-sectors for the producing and trading communities.

Source: S. Ferris, personal communication

correct context and at the right hierarchical level. Participatory processes, if well applied, generate ownership of the results by the intended beneficiaries, introduce new skills and capacity, and build the confidence of the participants, which in turn leads to empowerment. The use of experts has the advantage that since information gathering is extractive in nature, the studies can usually be undertaken more quickly, and they can go to greater depth and breadth. In any situation it is likely that a combination of the two approaches will be required.

1. Selecting products and sub-sectors: matching market opportunities with assets and skills

The selection of products and sub-sectors with which to intervene is a critical and highly strategic step. It involves three inter-related sets of activities:

- a) having a clear understanding of the livelihood assets (natural, physical, human, social and financial) of the communities that make up the territory object of the intervention, placing special emphasis on our target client groups, (their social ranking, investment options, leadership and business skills, traditions and aspirations);
- b) having a knowledge of the opportunities afforded by markets within the territory itself, in adjacent territories, extending from the local to the regional, country, and in some cases to the international level.

The selection of attractive enterprise options for subsequent development into supply chains needs to balance the following criteria:

- a) strength of market demand in terms of volumes and prices;
- b) production feasibility in the territory given the biophysical conditions, infrastructure, access to productive resources and existing livelihood strategies; and,
- c) the interest to the smallholders who are to benefit by the interventions, and
- d) profitability versus investment and risk of the enterprise, assuring compatibility with the means and aspirations of the target population.

Working together to initiate the information gathering process: the interest group

In a highly competitive market environment, the selection of sub-sectors is key to both developing sustainable competitive advantage for the territory (and the farmers involved) and for making sure that benefits can accrue to the more marginalized in the community. Local facilitating organisations, including local government, should work together in developing an appropriate rural enterprise strategy for a given territory. Too often local development agencies work independently and at times compete against each other, and adopt perverse practices that hinder enterprise development. Peacock et al. (2004) highlight the need for coordination among service providers and Lundy et al. (2004) have developed a sequence of steps by which the interest or working group of like-minded R&D practitioners can arrive at a common vision and plan of action for promoting enterprise development in a territory. The opportunity for working together to develop a common strategy has the added advantage of identifying complementarities in the skills of different institutions, while at the same time breaking down institutional barriers and building levels of trust. The process has to be catalysed and initially convened by an institution that sees potential the benefits for achieving

Table 1. Evolutionary stages, or profiles, of smallholder farmers and the degree of maturity of their agroenterprises

Stage	Characteristics	Pre-conditions to enterprise development
1. Subsistence	Individual farmers producing predominantly for their own consumption, selling small surpluses to local markets. Precarious to non-existent access to services and no use of purchased inputs. Low asset accumulation, most vulnerable.	This type of community may require specialist intervention that can be considered as pre-enterprise oriented. Many agencies supply such communities with support processes such as re-stocking assets, after a social / natural shock. This may include provision of: a) food aid, b) seeds, tools, livestock, inputs, c) conflict resolution, d) safety net clauses and interventions.
2. Early stage	Small-scale rural enterprises with low levels of value addition and weak business orientation and incipient social cohesion among group members. Access to services is incomplete and irregular which limit enterprise growth prospects.	Communities at this stage are well positioned to benefit from enterprise oriented interest groups, i.e., co-ordination of agencies that have a common interest in market oriented processes. Service providers should review their competence and staff profiles to ensure quality of marketing services.
3. Developing	Commercially oriented enterprises with higher levels of social cohesion that have incorporated value adding handling and/or transformation processes, and product diversification. Selling into local, regional and national markets. Have access to appropriate services that permit enterprise growth.	These groups will require specialist support in areas of enterprise growth. Service providers and their interest group members should develop strategies that bring specifically needed skills to bear. This may include aspects such as market information, finances, new product development etc.
4. Mature	Farmer enterprises are fully integrated into supply chains producing products that meet market demands in terms of quality and frequency of supply, both nationally and for export. Are capable of identifying and paying for required business development services.	These groups will require support in areas of business management and are likely to be interested in risk capital ventures that will provide them with a forward looking edge in the marketplace. Increasing use of ICT's to support enterprise development and growth.

the goals of the institution through partnership.

Characterising assets and potential beneficiaries

Methods and tools used for the characterisation of livelihood assets are well documented (Scoones, 1998). Often characterisation includes well-being or wealth ranking to profile rural inhabitants. For agroenterprise related interventions a profiling of smallholder farmers and other agriculturally related actors such as processors, according to their relative level of market orientation and organisation is needed. It can be helpful to categorise rural producers according to four agroenterprise development phases based on their degree of organisation, the level of integration with the market, the types of technology employed, and their access to support services⁶. Table 1 shows for each stage some of the pre-conditions that can orient the enterprise development process. The underlying assumption of this profiling is that smallholders need to form groups to effectively access markets. Internal cohesion and trust within groups and between groups of farmers, and building their enterprise orientation are major challenges (see Sautier, this conference).

In any territory it may be possible to identify groups of farmers and other rural actors that correspond to all four development phases. In the poor and remoter rural areas, it is likely that the majority of farmers will be in the subsistence and early stages of the development gradient. However, it should be noted that the most vulnerable sector of the population will be landless – that do not appear in this scheme, and they probably derive their livelihood from selling labour to enterprises that are in development stages 2, 3 and 4.

Identifying market opportunities and selecting products

Methods and tools for market opportunity identification and evaluation that can be used to select sub-sectors are less well known or employed. Often only secondary information and local knowledge are used to draw up a long list of options that are then subjected to evaluation using pre-determined criteria (Lusby and Panlibton, 2002). This approach has the risk of a) being over influenced by supply side criteria, b) overlooking emerging market opportunities or c) basing decisions on out-of-date information. Ostertag et al. (2004) provide a method for market opportunity identification, which can be designed to meet the specific needs of a particular territory. It involves a rapid market survey followed by an evaluation of each of the most promising products identified against market, production and financial criteria. The options that do not meet these criteria are discarded. The products that remain are then subjected to participatory evaluation to identify those that are most attractive to the target farmers based on the criteria that the farmers themselves consider to be most important.

⁶ This categorisation builds on the analysis of rural post-harvest and agribusiness enterprises in developing countries (Mrema and Rolle, 2002) and complements a similar definition of the stages proposed by IFDC (2001) for the development of agricultural input supply systems.

This method requires that the persons undertaking the study have skills in conducting market surveys, have basic crop and livestock management knowledge and are capable of undertaking simple financial analysis. When this type of study is conducted in urban centres that access food supplies from different areas, it will provide information useful for a number of territories and not only the one that is the target of the intervention. In Kampala, the method was employed to identify market opportunities for urban and peri-urban farmers (Nyapendi et al., 2003), and then expanded to provide the National Agricultural Advisory Services (NAADS) with market information on the products selected for development by NAADS farmers from different districts during their preferred enterprise selection process (Nyapendi et al., 2004).

The principles of the Ostertag method can be adapted for use by a market facilitator at the community level where levels of farmer or other rural producer participation can be increased (Best, 2002; Sanginga et al., 2004). In this case, it is usual for the community or farmer organisation to elect a group of 4 to 6 farmers to represent them in undertaking the market opportunity identification and enterprise selection process, periodically providing feedback and consulting with the larger group. Box 3 describes the process in

Because of the logistic and cost implications of facilitating farmers to undertake this type of market research, the analysis is typically narrower, focusing on fewer product categories and market outlets, than the more formal survey described above. However, it has proved to a powerful tool for expanding the horizon of farmers, opening their eyes to opportunities that they had never previously imagined. For many farmers it may be the first time that they have visited markets beyond their immediate locality and with a view to compare and contrast products rather than simply to negotiate prices for sale. When well conducted, the process of participatory market research and enterprise selection enhances farmers' understanding of the major purchasing conditions and requirements with respect to price, quality, volumes and frequency of delivery etc. It should also provide important contact information with traders who could in the future become purchasers of their produce, and is therefore a first step in forging potential market linkages. Box 4 describes how this process was undertaken with a community in Kabale District, Uganda.

Achieving balance among selection of sub-sectors

The selection of products and sub-sector(s) for development need to explicitly address how the selected farmer groups will benefit from either a) establishing new, or b) increasing the operational effectiveness of existing productive activities, through improved market linkages. A strategy for a territory may focus on groups of farmers at a particular development stage, or may attempt to achieve benefits across development stages. Opportunities for directly incorporating the landless can be explicitly addressed. These might include activities that can be undertaken in reduced spaces, such as the rearing of small animals, production of mushrooms, herbs or medicinal plants. Alternatively, the strategy might be to develop new or existing enterprises, which through growth can provide employment opportunities for those without land. A dynamic local agricultural sector should provide opportunities for growth in local service provision (Poulton et al., 2001).

Box 4. Participatory market research for enterprise selection in Muguli B community, Kabale District, Uganda

Muguli B is a community of 47 farmers located in the hills of Southwest Uganda that is supported by the international NGO Africare. In 2001, the community initiated an integrated process to improve their capacity to identify and develop income generating enterprises and improve their household food production through market research to select attractive options coupled with field experimentation of cash and food crops. The community selected 5 of their members to represent them in a marketing committee. This committee, facilitated by Africare, pre-selected six products on which to undertake market research: coffee, pyrethrum, eggs, pork, and cabbages. These six were selected for their present cash income generating potential (potato, cabbages) and because the farmers had observed that other farmers in the area were profitably producing the products (pyrethrum, coffee, pork and eggs). For each product, the members of the committee visited market outlets and gathered information on prices, volumes and frequency of delivery, quality requirements and payment conditions. Similarly they also visited farmers that were already producing the products commercially to collect information on production practices, inputs and costs. Armed with this information on markets and production, they calculated the cost benefit for each. The results of the visits and the economic analysis were shared with the whole community who discussed and used their own criteria to evaluate the options. The community eventually selected pyrethrum and eggs for enterprise development. The advantages that they saw in these products were:

For pyrethrum

- a) Its production and sale are economically attractive.
- b) A local company purchases pyrethrum flowers. The company provides seed, technical assistance and collects the dried flowers at collection centres close to the areas of production.
- c) Pyrethrum can be grown on high ground and in soils that are not so suitable for food crops, on farmers' lots that are sub-utilized at present.
- d) The women of the communities were favourably disposed to pyrethrum as they see it as an opportunity for men to become more engaged in agriculture, and hopefully spend less time in unproductive activities such as brewing and drinking.

For eggs:

- a) Their production is economically attractive and there is high demand for local eggs.
 - b) Poultry is an activity that can be undertaken close to the house and is easy to control.
 - c) The enterprise will provide an income earning opportunity for women.
-

2. Planning for increased enterprise and supply chain competitiveness

Market chain and sub-sector studies

Following product selection, a more in depth analysis of the supply chain or sub-sector⁷, for the selected product(s) is required, through which specific actors are identified and characterised, relationships among actors are understood, bottlenecks are identified and actions proposed for overcoming them.

⁷ In this paper we are using the following definitions: A sub-sector refers to all the actors and services that are financially and socially linked as products, information and finances flow from producers through intermediaries to consumers for a particular commodity. Usually a sub-sector analysis is undertaken at a national level. A market chain has a similar definition, but may be undertaken at more local level and provide a partial view of the total commodity sub-sector. Supply chains (some use the term value chain) are market chains with a greater level of social and business integration between partners along the chain.

The area of market chain and sub-sector analysis has received a lot of attention over the last decade and many methods and techniques are available (see the Guide to Developing Agricultural Markets and Agroenterprises on the World Bank web page www.worldbank.org). The majority of methods are designed to be undertaken by professionals, and should capture information that characterises all three levels of the ITDG Market Map: the market chain itself, the business and extension services, and the factors in the enabling environment that affect the performance of the sub-sector (Hellin et al., this conference). Some methods, such as Holtzman (2002) provide the steps for generating information, but do not go into details of how to prioritise bottlenecks or constraints for subsequent implementation. The method described by Lusby et al. (2002) provides tools for prioritisation and pays special attention to business service assessment. These methods rely principally on secondary information, key informants, structured and semi-structured interviews and focus group discussions. They stress the need for 'a multidisciplinary person or team skilled in economic analysis, business needs assessment, participatory workshop facilitation, and enterprise development' (Lusby et al. 2002), and 'knowledgeable analysts' (Joss et al., 2002), with a 'cross-country comparative perspective' (Holtzman, 2002). The outputs are recommendations on:

- Policy and regulatory reforms,
- Innovations in technology, institutional arrangements, and organisation or coordination of marketing functions, and
- Further, more focused research.

In East Africa, over a period of five years from 1999 ASARECA's⁸ FOODNET programme built a capacity for undertaking these types of studies and completed them for the major commodities of the region. There are plans to strengthen the capacity of the major agricultural universities in the region in the use of these techniques (S. Ferris, personal communication).

If resources are available to undertake them, market chain/sub-sector studies provide a more complete picture of how the sub-sector operates. Such analyses provide a broad vision of the many different market opportunities and market chains that function for a particular product. These, options can be used to select the most appropriate market chain for the target beneficiaries.

The methods mentioned above are by and large extractive in nature and provide a bird eye's perspective of a sub-sector. As such they characterise linkages between actors and at best observe whether trust exists or not. Supply chain management (SCM), a concept that has gathered pace over the past 15 years, goes beyond market chain or sub-sector analysis to look at "the management of relationships between the businesses responsible for the efficient production and supply of agribusiness products from farm level to consumers, as a means of reliably meeting consumers' requirements in terms of quantity, quality and price" (Woods, 2004). The methods employed in SCM explicitly consider what is termed 'relationship marketing' with its three key constructs: satisfaction, trust and power-dependence (Batt, 2004). We will look at these in more detail in the following section on trust.

⁸ Association of Agricultural Research in East and Central Africa

Participatory approaches to market chain analysis and project design

Development practitioners – our market facilitators - in the field, need practical methods that can be applied by them, without if possible resorting to the contracting of outside experts. In recent years, participatory approaches have been developed for gathering information on the market chain through facilitated meetings with actors within the chain, and a means of converting the information into concrete action or business plans while building trust among the different actors involved (FAO-CFU, RECOFTC, 2000; Lundy et al., 2004; Bernet et al., 2004; van de Hayden and Camacho, 2004).

Table 2 compares three of the four methods cited above. They show certain commonalities, but with each placing different emphasis on certain areas. The approaches of FAO-CFU, RECOFTC and Lundy et al. initiate the process by selecting among sub-sector options, whereas in the approach of Bernet et al. the sub-sector has been selected *a priori*. In the methodology proposed by Lundy et al., the characterisation of formal and informal support services in terms of quality and cost is more explicitly addressed. The methods of FAO-CFU, RECOFTC (2000), which was developed specifically for tree and forest products, and Lundy et al. (2004) have been used quite extensively under a wide range of conditions and by different development and research practitioners. The authors of this paper are unaware of any documented cross-country or cross-commodity assessment as to the advantages and disadvantages of the respective methods or how different practitioners may have adapted them to local circumstances. The method of Bernet et al. (2004) is still under validation in Bolivia, Peru and Ecuador. All methods are intensive in the use of time and recognise the need for facilitation by persons with an appropriate level of technical knowledge and social skills. They also stress that the approaches do not guarantee success, but have proved in practice a useful tool to strengthen processes of rural enterprise development. Some of the limitations include (Lundy et al, 2004; Bernet 2004):

- Their use can lead to a merely descriptive exercise if processes of negotiation and planning between the actors, and sound financial analysis are not incorporated.
- They require certain facilitation abilities, technical knowledge and an entity or group that leads the process.
- They depend on the willingness of the chain actors to negotiate and collaborate for common gain. Dominance by a key actor is unlikely to achieve the desired results.
- It takes time to build trust-based relationships between chain actors, especially if a history of mistrust exists.

Boxes 5 and 6 describe two cases where the use of participatory processes brought different actors together to identify means of identifying new opportunities and for overcoming bottlenecks and constraints and which have resulted in income increases for the participating farmers and building of confidence to engage in the market.

As mentioned above, ideally if resources permit, formal and participatory methods of market chain analysis should be combined. Formal studies can provide greater depth and more quantitative results upon which to base decisions; they may also be able to gain greater understanding of the factors in the enabling environment that are favouring or hindering rural enterprise development. They may also, if made explicit in the studies, offer an opportunity of

Table 2. Comparison of three participatory approaches to market chain analysis

Market Analysis and Development (FAO-CFU, RECOFTC, 2000)	Increasing the competitiveness of market chains for small rural producers (Lundy et al., 2004)	Participatory market chain approach (Bernet et al., 2004)
<p>Phase 1. Assess the existing situation</p> <ul style="list-style-type: none"> ▪ Identify the target group ▪ Determine the financial objectives of the target group ▪ List existing resources and products ▪ Identify key constraints of the existing market system ▪ Shortlist a range of products ▪ Raise awareness of the benefits of working together <p>Phase 2. Identify products, markets and means of marketing</p> <ul style="list-style-type: none"> ▪ Analyse the four areas of enterprise development ▪ Select the most promising products ▪ Create interest groups for selected products <p>Phase 3. Plan enterprises for sustainable development</p> <ul style="list-style-type: none"> ▪ Examine the business environment of the selected products/enterprise ▪ Define the enterprise mission, goal and objectives ▪ Develop strategies in each of the four areas of enterprise development ▪ Formulate the action plans to implement the strategies ▪ Calculate financial projections for the enterprise ▪ Obtain financing as specified in the capital needs statement ▪ Initiate the pilot phase and training ▪ Monitor progress and deal with change 	<p>Phase 1. Preparation</p> <ul style="list-style-type: none"> ▪ Selecting a market chain ▪ Planning and executing a rapid market survey ▪ Identifying and convening key actors in the market chain <p>Phase 2. Information gathering</p> <ul style="list-style-type: none"> ▪ Participatory market chain analysis <ul style="list-style-type: none"> - Formation of working groups by function - Mapping the market chain - Evaluating business development services - Market chain history - Evaluating organisation strengths <p>Phase 3. Design, planning and negotiating</p> <ul style="list-style-type: none"> ▪ Analysis of critical points in the market chain and prioritisation of interventions ▪ Negotiating among actors the strategy and interventions required to increase competitiveness ▪ Monitoring a market chain's competitiveness 	<p>Phase 1. Diagnostic research to understand key actors</p> <ul style="list-style-type: none"> ▪ Identification of market chain actors ▪ Characterisation of activities, interest, ideas and problems ▪ Prioritisation and selection of opportunities <p>Phase 2. Definition and analysis of business opportunities</p> <ul style="list-style-type: none"> ▪ Participatory in-depth market and enterprise analysis of each identified opportunity <p>Phase 3. Implementation of joint market innovations</p> <ul style="list-style-type: none"> ▪ Interventions that may include: <ul style="list-style-type: none"> - Design, development and launching of new products - Introduction of new technologies that increase efficiency - Establishment of new institutions or services in support of enterprise development

identifying a chain champion. This aspect has probably not received the attention it deserves and has led to over emphasis being paid to developing farmers groups to the exclusion of identifying and supporting a chain champion who may provide the demand pull so essential for enterprise success. Participatory approaches, on the other hand, will generate ownership of the process by the intended beneficiaries and strengthen their capacity to introduce innovations in their activities in the future, and they also initiate a process of trust building among actors Bingen et al. (2003) compare approaches to human capital development in projects for linking farmers to markets and conclude that those with an explicit emphasis on developing community skills are likely to prove more sustainable when project terminate. At present there are relatively few field level development practitioners that have the required skill set to be able to facilitate the process of participatory market chain analysis and the subsequent development of interventions to enhance a supply chain's competitiveness.

Box 5. Coffee farmers in Yorito, Honduras

Despite the depressed market situation, coffee producers in Yorito, Honduras have found a means of making their coffee more profitable. The Agro-industry Committee of CLODEST, a local consortium of farmer organisations, facilitated the participatory market mapping of the existing coffee chain bringing together producers, processors and traders, which helped identify critical points and enhance communication between the coffee farmers and the local trader. A short-term outcome has been the negotiation with an existing trader of higher prices, and a medium-term outcome was the decision to seek organic certification. A smaller group of 12 farmers have since November 2001 been selling their coffee to the local trader at a 50 lempiras per quintal (US\$ 3.13) while non-participating farmers receive 25 lempiras per quintal (US\$ 1.56). The trader not only provides marketing services but also technical assistance and credit for capital investments needed to improve quality. Recently, the coffee from 45 households was certified as 'transition' and negotiations are under way with a coffee cooperative, which exports organic beans for the German market, to sell their coffee at a premium. These results have been achieved without a formal project and have been brought about through a process that has improved communication and trust between producers and the trader.

Source: Wheatley and Peters, 2004; Lundy et al 2005

Participatory market chain analysis explicitly concludes with the development of an action or business plan that is negotiated among the actors and service providers. The implementation of the business plan requires the continued mentoring and support provided by the market facilitator and other service providers. For example, in the Nyambyumba potato case (see Box 3) the relation with the purchaser Nandos very nearly broke down because of misunderstandings brought about by communication problems. The facilitator needed to be at hand to help sort out problems. There is little written about the length of time that a small rural enterprise requires mentoring. Experiences in urban settings where private sector companies volunteer to mentor small businesses that are getting started suggest that a three year period is required, over which time the intensity of mentoring gradually diminishes (S. Street, personal communication). This is a factor that is seldom appreciated by development organisations, which for reasons of funding and programming have to move on from supporting specific farmers groups after a certain period.

Box 6. Market Analysis and Development method applied to NTFPs in Tabanani Village, Central River Division, The Gambia.

At the end of 2000, the Gambia Forestry Department adopted FAO's Market Analysis and Development (MA&D) approach to assist communities in the creation of income generation activities from community forests. The objective was to train the Forestry Department personnel in MA&D methodology in order for them to facilitate the development of community-based enterprises utilising products, resources or services from community forests. After just a year of the introduction of the MA&D approach, six villages decided to coordinate their approaches, with the purpose of establishing a stronger position for access to information and for negotiating the sale of their forest products. An important result of the MA&D approach has been the identification by villagers of new and more valuable uses of NTFPs. For example, the leaves of the rhun palm are normally used as fencing material, mostly for on-farm use. Rhun palm splits were sold previously at GMD 15 a piece to buyers who resold the same split for GMD 80 on the market. Within a year, the villagers had established a selling point in the market and were selling their splits for GMD 70. In addition rhun palm is now used to build furniture, which is also sold in the market. Other villagers have become aware of these results and the potential income generation opportunities offered by forest management. 26 villages have adopted the MA&D approach where this new way of thinking is now being extended to the marketing of other resources (crops, fruits, etc.). Villagers realize that they can have a much stronger bargaining power when they are well organized and better informed.

Source: www.fao.org/forestry

3. Strengthening services for enterprise growth

Historically it has been common practice for donors and governments to intervene in the market for business development services (BDS) by financing public provision or permanently subsidising services delivered by others, such as non-government organisations. This has had the consequence of development organisations stepping into provide services, transport is a good example, that because they are financed by donors are unsustainable once project support is terminated. This approach has the effect of crowding out commercial providers of services (Committee of Donor Agencies for Small Enterprise Development, 2001).

While development organisations may be aware of the negative effect of these practices, they lack expertise to facilitate alternative approaches that seek to promote sustained increases in both the demand for and supply of services. This paradigm shift in the role of development organisations – from a provider to a facilitator of services - is a major challenge since it requires a change in attitude, behaviour and role of donors, governments and development practitioners. In the transition, we can observe major contradictions and conflicting responses to development needs, with organisations espousing a market orientation for farmers, while in different parts of the same organisation attitudes and practices continue to support an interventionist policy with respect to service provision.

Assessment of Business Development Services

If our development objective goes beyond the linking of selected farmers producing one particular product to one particular market, then there will be the need to assess BDS needs and subsequent interventions on those critical services whose improvement will benefit the widest number of our target beneficiaries. There are a number of services that are non sub-

sector specific, such as market information, business management and legal services, finance etc. whose improvement can benefit a wide range of rural producers. The regional marketing network in Eastern Africa, FOODNET, supported the development of market information, as this was considered to be an equitable way in which to support a number of enterprise options (Ferris et al., 2005).

Current thinking on the provision of business development services for small enterprises is championed by the Small Enterprise Education and Promotion (SEEP) Network (<http://www.seepnetwork.org/bdsguide.html>). The SEEP network provides an overview of the methods that can be used to make an assessment of services by sub-sector and across sub-sectors. Techniques that are described include sub-sector and market chain analysis, rapid appraisal techniques, general small enterprise surveys, specific BDS market assessment tools, needs assessment through clusters and networks, etc. As well as these formal information gathering methods, action research or what is termed an 'incremental approach' can be employed, which puts emphasis on learning and developing in-depth relationships with the enterprises that a facilitator is working with and to learn together in an incremental fashion about service provision needs (Hileman and Tanburn, 2000). For a market facilitator immersed in a local enterprise development situation, he or she will need to adapt and combine methods to suit the particular circumstances and resources available.

Trust in supply chains

Supply chain management

The previous sections have concentrated on the process of agroenterprise development with the purpose of identifying the moments when opportunities for linkages become evident and the role of the market facilitator in catalysing relationships between market chain actors becomes clearer. Earlier in this paper, we mentioned the emergence of the supply chain management concept that examines the relationships between businesses as a mean of better meeting consumer requirements for products and services (Woods, 2004). SCM is about implementing practical improvements to allow a supply chain to be more competitive and more responsive to consumer demands. It requires active management initiated by one or more members of the supply chain: our chain champion. The study of SCM draws on several disciplines, one of which is relationship marketing. Relationship marketing recognises the importance of commitment and trust in business-to-business relationships, and that such relationships are dynamic and can develop only over time (Woods, 2004).

Batt (2004) summarises the advantages for both suppliers and customers arising from long-term relations and concludes that the greatest benefit is the reduction in uncertainty on both sides. The key positive constructs of relationship marketing are satisfaction and trust, and these manifest themselves in the following ways:

- Satisfaction has to do with the degree to which a preferred supplier's performance meets the customer's expectations. Satisfaction increases when performance exceeds expectations and vice versa.

- Trust in a relationship is considered critical in situations where there is risk and incomplete buyer information with respect to the quality or performance of the product or service being supplied.

The differentiation of trust at three levels made by Sako (1992, see Batt, 2004) helps categorise behaviour that is readily observed in rural agroenterprise situations. *Contractual trust* is an expectation that the exchange partner will abide by their written or oral contractual obligations and act according to generally accepted business practice. A common complaint often levelled against small farmers is their habit of 'breaking' agreements to sell to a particular trader or company if they are offered higher prices by others. *Competence trust* is derived from the assumption that the entrusted firm will carry out the activities competently and reliably. Both farmers and the private sector often have little faith in the ability of, for example, the public sector to deliver quality and reliable extension services or provide an enabling environment for business transactions to proceed smoothly. *Goodwill trust* arises where both parties have developed mutual expectations that the other will do more than what is formally committed to perform. This is the ultimate in trust category in that it accommodates an understanding that if things go wrong for either party, there will not be an immediate breakdown in the relationship.

Functions of social capital in rural agroenterprises

Johnson et al. (2002) help to place trust in the wider perspective of the role of social capital as an input into the process of agroenterprise development. In a study of 50 rural agroenterprises in Colombia they identified three principal functions played by social capital:

- Acquisition of information via information networks;
- Reduction of uncertainty and monitoring costs through trust-based relations, and
- Establishment and maintenance of collective action

On making a comparative analysis across and within enterprises, it was found that the use of the different functions of social capital were highly correlated and that social relations do perform an economic function within enterprises, as measured by revenue per worker. This suggests that enterprises do benefit from broadening their networks and by strengthening their existing relations with other actors in the supply chain. Johnson et al. postulate that the fact enterprises use personal relations for professional objectives is a sign of market failure. They surmise that the extent to which technological or institutional innovations can reduce the reliance on personal relationships and promote the emergence of alternative suppliers and markets for services that are currently provided through social capital, both efficiency and equity are likely to increase. It is in this additional light that the following presentations in this conference, on producer organisation, information access and satisfying buyer standards should be seen. Johnson et al. recommend that when assessing business development services and the design of interventions to strengthen their provision careful attention is given to which types of business development service are currently being provided by which types of relationships and why.

Conclusions and implications

There is increasing evidence that building skills and social capital are critical elements for improving business opportunities. It is also clear that if farming communities are not to sink further into poverty that greater investments are required to assist this community to develop their skills, expand their linkages within the marketing environment and build trust based relationships with different actors.

Process

We have placed a heavy emphasis on the process of enterprise development. We consider that process is important because a) it makes you define where you are now and where you want to get to, and b) it helps you to identify possible steps that you need to take to get where you want to be headed. We chose to illustrate this with the territorial approach to rural agroenterprise development, which involves a sequence of steps and important elements that include:

- Interest group formation and characterisation of a territory
- Organisation of farmers
- Identifying markets and chain analysis
- Developing a strategy and a business plan with chain actors
- Strengthening support services for selected market chains
- Advocating for policy changes

Each step involves different stakeholders (partners, actors, service providers, policy makers etc.) and is therefore a mechanism for identifying the potentially useful links that need to be established to achieve success. These links can be highly beneficial for business development but as investment and or risk increases, the need for mutual respect and trust will play an ever-increasing role. Our challenge with respect to frameworks and approaches to agroenterprise development is to make them sufficiently clear, flexible and uncomplicated so that they can be understood and adapted to different situations by local development practitioners and communities.

Facilitators and champions

Those in the field that observe trust building processes know that they take time, they will not occur over night and that they require facilitating and championing. What are the implications?

Development practitioners – both from government and non-government organisations - now have to more clearly define their roles: are they facilitators of development or are they providers of services? Their natural tendency has to be service providers who have, perhaps unwittingly, distorted market mechanisms by substituting for potentially private service provision. For most institutions this paradigm shift is not easy and is unlikely to be achieved without buy in and support from senior management. It requires changes in attitudes and behaviour, and the learning of new skills. This suggests that there is a great deal still to be done in advocating for the need for change among development practitioners and providing support for organisations that want to make this shift.

Moving toward a market and enterprise orientation means that the skills of front line field facilitators have to be upgraded and complemented. An increasing minority have the required characteristics, but to make a real dent in the magnitude of the challenge, especially in Africa, requires a very large investment in capacity development. Understanding market and business principles, placing emphasis on profitability (\$/ha) rather than levels of production (t/ha), and quality rather than quantity are important elements. In addition skills are required for identifying stakeholders, understanding their motivations and facilitating interactions between them. In many cases development institutions will need to build in-house capacity in these areas, either through retraining or hiring in personnel with appropriate backgrounds, to mentor and support field level facilitators. Experience has shown that capacity building is not a one-off event, but a process that requires iterations of learning, field level practice, analysis of what has been achieved and further learning, practice and analysis cycles (Remington et al., 2005).

As we have seen, champions of supply chains are likely to be private sector actors from within the supply chains themselves or from associated services. Their appearance may be fortuitous and spontaneous or it may be that in existing market situations champions may be 'sleeping', and require external facilitation for them to awaken and play the role for which they were destined. The question for us is how can we improve on the identification of potential champions early in the agroenterprise process, and then facilitate and support would be champions in their role? Is the existence of a chain champion a precondition for the eventual sustainability of an intervention once project funds have run out? How do we know when levels of linkage and trust are at a sufficiently high level that external facilitation is no longer required? This is an area ripe for further research to provide guidance to field facilitators on how to mobilise different actors in support of improved chain performance.

Linkages and trust

Our natural tendency when referring to linkages and trust is to confine this to the actors within a supply chain. However, it is evident that the concept of linkage and trust also applies to relations among different stakeholders at different stages of the agroenterprise development process. This paper has only summarily addressed these needs for relationship building, so we highlight some critical, and perhaps less evident linkages.

Among facilitators and service providers at a territorial level. We have advocated for local institutions and community organisations to come together to develop their vision and strategy for agroenterprise development. This is easy to say but less easy to achieve. The process of bringing partners together requires a convener and facilitator who is able to convincingly argue the case for working together to achieve a common goal and who, while having a clear idea of the what requires to be done, has the ability to build a consensus among group members. The potential partners have to understand that working together will require give and take, and possibly changes in the way that they do things. There needs to be a feeling that interaction, sharing responsibility and learning from each other in promoting local agroenterprise development will be a mutually beneficial experience and will achieve their own institutional goals more effectively and efficiently than by working alone.

Within farmers' groups and among farmers' groups. Establishing and consolidating farmer groups is obviously key to the agroenterprise process that we have outlined (see paper by this meeting). There is much empirical experience on forming groups and organisations that have become experienced in facilitating group formation processes. At the same time there are many examples of failures from which we need to learn. Generating among members a sense of ownership and commitment to their organisation require particular leadership and managerial skills that are often lacking in rural situations.

Between public and private service providers and the farming community. Just as there can be high levels of confidence and trust between communities and their service providers, so the opposite can occur. The various stages of the agroenterprise process are oriented toward characterising these relations through canvassing the opinions of users of the services and identifying appropriate means of making service provision more effective. The expectation is that as rural communities' capacity to manage their own change increases, so they will become effective at demanding and accessing the services that are useful to them, and in reaction to this, service providers will become more responsive to the needs of their clients.

Between research and development institutions, and the private sector. The relation between research and development has been largely hidden in our discussion, as we have lumped together those that provide research services and those that provide more development type services. Striving for and maintaining competitiveness and relevance requires that businesses and institutions innovate. The process of innovation needs to be on going. Processes of innovation can occur at any level, they do not necessarily require great investments in either highly qualified personnel or resources. However, they can be greatly enhanced by access to information and new knowledge. So, establishing productive relations, trust and mutual respect between research and development institutions and between these and the private sector that are focused on resolving the constraints and bottlenecks to the competitiveness of supply chains will be a further key to achieving better rates of success (Hall et al., 2003).

Between civil society organisations, government policy makers and donors. This leads us to the connection between micro and meso level interventions and the macro or policy related issues that are likely to favour or hinder success on the ground. However good we may be at developing frameworks, approaches, methods and tools, all these are likely to have limited impact if relations with decision makers, whether they be those that make policies or provide the resources that make our work possible, are weak and affected by high levels of scepticism and lack of confidence from either side. In many developing countries, and particularly in Africa, governments have a poor reach among rural people, they are viewed as being less than competent and officials are often corrupt. These conditions lead to less than satisfactory levels of confidence and trust in these institutions either at a local or national level. The same applies to the donor side. Confidence is strained when conflicting approaches are espoused among and even within donor and lead technical assistance agencies. This is compounded by what appears to be a lack of commitment by developed countries to confront and find solutions to some of the root causes of the huge inequalities that exist between rich and poor, if to do so goes against their own interests. These are global issues and need to be tackled at that level by those whose mandate it is to do so: the World Bank, the UN system, the World Trade Organisation, the political bodies that represent developed and developing countries, and the

international research and development community. Moving towards achieving higher levels of mutual understanding and agreement around what the problems are and possible options for resolving them, and greater levels of trust and mutual respect among these various actors is as important as achieving progress at the micro and meso levels.

Interrelatedness of interventions

The challenges of making markets work for the poor are significant. However we are not starting from zero, and there is a wealth of experience and knowledge that has been accumulated over the years. We also have globally, and to a certain extent regionally and nationally, strong institutional structures through which to work and on which to build future interventions. There are initiatives that are on going or being conceptualised, which should be strengthened or supported so that they eventually achieve their desired impact. We will mention just three as examples of these initiatives related to linkage of farmers to markets that are relevant when considering future directions.

- a) The review of the Strategic Priorities of Consultative Group on International Research (CGIAR). The CGIAR has had and still has a predominantly food production orientation. However, the Group now recognises that improvement of smallholder farmers' livelihood cannot depend alone on the production of food staples. The Group is examining the most appropriate way of incorporating research on smallholder production, processing and marketing of high value crops. In other strategic priority areas emphasis is being placed on smallholder competitiveness, institutional capacity building and farmer organisation. A first challenge is to acknowledge the need for interconnectedness in the components that make up a strategy for linking farmers to markets. The second challenge is to achieve much greater levels of complementarity among the system of semi-autonomous research centres with respect to market and enterprise development research. The topic merits a system-wide or challenge programme approach to harness synergy and generate innovative approaches and to encourage partnership with others that can provide complementary expertise.
- b) The Food and Agricultural Organisation (FAO) has invested considerable resources and time to develop a Global Post-harvest Initiative: Linking Farmers to Markets in collaboration with the Global Forum on Agricultural Research (GFAR) and the Post-harvest consortium (*PhAction*). The strategic framework for the initiative, which was developed through an exhaustive consultation among stakeholders in five regions, espouses a forward looking market and enterprise orientation for smallholder production that considers the integrated nature of producer to consumer linkages, and the need for interventions to be based on wide stakeholder participation in decision making and implementation. Taking the strategy from the design to implementation phase requires high level of integration within and between the individual organisations that are the key proponents. If successful managed, the initiative could provide an important vehicle for raising awareness of international and national government policy makers and an integrating function among interventions at the meso level across regions.
- c) Regional and sub-regional agricultural research fora. Almost without exception, regional and sub-regional agricultural research fora have identified post-harvest and agribusiness research as a high priority. Competence and experience in sub-sector approaches and market chain studies and analysis varies from region to region, and largely the smallholder

sector has not been the focus of attention in terms of enhancing supply chain performance. With the gradual incorporation of civil society organisations (NGOs and farmers' organisations) into decision-making processes of the fora, the voice of the smallholder is becoming more evident. This is leading to a demand to address this particular vacuum and presents opportunities for investing in the reorientation and strengthening of the capacities of national agricultural research organisations to focus on resolving constraints and bottlenecks to supply chains market in which smallholders are key actors.

These are just three initiatives that could be harnessed, strengthened and built upon. The situation in rural areas with respect to poverty, and especially Africa, is serious. If as projected Sub-Saharan Africa slips even further behind over the next decade, and other regions continue to gain in competence, services and infrastructure, apart from being a disaster for humanity, it could mean the collapse of market solution for smallholder farmers' livelihoods. If we are proposing to turn the situation around we are going to need to be inventive in research and development, but also forceful in supporting those that are advocating for changes in the enabling environment that will make market solutions work for the poor.

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