

Strategy Paper: A Participatory and Area-based Approach to Rural Agroenterprise Development



S. Ferris, R. Best, M. Lundy, C. Ostertag,
M. Gottret and T. Wandschneider



The International Center for Tropical Agriculture (CIAT) is a not-for-profit organization that conducts socially and environmentally progressive research aimed at reducing hunger and poverty and preserving natural resources in developing countries. CIAT is one of the 15 centers funded mainly by the 58 countries, private foundations, and international organizations that make up the Consultative Group on International Agricultural Research (CGIAR).

CIAT also receives funds for research and development services provided under contract to a growing number of institutional clients.

Information and conclusions reported in this document do not necessarily reflect the position of any donor agency.

About the Partners

Agro-Viet

The Vietnamese Ministry of Agriculture and Rural Development founded from ministries related to agriculture and rural development has responsibility to implement the function of State management in agriculture, forestry, irrigation and rural development. The Ministry has 16 main duties related to agricultural research, development and enterprise.

ASARECA FOODNET

FOODNET is ASARECA's post harvest and market research network for East and Central Africa. The network was established in 1999 and focuses on market analysis studies, market information, agroenterprise development, and related business development support services. FOODNET works in collaborative partnerships with research and development partners from the public and private sector. (ASARECA-Association for Strengthening Agricultural Research in Eastern and Central Africa).

CARE

CARE International is a global humanitarian organization working with over 45 million people in 70 of the world's poorest countries. CARE tackles underlying causes of poverty so that people can become self-sufficient. Recognizing that women and children suffer disproportionately from poverty, CARE places special emphasis on working with women to create permanent social change. Women are at the heart of CARE's community-based efforts to improve basic education, prevent the spread of HIV, increase access to clean water and sanitation, expand economic opportunity and protect natural resources. CARE also delivers emergency aid to survivors of war and natural disasters, and helps people rebuild their lives.

Catholic Relief Services

Catholic Relief Services was founded in 1943 by the Catholic Bishops of the United States. Their mission is to assist the poor and disadvantaged and promote development of all people and to foster charity and justice throughout the world. CRS operates on 5 continents and in over 90 countries. CRS aids the poor by first providing direct assistance then encouraging these people to help with their own development.

Cipasla

Cipasla, an inter-institutional consortium that fosters sustainable agriculture in hillsides, was founded in 1993 and is based in Pescador, a village in northern Cauca Department, located in south-western Colombia. In its first phase, Cipasla included twelve public and private agencies and its structure involved a Support Committee consisting of representatives of the institutions and the Association of Beneficiaries, whose members are representatives of the community. Cipasla's agenda encompasses community organization, environmental education, soil and water conservation, integrated crop management, marketing and agro-industry. Several CIAT projects have implemented research activities in this location, which is considered as a reference or pilot site.

CLODEST

CLODEST is a local inter-institutional committee that promotes sustainable development agriculture in the pilot region of Yorito-Sulaco, in north-central Honduras. This region includes plains and hillsides. CLODEST members include farmer associations, development NGOs and CIAT. CLODEST conducts activities around community organization, environmental education, soil and water conservation, integrated crop management, marketing and agro-industry. Several CIAT projects have implemented research activities in this location, which is also considered as a reference or pilot site in Central America.

CooVersalles

CooVersalles, founded in 2000, is a dairy cooperative located in Versalles, a town in northern Valle del Cauca Department in south-western Colombia. CooVersalles has 60 members, mostly small-scale cattle-raisers and farmers, and sells cold milk to processing plants. This cooperative has been very active in obtaining technical training and support and has undergone an action-research process, led by CIAT, focused on strengthening its business and market orientation. This has resulted in growing sales, membership and the consolidation of CooVersalles as a dynamic farmer organization.

Corpotunía

Corpotunía, a local rural development NGO, was founded in 1986 by community leaders and development NGOs and operates in the Cauca Department, located in south-western Colombia. Corpotunía executes development projects funded by the Colombian government and international donors. It is a member of a research and development network in which CIAT also participates, and makes use of participatory methods and tools with a business and market orientation, developed by CIAT's Rural Agroenterprise Development Project.

NAFRI

The National Agriculture and Forestry Research Institute of the People's Republic of Lao, was established in 1999 in order to consolidate agriculture and forestry research activities within the country and develop a coordinated National Agriculture and Forestry Research System. NAFRI aims to contribute to the goals of the Government of Laos by focusing on adaptive research in order to provide technical options, recommendations and results to support agriculture, forestry and fisheries development and strategic formulation of policies and programs in accordance with the government policy. The major role of NAFRI is to coordinate all agriculture research within Laos and collaborate with national and international organizations to improve information sharing.

SNV

SNV is a Netherlands-based, international development organization that provides advisory services to nearly 1800 local organizations in over 30 developing countries to support their fight against poverty. SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. SNV works with organizations that operate at district and provincial level and function as linking pins between national policies and frameworks and the people living in towns and communities. Its clients include private, governmental and civil society organizations.

About the Donors

CIDA

Canadian International Development Agency's mandate is to support sustainable development in developing countries to reduce poverty and contribute to a more secure, equitable, and prosperous world. The Agency's work is concentrated in the poorest countries in Africa, Asia, and Latin America. CIDA's program is based on the Millennium Development Goals, which it contributes through four key areas: Social development, Economic well-being, protection, conservation, and management of the environment and Governance.

DFID

The Department for International Development (DFID) is the part of the UK Government that manages Britain's aid to poor countries and works to reduce extreme poverty. DFID's work aims to bring people out of poverty through programs that settle conflicts, increase trade and improve health and education.

GTZ

The work of the German Technical Agency, GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) provides international cooperation for sustainable development. GTZ operates on a worldwide basis, provides viable, forward-looking solutions for political, economic, ecological and social development in a globalized world. GTZ supports complex reforms and change processes. All our activities are geared to improving people's living conditions and prospects on a sustainable basis.

IDRC

The International Development Research Centre (IDRC) is a public corporation created by the Parliament of Canada in 1970 to help developing countries use science and technology to find practical, long-term solutions to the social, economic, and environmental problems they face. Support is directed toward developing an indigenous research capacity to sustain policies and technologies that developing countries need to build healthier, more equitable, and more prosperous societies.

NZAID

NZAID is the Government's International Aid and Development Agency. The agency is responsible for delivering New Zealand's Official Development Assistance and for advising Ministers on development assistance policy and operations. NZAID places a high priority on building strong partnerships and concentrates its development assistance on activities that contribute to poverty elimination by creating safe, just and inclusive societies, fulfilling basic needs, and achieving environmental sustainability and sustainable livelihoods. NZAID supports projects in the Pacific region, Asia, Africa and Latin America.

SDC

The Swiss Agency for Development and Cooperation (SDC) is organized and funded by the Swiss government and operates by financing programs both directly and in partnership with other agencies to countries around the world.

USAID

The United States Agency for International Development is an independent federal government agency that aims to further America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world. USAID supports long-term and equitable economic growth and advances U.S. foreign policy objectives by supporting: economic growth, agriculture and trade; global health; and, democracy, conflict prevention and humanitarian assistance.

CIAT Rural Agroenterprise Development
Good Practice Guide 1

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CooVersalles



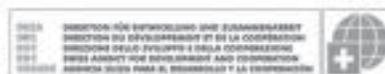
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1. Agroindustrial sector. 2. Partnerships. 3. Research networks. 4. Organization of research. 5. Socioeconomic environment. 6. Market research. 7. Innovation. 8. Rural development. 9. Trade policies. 10. Case studies. 11. Colombia. 12. Honduras. 13. Uganda. 14. Lao.

Local descriptors in English:

1. Agroindustrial development. 2. Participatory research.

AGROVOC descriptors in Spanish:

1. Sector agroindustrial. 2. Coparticipación. 3. Proyectos de investigación. 4. Organización de la investigación. 5. Entorno socioeconómico. 6. Investigación de mercados. 7. Innovación. 8. Desarrollo rural. 9. Política de comercio exterior. 10. Estudios de casos prácticos. 11. Colombia. 12. Honduras. 13. Uganda. 14. Laos.

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Preface

This strategy paper provides an overview of CIAT's approach to rural agroenterprise development. The participatory and area-based or "territorial" approach is made up from a number of methods and tools that have been developed by the Rural Agroenterprise Development Project team and its partners through project work in Latin America, Africa and Asia over the past 10 years. The aim of this set of methods and tools is to meet the entrepreneurial development needs of service providers¹, i.e., those institutions and agencies that support the development of rural communities. The methods can be used for capturing and systematizing market information leading to the development of new agroenterprises and effective local business development services.

The goal of this work is to enable service providers to empower rural communities to engage more effectively in the marketplace so as to increase their income, their capacity to innovate and ultimately improve their livelihood options. To date, the titles in the CIAT agroenterprise "good practice guide" series include:

- **Strategy Paper: A Participatory and Area-based Approach to Rural Agroenterprise Development.**
- A Guide to Developing Partnerships, Area-based Resource Assessment and Planning Together.

1. The term service providers refers to public agencies for research, extension and local administration and private sector actors and agencies involved in inputs, extension, business planning, finance, market facilitation, storage, etc.

- A Guide to Identifying Market Opportunities for Smallholder Producers.
- Strategies to Improve the Competitiveness of Market Chains for Smallholder Producers.
- Evaluating and Strengthening Rural Business Development Services.
- A Market Facilitator's Guide to Participatory Agroenterprise Development.
- Collective Marketing for Smallholder Producers.
- A Guide to Rapid Market Appraisals to Support Smallholder Agroenterprise Development.
- A Guide to Policy Analysis for Smallholder Agroenterprise Development and Advocacy.

Note to users

Service providers should read the guides in their entirety, to absorb the ideas and concepts prior to going to the field. Our experience has shown that best results are attained when these processes are not implemented in a mechanical manner; rather that the principles are interpreted and adapted to local conditions based on the marketing environment, available resources, social dynamics and anticipated scale of implementation.

We believe that integrating marketing and business concepts into rural development processes is a vital element in a sustainable, growth-based, research and development process. We hope that the methods outlined in this guide are useful and provide service providers and local community actors with the skills that will assist them to meet the challenges of today's dynamic and liberalized world.

Discover your Innovation

Acknowledgments

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We acknowledge the dedicated support that we receive from our colleagues in these institutions and the collaboration of the many farmers and traders that were involved in the development of

the methods and tools described. Our CIAT colleagues of the Rural Innovation Institute and others projects also provide invaluable input.

We give our special thanks to CIDA, DFID, IDRC, NZAID, SDC for their logistic and financial support over many years which have enabled partners to learn, discover and create this body of knowledge.

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Introduction

Seventy percent of people living in extreme poverty are located in rural areas of developing countries. External global trends have led to rapid changes in the rural environment with smallholder producers becoming increasingly marginalized due to their lack of competitiveness. There is an urgent need for these producers to adopt innovative methods of using their labor, resources and changing their skills base to take advantage of existing and new business opportunities. In our view the prospects for rural communities that only receive support for production-based development and subsidized services are bleak.

This paper describes a strategy developed by CIAT's Rural Agroenterprise Development (RAeD) project, to address the entrepreneurial development needs of institutions that support rural communities. The methods, tools, learning approaches and research agenda described, were developed as a result of many collaborative projects undertaken over the past 10 years in Latin America, Africa and South East Asia. These methods focus on realizing new agroenterprise opportunities. Key elements in the strategy include ways to:

- Develop partnerships, evaluate project site resources and prepare joint plans.
- Evaluate market trends, demand and identify market opportunities.
- Develop business plans to foster rural enterprises, and business support services.
- Assess project performance and introduce mechanisms for scaling up.
- Share knowledge and effect institutional change towards market oriented innovation systems.
- Advocate for improved marketing and trade policies.

The agroenterprise approach was developed in response to demands from partners requiring a methodical process for shifting from a focus on increasing production of a specific commodity, to identifying and responding to market demands. The aim was to enable service

providers¹ to assist communities in increasing the competitiveness of existing products and to facilitate a systematic approach for diversification into alternative and higher value products.

The approach is designed to promote a “market chain” perspective that can support the development of new productive enterprises and new services and also strengthen business relationships between producer groups and higher order market chain actors rather than only focusing “on farm”. The methods emphasize the need for a continual process of innovation as a means to tackle the dynamic nature of markets and to use collective action and clusters of groups as a means to shift from pilot projects to scale, in a competitive manner.

Although simple in nature, the task of incrementally building marketing skills, is a serious challenge for resource poor farming communities, their public and private sector support services and large scale buyers. Typically rural communities produce small amounts of low value, often low quality commodities and many of the traditional commodities are steadily declining in their value. Smallholder producers are also facing increasing competition from medium to large-scale producers. Consequently, the majority of smallholder families find themselves on a production “treadmill” whereby millions of farmers produce the same undifferentiated commodities, using traditional, low input systems for increasingly competitive markets. Inevitably the more remote, poorly organized farmers are price takers in the market. There are few examples of smallholders from developing countries escaping this treadmill with undifferentiated goods produced using traditional production practices as they rarely

1. The term service providers refers to public agencies for research, extension and local administration and private sector actors and agencies involved in inputs, extension, business planning, finance, market facilitation, storage, etc.

produce sufficient profit to invest in higher value or valued added products.

Therefore if smallholders are to improve their situation, they will need to take on new skills, access new sources of information and become better organized. Some of the options for confronting their current situation are:

- Improving the competitiveness of production for local products.
- Improving group-based organizations and thereby achieving economies of scale through collective action for inputs, production, marketing and access to services.
- Diversification, to higher value crops livestock products, linked to identified market demand.
- Adding value to products, by accessing higher priced markets, enhancing product quality and or incorporating processing activities that meet consumer needs.
- Entering new types of contractual agreements, based on forward sales or using “appellation”² to help “lock in” value over longer time periods with long-term partners.
- Linking to financial or trade related services, particularly with institutions that have marketing instruments which enable greater liquidity and risk management options.

In order to take advantage of these options and benefit the poor, new market-based activities must be competitive, sustainable and equitable. The methods developed by RAeD have incorporated basic marketing, business and community support principles into a stepwise process that facilitates market readiness and engagement. The approach is noncommodity specific and supports collective action, including both horizontal and vertical³ cooperation and where possible diversification and or “value added” as key options out of poverty. It is our view that production-based food security approaches to rural development are unlikely to succeed in alleviating poverty in today’s market driven environment and that to ignore the marketing element is perilous, even when seeking the basic aim of sustainable food security.

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2. Appellation a marketing system by which a product is legally protected to support marketplace differentiation based on its place of origin or method of processing.
 3. Horizontal refers to linkages among farmers, vertical refers to linkages between actors along the market chain.

Our experience shows that for a marketing approach to be effective, service providers and farmers need to acquire new skills and different ways of doing business. This change requires time, finances and careful planning. Decisions also need to be made on the best entry point for the process, i.e., whether to start with producer organizations, production chains, market opportunities, or business support services. The expected duration of the support programme should also be planned from the outset.

Key Features of CIAT’s Agroenterprise Development Approach

Area-based

The process is focused on improving the livelihoods of beneficiaries within a defined geographical area. Product selection and intervention design are based upon expected employment and income impacts within a target region or area⁴. While the approach aims to have greatest impact on community-based agroenterprises, the approach also takes into consideration the development of business services and changes in local policy and regulatory framework. The geographical focus of this approach also aims to enhance the monitoring process and to facilitate institutionalizing the process and scaling up with local partners.

Participatory

The process is participatory and partnerships begin with the establishment of a stakeholder or “working group” that share a common goal in improving enterprise activities. This informal group can be comprised of development agencies, public and private sector service providers, traders and farmer groups. This process seeks to empower farmer groups and local service providers in developing new agroenterprise-based business options. The members of the working group participate at different stages of the process but all influence the decisions that are made in planning, experimentation, implementation and scaling up of interventions.

Market-led and targeting growth markets

This approach is market-led; the objective is to enable entrepreneurs in a particular geographical area to identify and access

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4. Area can also be interpreted as a territory and in the French and Spanish versions of this text the term territory or territoire is used.

Introduction

remunerative opportunities for existing or new products, in existing or new markets. The process places emphasis on products and services with strong growth potential, or consumers segments with increasing income. The approach aims to make interventions at the most effective leverage points within the “market chain” and to foster business relations between market chain actors, so that they adopt a “value chain” thinking in their interactions and investments.

Thinking “outside the farm”

The approach encourages partners and stakeholders to “think outside the farm”. This concept underlies the market chain focus of the approach which supports interventions to address critical constraints at different points along the market chain or to improve market chain efficiency through better access to business development services (BDS)⁵ and commercial buyers. The approach therefore aims to implement interventions that achieve greatest impact for a given investment.

Fosters business relationships

Many development processes focus on one segment of the market chain, i.e., resource poor smallholders. Whilst small holder farmers are the target beneficiaries, market linkage may benefit considerably by working alongside or in partnership with larger producers, and higher order market chain actors. These business relationships are particularly valid for higher value products. Developing business linkages with more sophisticated producers can increase buyer confidence and provide a learning ground for less resourced farmers to see practical ways in which they can improve their farming and marketing practices. Establishing more effective business relationships with commercial buyers and having a good understanding of mainstream markets is also a critical part of the learning process. Service providers should build relationships with traders, processors and other commercial buyers so they understand how markets function, appreciate market dynamics and can read market signals and respond accordingly.

5. Business Development Service (BDS): Any business or business entity that offers information and activities in the marketing system that facilitates a second business thereby improving its operational and pricing efficiency. In some cases the term BDS is used to capture all of those business services other than financial services, such as input supply, processing, advisory services.

Supports improved organization

There is increasing evidence that farmers need to be better organized if they are to be competitive in an ever more exacting marketplace. The agroenterprise approach advocates that farmers organize in self selected producer groups of 20 to 30 people of a similar age, background and wealth status to facilitate learning and also to build trust and group cohesion for collective action.

Savings oriented

To assist in addressing the need for finances to support new business options, smallholders should integrate savings and internal loans schemes into their activities at an early stage. Savings and internal loans will enable group members to learn new skills required to build their asset base and by undertaking this activity the group will also learn how to maintain financial records and simple methods of financial management. We believe that service providers should adopt a policy of “**no handouts**” to avoid the dependency syndrome, accelerate self reliance and to learn how to innovate within the financial/risk management situation of the community.

Seeking continuous innovation through experimentation

Market engagement is a continuous process rather than a one-off exercise. Markets are dynamic and agroenterprises will be constantly confronted with new challenges and opportunities. The enterprise process can enable local stakeholders to identify new developments and appropriate strategies and interventions. The mainstreaming of the approach within local planning and policy processes is critical to ensuring that local development agencies are in a position to assist agroenterprises to cope with emerging challenges, once direct project work is phased-out. Experimentation is also a extremely important aspect for groups and services providers to integrate into their business planning. Experimentation enables groups to test new innovations on a small-scale prior to using new ideas within their commercial ventures.

Building skills and empowering communities

The approach builds on the existing skills and resources of local communities including producers, processors and traders. The goal of this approach is to build marketing capacity in

local service providers and farmers groups so that the community can benefit from being involved in the process over the long term. The approach does not encourage the supply of services from external development agencies, but advocates that local actors be facilitated to build and strengthen rural business development services.

Scaleable

One of the most important features of this process is the ability to scale up from initial pilot work. Interventions should be biased towards those that can reach larger numbers of beneficiaries at the outset, as it is easier to scale up from a larger starting point, i.e., many farmer groups, compared with trying to scale up from a limited pool of beneficiaries.

Gender sensitive

Agroenterprise is gender neutral in the sense that markets in most cases accommodate all comers. However, this approach can be adapted to support the specific needs of women's groups and to address the needs of vulnerable groups, such as the youth, elderly and people living with HIV/AIDS.

Flexible yet rigorous

Agroenterprise activities are complicated social activities that need to be facilitated by skilled staff with motivated partners. In all cases the approach requires that methods and institutional arrangements are adapted to local conditions; that roles and responsibilities are agreed at the outset; that planning and investment is client-led and performance is critically observed. Success is only possible when the agroenterprise method is applied with both effort and due professionalism.

Time bound

Our experience shows that for these approaches to be effective, service providers and farmer groups need to acquire new skills and different ways of doing business. This change requires time and finances which is why we recommend the approach is first introduced with a capacity building program that offers at least a 18 to 24 month learning period. CIAT has developed a "learning alliance" approach (see Step 5) to facilitate this skills development, whereby partners can "learn by doing" and adapt the methods in a flexible manner. Many partners stress the need for a longer learning period with their local partners.

In some cases, agroenterprise processes may continue to progress, through partners, over a longer timeframe that is required to establish many farmer groups and then link these into second order associations that have sufficient economies of scale to compete in the marketplace.

Ongoing process development

It should be noted that as with markets, the agroenterprise approach described in this strategy paper is dynamic and refinements and or additions are routinely being made, based on feedback from partners. Currently we are placing fresh emphasis on the issues of social organization and policies affecting market access and trade opportunities for developing countries. To address these and new issues, supplementary guides are being developed. New updates can be viewed on our website, www.ciat.cgiar.org/agroempresas/ingles/index.htm

Cautionary note

In certain locations, such as areas suffering from civil insecurity or chronic food insecurity this method may not be appropriate.

The Agroenterprise process

To address the complex and dynamic nature of enabling poor rural communities to engage in new market opportunities, CIAT's Rural Agroenterprise Development (RAeD) Project has developed a research and development process to facilitate and undertake research in the design and execution of agroenterprises and to share knowledge in this area with partners in research, development and policy arenas. The basic outline of the agroenterprise process is shown in Figure 1.

The Research Approach

The Research undertaken by the Rural Agroenterprise team, is conducted at two levels.

Action research

Action research is undertaken with partners to test and evaluate new ideas and innovations within ongoing development projects. This dynamic yet strategic research aims to assess how enterprise interventions perform in different contextual situations, including different locations, product types, market actors and business models. The action research platforms, which have been developed through

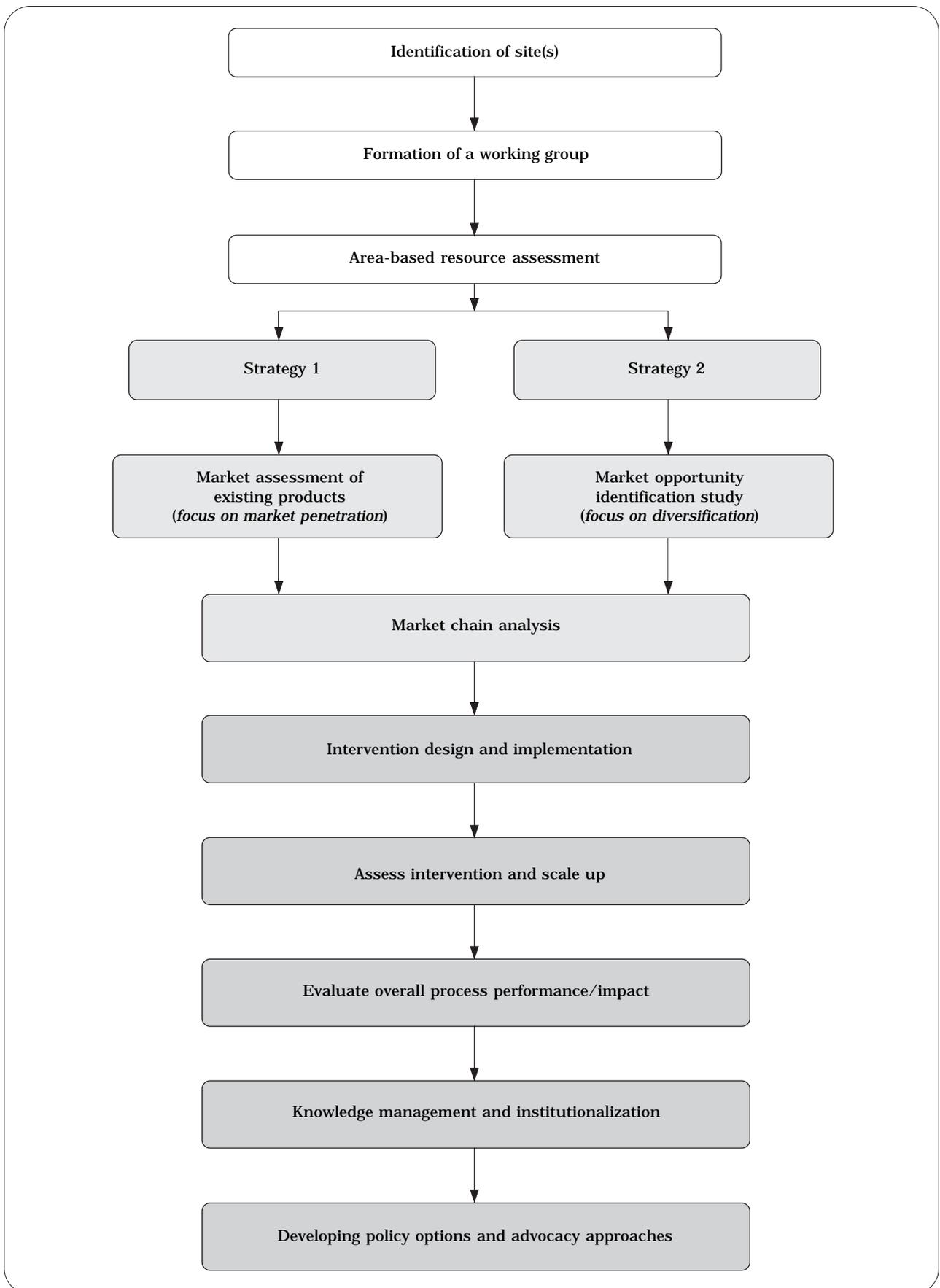


Figure 1. Flow diagram of the rural agroenterprise process.

partnerships such as RAeD's "learning alliances", provide a unique opportunity to evaluate the effectiveness of current market-led intervention practices and to field test new methods, tools and application with public and private sector partners. Through this dynamic learning approach both CIAT and its partners can evaluate the impact of research and development outputs within our changing sociopolitical environment.

Strategic research

Strategic research aims to determine how changes in a particular variable or set of variables influences specific marketing outcomes. Although topics for this more focused type of research are often identified through action research, the approach is generally less interactive and the outputs can be of a more academic or longer term nature. Strategic research topics include: effectiveness of market-led innovations versus production-led processes in empowering rural communities, minimum asset and skills combinations required to enter higher value markets, risk management systems to link farmer associations with new marketing institutions, defining market chain governance metrics, distribution and equity of benefits within informal and formal market

chains, potential for supply management systems, etc.

Public Goods Outputs from this Research

There are numerous public goods that are being produced by the agroenterprise team. These are being developed on a demand basis and there are a steadily increasing number of direct and indirect partners that are using these materials. The portfolio of public goods includes:

- Research papers.
- Student theses.
- Improved methods and capacity building materials.
- University and specialist agency courses and materials for courses.
- More competent service providers in the area of market engagement.
- Private sector tools and applications related to market engagement and decision making.
- Improved local business support services.
- Impact studies.
- Policy recommendations.
- Project proposal and projects in implementation that are better able to support local entrepreneurial needs.

STEP 1

Selection of a Project Site, Partnerships and Joint Planning

Selection of Project Site/Area of Intervention

The first stage in the agroenterprise development process is to select a project site or area¹. The size of the area is usually defined by resources and experience of the institution leading the process. Some interventions focus on a community; others will choose to work at a district, or even cluster of districts level. This process was designed to work at a sub-national level; however, it can be stretched to a national level with some modifications.

N.B. Whilst the area defines the boundaries for the beneficiary groups, it does not limit the reach of the market chain, which may go beyond the area that is being supported.

Establishment of an Agroenterprise “Working Group”

Agroenterprise development is a complex process which requires many skills, it is unlikely that all of these will be found in one organization. The lead organization should therefore develop partnerships with likeminded organizations for general project implementation, with specialist organizations for specific activities and partners that offer the option of scaling up. This informal “working group” often comprises nongovernmental organizations (NGOs) and representation from farmer groups with some participation by public and private sector. In some locations, Government extension services may play the lead role (see schematic outline in Figure 2).

As the process is participatory in nature, the lead organization should be sure that field workers or “market facilitators” are skilled in participatory methods and have a good understanding of both marketing and agroenterprise methods. The main participatory skills needed for community enterprise engagement include: the river code, resource

mapping, historical calendars, market mapping, visioning and market visits. These skills are documented in “*A market facilitator’s guide to participatory agroenterprise development*” (Ferris et al., 2006).

The working group can be considered as an umbrella committee that includes long and short term partners. As such, forming a working group is an iterative process and the composition will vary over time and according to the size of the area, the organizations present, previous experiences and the needs of the enterprise groups. The purpose of this group is to provide technical, political and financial support to the agroenterprise development process. The working group has four main responsibilities:

- (i) Management of the overall process.
- (ii) Resource assessment of the area.
- (iii) Selection and evaluation of clients/farmer groups/enterprise teams.
- (iv) Development of a joint action plan.

Biophysical and Socioeconomic Survey of Area

Having decided upon the target area and developed a relationship with some like-minded development and research partners, the next step is to conduct a participatory resource survey to evaluate the assets and social skills available for enterprise development. The survey should start with the collection of relevant secondary data and then proceed onto the collection of primary data as a means to fill gaps. To make this a rapid process, key informants and focus groups should be used to gather information, in addition to routine visits to major employers, local administrators and lead NGOs. The study should take no more than 2 weeks in the fieldwork and 2 to 3 weeks to document the findings. The report, 15 to 30 pages in length, should be written in a simple style with a focus on information that will be useful for subsequent agroenterprise development.

1. Area, is referred to as a territory in Spanish texts on same subject.

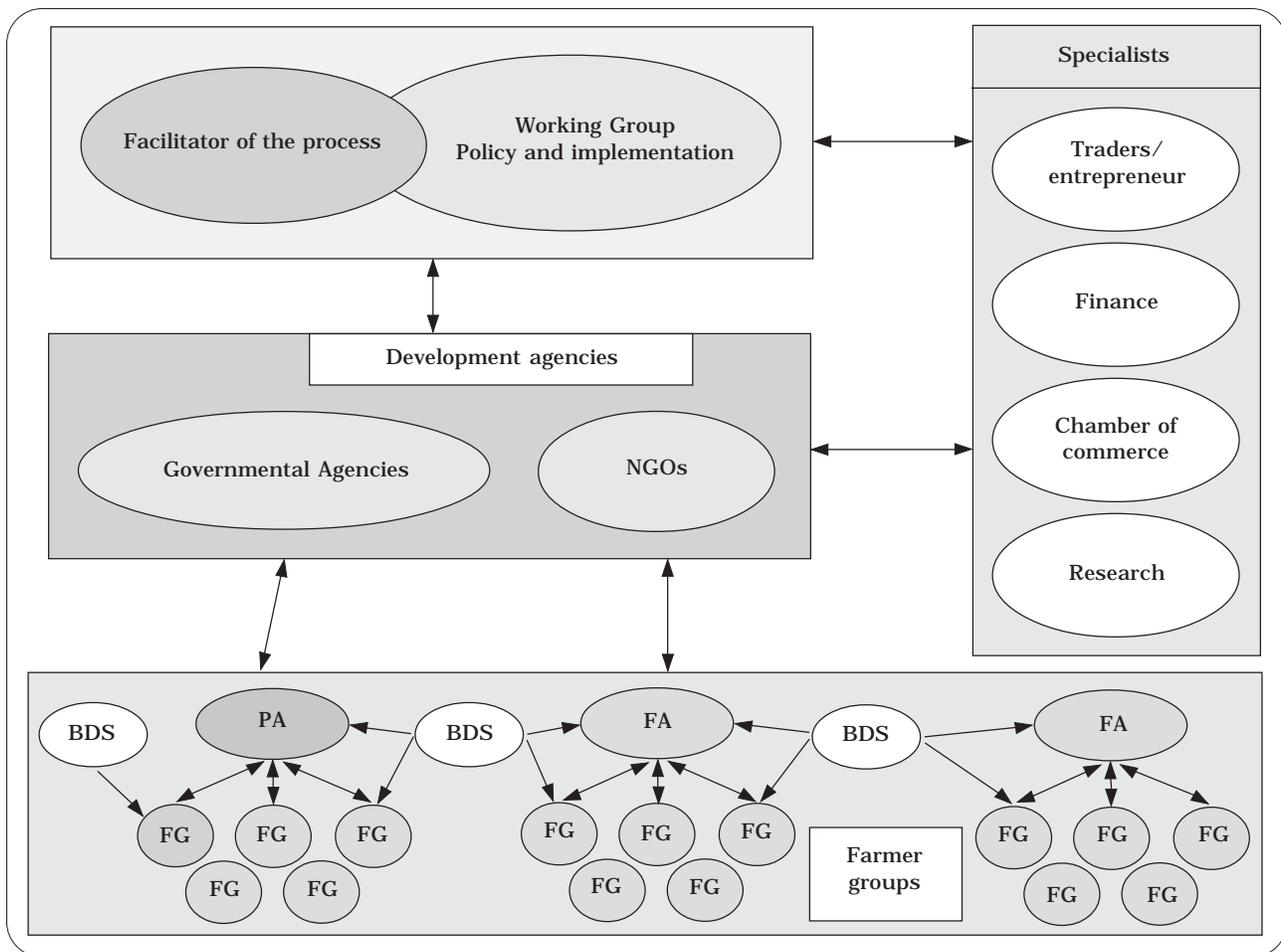


Figure 2. Schematic diagram of working group members and linkage to enterprise groups.
 FG = farmer groups typically clustered around a specific commodity; FA = farmers associations;
 BDS = business development service providers; NGO = nongovernmental organization; PA = partner agencies;
 Working group = consortium of partners.

Key elements of the resource survey should include:

- Boundaries of the area (this should delimit the intervention area and client group).
- Biophysical assets, (rainfall, soils, temperature, land use, seasons...).
- Client groups (gender, age, structure, organization, history, aims).
- Infrastructure, (roads, schools, communications, markets, rivers).
- Political structures if relevant (parties, affiliation, benefits).
- Productive assets (income-based crops/livestock, land area, equipment, labor, etc.).
- Financial assets (banks, microfinance institutions, savings, medical schemes, insurance).
- Social assets (age of group, community, education, land tenure, tribes).

- Organizational assets (groups, collective actions, finance, links to service providers).
- Institutional assets (church, local government, NGOs, hospitals...).

Consideration of Entry Points for Agroenterprise Intervention

Different locations, times and circumstances mean that every development project is unique. In some cases the project will have pre-selected a product for enterprise development but farmers groups are not organized. In other cases target beneficiaries/business partners are well organized but may have problems with land degradation. There may be instances where client groups are emerging from severe shocks such as drought, floods or civil strife. In other cases an entrepreneur may have identified a market and wants to contract farmers to supply a product. Similarly, some market chains may

require greater emphasis on business services first to increase demand for greater production.

This range of entry points means that the service provider and working group need to consider the best options available and tailor project interventions to take best advantage of contextual opportunities and client needs. For further information on entry points, see page 37.

Engaging with Communities

When initiating an enterprise project with a community it is important that the service providers and community participants have a clear understanding of each others modes of operation, expectations, roles and responsibilities. Before starting an enterprise process, the “working group” should prepare a set of principles for engaging with communities.

Some development agencies have considerable resources that must be spent within a limited timeframe to achieve specific tasks that may have been written into a project document or contract. When this is the case, there is a great temptation to force feed local communities with new assets and “pump up” their abilities to, for example, increase production and supply local or national markets. We believe that this can be counter productive unless there is also significant effort spent in developing adequate marketing options and outlets. For longer term results this will require that the local community develop real business relationships with other market chain actors.

A less interventionist approach is to steer away from the provision of direct inputs, such as free seeds and tools and place emphasis on facilitating business relationships and building marketing skills from the outset, so that farmers understand their marketing environment and can use their skills and local assets to engage markets.

This capacity building approach requires more time than one which simply distributes inputs and a typical agroenterprise process will take two to four years. This time is needed for service providers and communities to gain the necessary skills and test business plans in the marketplace. Due to the long term nature of the relationship, the rules of engagement with the beneficiary groups, as described earlier, in areas of organizing marketing groups, accessing assets

or new innovations and particularly accessing finances need to be clearly defined. In addition to these aspects, the service provider should also prepare an exit strategy linked to the project timeframe. All of these rules and plans should be discussed with the local communities, and these plans need to be sufficiently flexible for tactical changes as new options arise.

Selection and Organization of Groups

As this process aims to assist the rural poor we believe this is most equitably achieved by working with groups made up from members of a selected community. In many cases, groups will form the basic business unit² in an agroenterprise intervention. Where possible use existing group(s). At the outset, such groups may only include farmers, but the choice of who is included in the initial group(s), will also dependent upon the aims of the service provider in a given location.

There are wide ranging differences in farmer group capacity for marketing, based on competence, wealth and experience, and these aspects should be factored into the process when considering enterprise options. For example, in some Latin American countries it is often the case that farmer’s groups are well organized and have established links to second order associations and even national organizations, or apex bodies. In contrast, in many African countries the dissolution of Government cooperatives has left few farmer associations intact and therefore service providers may need to initiate a process of group formation (see Figure 2). In some Asian countries, Government are highly influential in formulating community groupings and therefore strong local Government support will be required to select appropriate groups to work with in order to take the process forward.

Where farmer groups are not well organized, the service provider should attempt to select existing groups, that are self-associated, motivated and have savings or self-help schemes. In many cases groups formed for agricultural purposes are focused on increasing production. They generally lack group cohesion in terms of shared roles and responsibilities and will need

2. Business unit or firm. A decision-making-business entity that uses resources hired from households to produce goods and services for sale to households or other consuming units.

considerable support to transform into business oriented groups. Whatever the case, the process of introducing a market orientation will raise new concepts and issues which need to be debated. From the outset groups should be evaluated in terms of their:

- Livelihood options (gender, on/off farm incomes, education, age).
- Economic assets (skills, land, business links, business records).
- Interest in adopting new business plans with shared responsibilities and risks.

Group size and uniformity in wealth or culture should also be considered. Whereas “farmer producer groups” can number up to 100 farmers, there is growing consensus that “farmer marketing groups” (FMGs) should have a limited membership, the preferred number being approximately 20 to 25 members.

If we take the example of a FMG as the starting point for enterprise development, each group should elect key positions such as a chairperson, treasurer, secretary and marketing officer. The service provider should lead discussions about market orientation, entrepreneurship, collective marketing and other business development approaches.

Using the information from the resource survey, the service provider and FMGs should start a process of developing a common vision for the future. Incorporated into this should be how enterprise planning can assist in realizing their vision. More details on how to develop farmer marketing groups are given in a manual entitled *Collective marketing for small-scale farmers* (Robbins et al., 2004).

Dealing with Finance and Investment Options

In most cases agroenterprise processes will require investment. In the past, this investment process has generally been supply driven through a service provider on a subsidized basis. In the absence of rural banks or microfinance agencies, many development agencies have devised in-house methods to provide farming communities with credit and inputs to kick-start the farming system. This approach has met with limited success, most agricultural development agencies lack financial expertise and this often leads to poor repayment rates from the farmers or low levels of sustainability, when projects are terminated.

To avoid these sustainability problems, wherever possible, financial support should be provided through a third party organization with expertise in finance. Where such organizations are not present, the lead service provider should seek technical advice on how to support farmer groups or small businesses. We recommend that service providers adopt a “no free handouts” policy and should be wary of credit schemes. Financing farmer groups is high risk compared with lending to rapid turnover urban businesses, such as petty trading. Lending to farming communities is unattractive because the farming cycle from borrowing to sales can be relatively long-term, at 6 to 14 months. Most farmers have no collateral assets and rain-fed production systems are prone to periodic crop failure. This is why microfinance is still mainly an urban service. If credit is used, interest rates should be set at commercial rates.

Given the importance of finance, the service provider needs to assess the level of investment required for any intervention, and wherever possible, we would recommend that new enterprise options be developed through savings and internal loans schemes. In some cases micro grants should also be considered. Enterprise funds can be administered by a service provider based on the principle of small grants for process activities such as experimentation, market studies and or pilot plant development. Grant rates can be determined on the opportunity costs of daily labor at that location for a given task. Where necessary, loans should be given at commercial rates for implementing an enterprise. In some cases, loans can be provided on a nonmonetary basis, through exchange of inputs for produce at harvest. All levels and methods for the provision of grants and loans should be discussed with a financial expert and protocols should be clearly discussed and agreed between partners and enterprise groups.

Joint Planning of Action amongst Partners

An important output of this first section is the formulation of a joint plan between the enterprise group(s) and service provider. This plan should include a shared vision and values. There should be agreement on organizational structures, clarity on the rules of engagement and an initial action plan. As part of this process group members should use strategic planning approaches to discuss and analyze

past experiences, levels of competence in enterprise development and decide on types of activities that are appropriate in the future and the timeframes needed to progress through each step.

In developing agroenterprise plans, the working group should consider the elements outlined in the rural innovation checklist (Figure 3). This checklist helps to guide the team in tackling the issue of how to integrate new enterprise and innovation interventions into ongoing development programs. This is particularly important in areas that require significant natural resource management support or have poor local levels of organization and access to finance. This checklist may also assist with issues of sequencing.

Participatory Monitoring and Evaluation Scheme Set Up

The final step in this stage is the design of a simple, needs-based monitoring, evaluation and learning system. For the service providers this should focus on outcomes and for the enterprise groups, the record keeping should focus on minutes of meetings and information related to crop production and costs that can be used in gross margin analysis. The manual *A guide to developing partnerships, resource assessment and planning together* (Lundy et al., 2006a) provides a detailed guide on how to approach this component of the process.

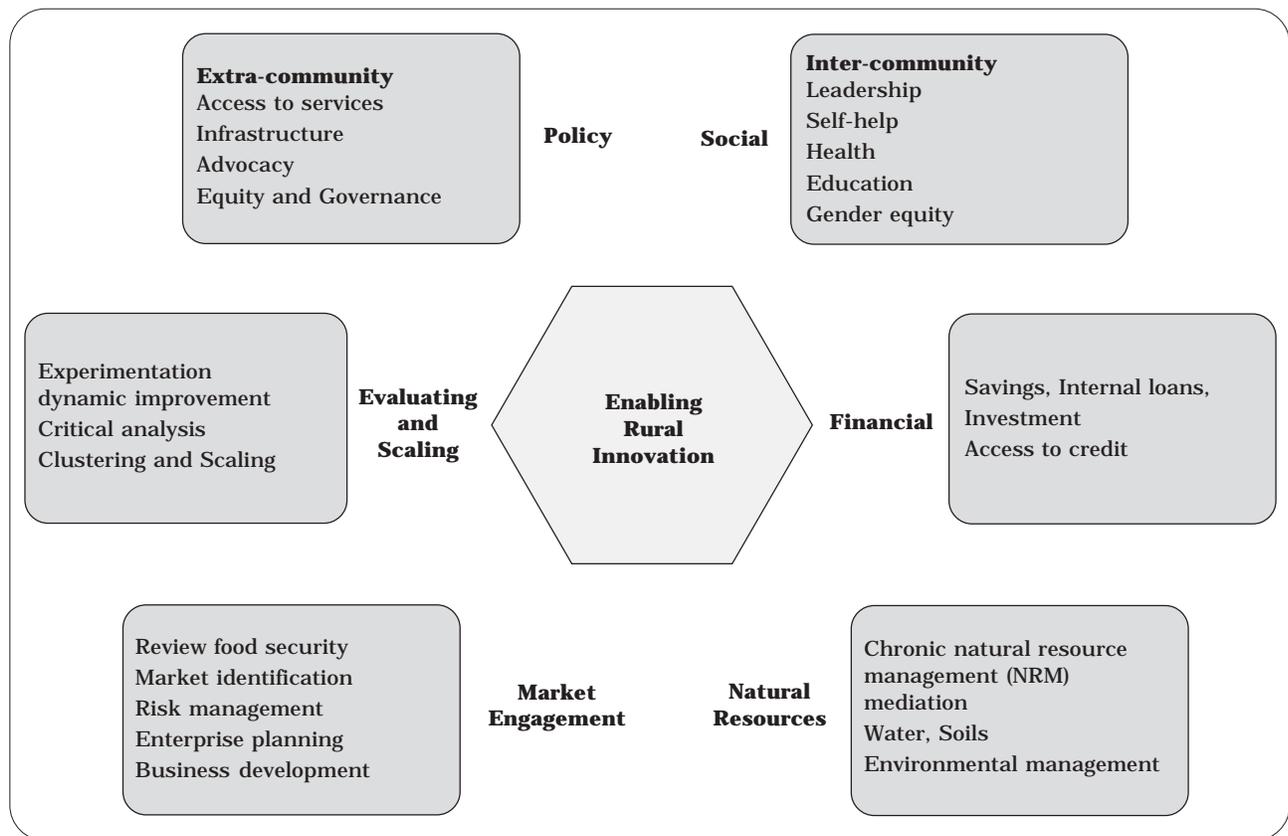


Figure 3. Assets and skills checklist for agroenterprise integration.

STEP 2

Market Opportunity Identification and Market Chain Analysis

The marketing study is generally conducted in two stages. The first stage is a market opportunity evaluation leading to the selection of a product(s). The second stage involves a more in-depth market chain analysis on selected product(s). Participatory selection of a product is an important part of the decision-making process, especially for communities who are evaluating their marketing prospects for the first time. Using participatory methods avoids top-down decisions and allows communities to learn and make choices based on their experiences and risk assessment.

However, it is recognized that in many agricultural intervention projects, the selection of product(s) can be done as part of a pre-feasibility study, based on macro-economic data and expert opinion. If a product pre-selection process is used, the first stage in this process can be skipped.

Matching Product Selection with Experience

Product selection in this method is done in one of two ways and the decision on which option to select is based on the marketing experience of the working group members and the level of risk or innovation that is being sought by the farmer groups or investor (see Figure 1). For less experienced marketing groups we recommend that the team opt for strategy 1 and focus on “market penetration” approaches with existing products. For more experienced groups and particularly those with an experienced market facilitator, the group can undertake the more complicated market opportunities identification process, which focuses on “market diversification”.

Strategy 1. Selection of an existing product (lower risk)

This strategy focuses on evaluating demand, market opportunities and prospects for business development services that are related to **existing products**. These are products that are already

being grown by farmers within the project site and being sold in the local market. This approach can also be considered as a pilot project, so that service providers and farmer groups can learn how to evaluate markets for products that are already well known to the farmer groups. The minimum timeframe for the enterprise process based on this strategy is one season.

Strategy 2. Identification of a new product (higher risk)

For more experienced market facilitators or more organized farmer groups, strategy 2 focuses on “market diversification”, i.e., evaluating a more diverse range of products. This strategy places emphasis on evaluating the **market demand** of products and most importantly whether demand is increasing, stagnant or declining. The information gathering in this strategy can be narrowed down to evaluate market information for only one or two products, such as pigs or pineapples, or the survey can be broadened to gather information on a range of products such as fruits, or vegetables, that are of interest to specific clients and/or investors. The timeframe for the enterprise process based on strategy 2 may extend beyond one season.

Planning the Market Opportunity Survey (Product Selection)

As a first step, the working group should select a limited number of members for market survey team. This group will plan, implement and analyze the market survey information. The survey team should comprise 4 to 3 members maximum and where possible should include farmer participation. This survey team begins the analysis by calling a meeting with farmer group(s) to find out which product(s) farmers are interested to learn more about, in terms of the product’s market opportunities.

If the farmers decide to opt for **strategy 1**, working with existing products, a decision on products can be made quickly. Product(s) can be selected, based on what crops farmers grow

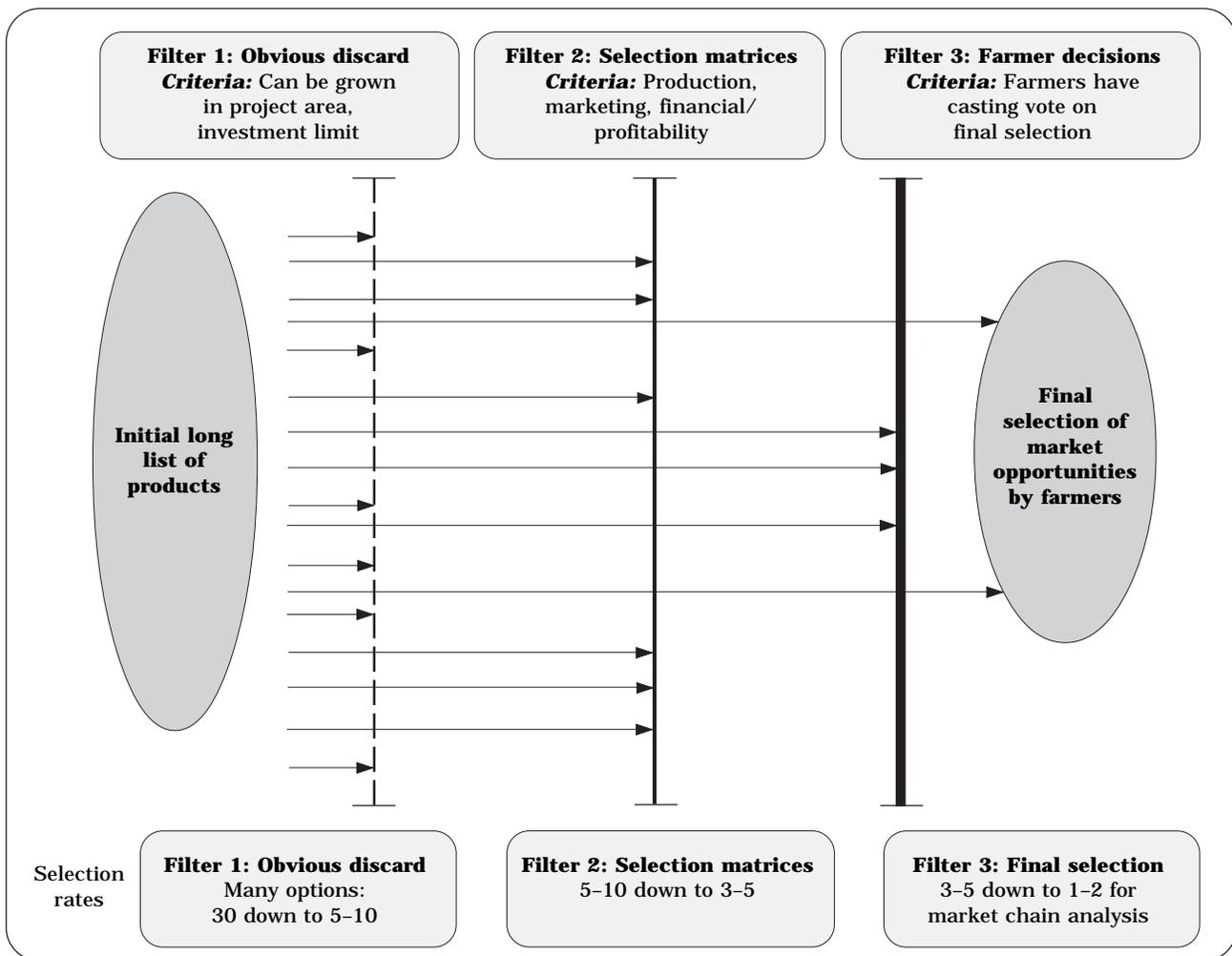


Figure 4. Selection of market options based on three levels of selection/discard.

SOURCE: Author's diagram based on MOI process; see Ostertag (2006) and Abele et al. (2004).

discards, such as products that cannot be grown in the target area, products that take too long before harvest, products that require a high level of investment. This initial set of discard criteria should reduce the options down from 30 to 5-10 possibilities.

The second level of product screening uses three enterprise filters based on (i) production, (ii) marketing conditions, and (iii) profitability. Data for these three criteria is collected for each product and compared. From this analysis, the survey team can prioritize 3 to 5 products to be presented to the farmer groups for a final selection, these being the most profitable options that can be grown and have marketing conditions that are suitable for the client group. A meeting is held with the farmers, where the analyzed product assessment data is presented and the farmers have the casting vote on which product should be analyzed via market chain analysis.

Risk Assessment

One of the more difficult tasks, when selecting products and new business options, is to assess an appropriate level of risk that a client group should take on when developing a new enterprise. Tools such as the Ansoff matrix (Illustration 2) are used to categorize risk options, by comparing types of products and markets. In this matrix, risk increases from 1 (low risk) to 4 (highest risk). Market opportunity analyses of products based on demand and profitability will tend to bias results towards higher risk options and enterprise groups need to be aware of the risks and benefits from higher profit options.

The market facilitator can use the Ansoff matrix to guide groups towards a sensible level of risk based on their experience and financial options. In this case, facilitators may advise newly formed farmer groups to select options that are

Illustration 2. Using the Ansoff matrix for risk assessment.

	Existing products	New products
Existing markets	1. Market penetration (<i>lowest risk</i>)	3. Product development
New markets	2. Market development	4. Diversification (<i>highest risk</i>)

based on market penetration with the view that farmers can test new markets in a stepwise manner. In some cases, farmers may want to start with test plots and market trials before engaging in larger scale supply. For groups with more experience in marketing, higher risk, higher return strategies are likely to be more attractive. To facilitate the identification of market opportunities and evaluate prospects for diversification, CIAT developed a guide: *Identifying and assessing market opportunities for small rural producers* (Ostertag, 2006).

Market Chain Survey

Having narrowed the products down to one or two options the market survey team moves onto the next task of analyzing the market chain(s). The market chain study provides a structured way of assessing the roles and performance of market chain actors, their level of business organization and the use or potential for business development services (BDS). The results from this type of analysis are mainly descriptive and therefore do not require sophisticated econometric skills. However, the study can be complicated and for market facilitators who have not undertaken this type of work before, it is recommended that they work with an experienced economist to assist in survey implementation, analysis and report writing.

Scope of the market chain survey

Market chains can be complex, as products can have various market destinations and channels, can target different consumer segments (e.g., rich, poor, young, old, industrial buyers) and can involve few or many market chain actors. The first task of the survey team is therefore to decide which part of the market chain to study and the markets to investigate. The information in Figure 5 provides a schematic diagram of the many “interconnected market channels” that can exist for a product, from the primary producer’s perspective. Each point in the chain

represents a market actor. These actors perform a number of value adding tasks, such as assembling, grading and value addition through processing, packaging. Between each point other service providers transport goods between value adding stages before the product is finally retailed to consumers.

A market chain analysis provides information on changes in price, quality and quantity in addition to product and financial flow. The survey team should clarify at the outset, which part of a market chain will be surveyed and where farmers should be involved in data collection. In Figure 5, the dotted line indicates where a farmer or farmer’s representative can play their most effective role in studying the market chain, but this all depends upon the skills and experience of the farmer’s involved.

Having selected a chain, or part there of, the survey will gather information from market contacts on buying conditions, opportunities, constraints, value addition, finance options and prospects for growth. The survey will interview key informants at specific points in the market chain and complement this information by interviewing other relevant actors that provide marketing and business services (Figure 6).

Rapid methods of market chain appraisal, such as that developed by Holtzman (1999), rely on a semi-structured informal interviews with key observers² and key informants. This type of approach enables the team to survey a minimum but representative number of participants at different stages of the market chain/subsector.

2. Key observers in this case are defined as persons who are not involved in the market chain directly but have considerable knowledge about the product/chain in question and valuable insight into the context.

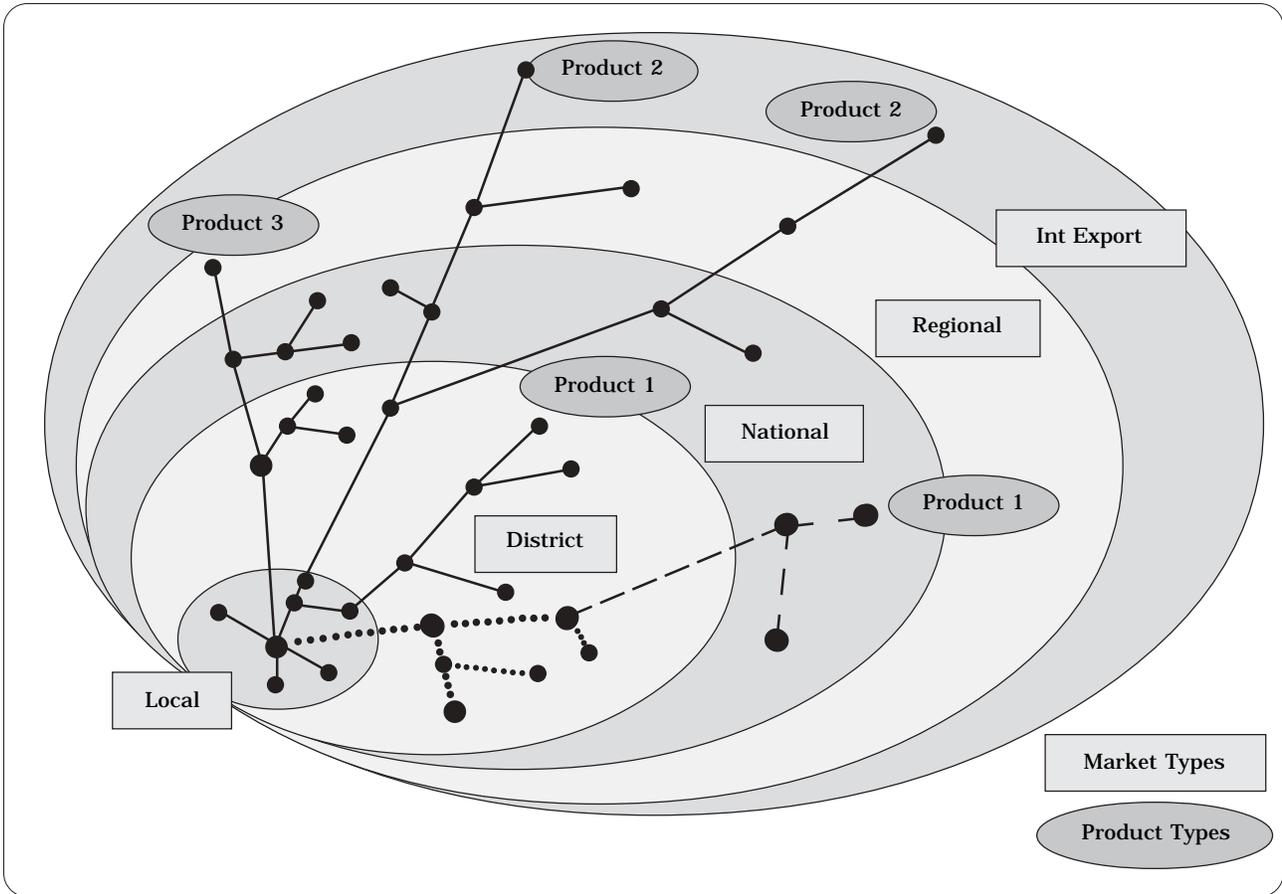


Figure 5. Schematic of a subsector and its many market chains.

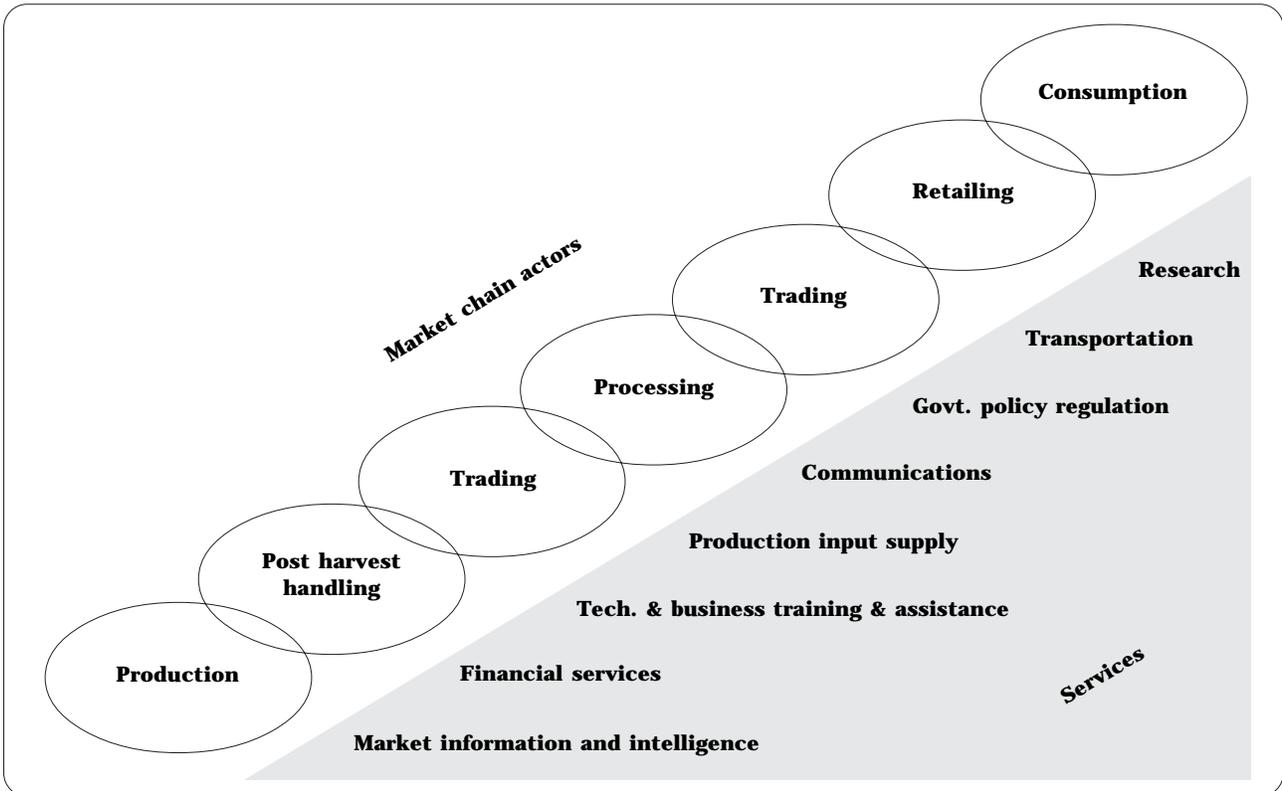


Figure 6. Actors and services that support a market chain.

Outline of the Rapid Market Appraisal methodology

The basic steps in a Rapid Market Appraisal (RMA) of a product or commodity are as follows:

1. Define the subsector or stages of a subsector with perceived problems and the need for investigation. Draw a subsector map.
2. Conduct a focused review of relevant literature and collect and tabulate readily available secondary data.
3. Identify key areas of investigation, and make strategic decisions about where to allocate time and resources. Identify key observers who can assist in defining important issues, priorities, and questions for the study.
4. Identify, select, and conduct semi-structured informal interviews with key sub-sector informants. (interview at least 3 informants at each level in the chain, where possible take product sample, cross-check answers with other key informants at that point in the market chain).
5. Visit physical facilities (e.g., markets, warehouses, transport and cold storage facilities) and observe performance of marketing functions. This activity may include going to a millers factory and observing the milling operation in action. From this observation the team will be able to assess information given in the interview against the size, throughput and activeness of the factory.
6. Share and discuss findings, draft a report, and present it to clients and interested stakeholders.
7. Revise the report, based on feedback, and propose next steps.
 - Development of enterprise plan.
 - Innovations in technology, institutional arrangements, and organization or coordination of marketing functions (and a monitoring plan).
 - Further, research that is required to implement an enterprise option.

Results from the market chain survey will enable the team to (i) gain a view of how a commodity sub-sector is organized, operates and performs, (ii) identify constraints and opportunities, (iii) identify specific market chains/channels that are most appropriate for a client group or investor, and (iv) prescribe interventions in organization, technology, services and management for a specific part of the chain. Based on this information the analysis should identify opportunities and constraints and suggest how the client can compete in this chain. In some cases, the survey will identify several potential market options which should be prioritized according to market type, e.g., local, national and export.

Level of Participation in Market Chain Analysis

The level of participation in these activities should be a rational decision, based on time, resources and scale of the study. We recommend that where possible clients/farmers are involved as much as possible in the process in order to facilitate skills transfer and local empowerment. However, we appreciate that this is not practical in all cases. As a rule of thumb, the level of participation of farmers will decline as the scale and scope of the study increases. In the past the market opportunity identification studies were only undertaken by economists or consultants. Whilst the consultant-led process remains valid, especially in large surveys, we recommend that the survey be undertaken with "farmer representation" to avoid top-down processes and increase ownership of the results.

For more details of methods for rapid market appraisal and participatory approaches to market analysis, refer to (i) Lundy et al. (2006b), *Design of strategies to increase the competitiveness of production chains with smallholder producers* and (ii) Wandschneider et al. (2006), *A guide to methods for rapid market appraisal*.

STEP 3

Designing and Implementing New Agroenterprise Opportunities

As indicated in the previous section, the market chain analysis will identify a range of bottlenecks and opportunities, which may provide entry points for farmer groups, local entrepreneurs, researchers, local administration and/or NGOs. The survey team, working group and farmer groups will need to evaluate these options and devise interventions that will increase sales and market chain competitiveness. Farmer groups are most likely to select production-based enterprise options, whereas a local miller may find new service options to increase chain performance and there may be major constraints in the sustainability of production that require research support. In each case an agroenterprise/business plan is required to address the specific challenge. The approach used to tackle the enterprise planning involves two to three stages. The process begins with the formulation of a general plan, followed by more detailed operational plans that lead into implementation.

Visioning

This is a general planning tool used with farmer groups and market chain actors to evaluate the present situation and plot a desired future direction and result. This level of planning can be done for the entire chain or for a part of the chain. Service providers may be interested to shift production of several farmer groups into collective sales of a new variety for a specific buyer, for example a canning export company. A farmers group may be more focused on shifting from producing mixed bean varieties and selling individually to producing 10 MT of a new variety of beans for a specific buyer. In either case, visioning is used to list the activities and materials that will be needed to shift from the current situation to the desired position. The market facilitator will assist in compiling a list of required or desirable interventions, with roles and responsibilities of market chain actors (Illustration 3).

Prioritizing and Sequencing Interventions

The working group and service providers should discuss and prioritize the most critical interventions that need to be made in order to achieve the vision. The group should then sequence the interventions, as shown in Figure 7. As part of this sequencing process interventions can be categorized into short, medium and long term activities. The intervention table purposely, outlines options outside of the farm, to include traders, business support services and higher order entrepreneurs.

Developing the Detailed Agroenterprise/Intervention Plans

The final stage is to convene relevant actors for a given intervention and develop a detailed agroenterprise/intervention plan. Depending on the market type, planning meetings may include farmers and local traders and in more sophisticated chains, these meetings may include buyers from further afield, such as processors and even exporters.

The agroenterprise plan must include all the steps required to procure inputs, and undertake production, post harvest and marketing aspects of the product. The plan should also include activities such as record keeping, profitability analysis and management issues (Illustration 3). As part of the agroenterprise/intervention plan, the group should set targets for these elements, so that progress can be monitored, particularly in the areas of marketing, production, profitability and management.

Financial constraints may mean that farmers need to set up a savings scheme, before an investment can be made, or microfinance may be required to finance essential inputs. For the broader visions, plans may require specialist service providers, to work on product quality and researchers may be needed to improve productivity and sustainability of production.

Illustration 3. Example list of interventions and associated chain actors.

	Farmer group	Trader/ Entrepreneur	Government extension/NGO/ BDS provider	Retailer/Processing factory
Pre-production	<ul style="list-style-type: none"> • Seed of new varieties required • Ploughing with animals 	<ul style="list-style-type: none"> • Supply inputs 	<ul style="list-style-type: none"> • Experimentation of new varieties • Provision of loan 	<ul style="list-style-type: none"> • Information on quality of product required
Production	<ul style="list-style-type: none"> • Irrigation • Insecticides at flowering 			
Post harvest	<ul style="list-style-type: none"> • Access to storage facilities 	<ul style="list-style-type: none"> • Bulk sales, in 5 MT lots • Grading of beans • Linkage to next largest town buyers 	<ul style="list-style-type: none"> • Enable access to milling machine • Linkage of farmer groups with contract buyer 	
Marketing	<ul style="list-style-type: none"> • Collective action • Monitor market prices 	<ul style="list-style-type: none"> • Contracts • Agreements on sales conditions 		
Business organization	<ul style="list-style-type: none"> • Arrangement of savings scheme • Record keeping 		<ul style="list-style-type: none"> • Identify embedded services such as technical assistance 	<ul style="list-style-type: none"> • Contract with farmer group for 10 MT of produce

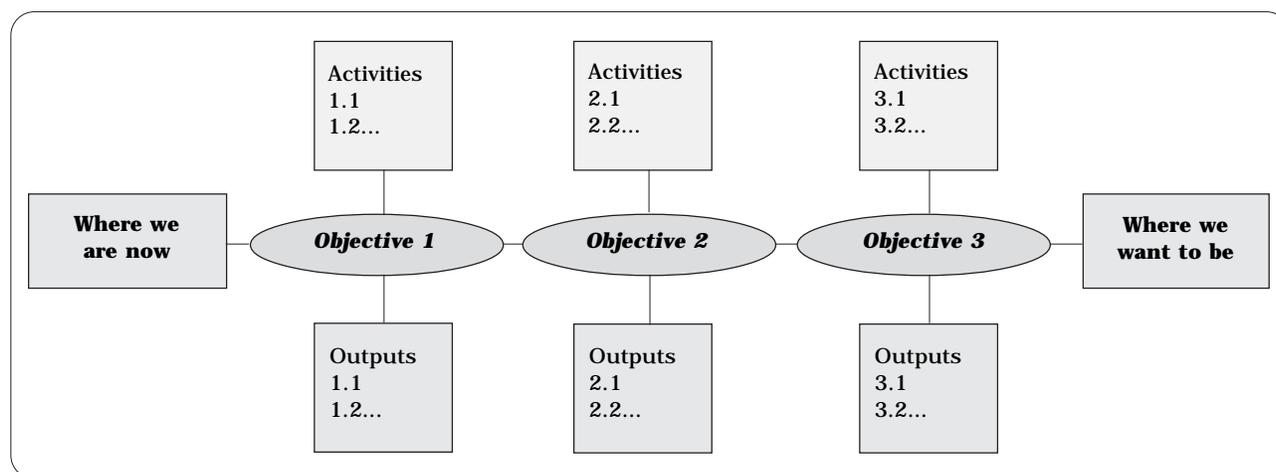


Figure 7. Prioritization of critical points in the chain and activities to address them.

The Importance of Business Development Services (BDS)

In developing the agroenterprise approach, the importance of access to appropriate and sustainable Business Development Services

(BDS) is evident. In the past many production-based service providers and Government schemes have adopted a supply-driven approach, providing farmers with inputs and essential services. These generally free services included fertilizer supplies, market information,

veterinary supplies, agronomic information and credit. Taking this approach will inevitably lead to rapid enterprise growth. However, all too often when project/Government support was withdrawn, the enterprises lost not only their direct inputs but also all of their support services. Consequently, even the more successful farming businesses failed. Therefore this method places emphasis on reviewing the value of support services and finding ways of fostering local business support services, to sustain enterprise development.

For example, a market chain study for Peanuts in Laos, found that the key bottleneck in the peanut market was access to shelling machines. To promote a balanced approach to this chain, the interventions included both production-based enterprises and shelling projects to enable the farmers to sell a higher value product. To support BDS, CIAT has developed *A guide to evaluating and strengthening rural business development services* (Lundy et al., 2006c).

The main principles to promote rural BDS are that:

- BDS should be seen as a for-profit activity that complements on and off-farm employment. Potentially, functional BDS markets should not only increase local economic competitiveness but also provide important opportunities for semi-technical employment in rural areas.
- Identification and inclusion of informal local experts as well as formal technicians and extension workers in BDS development.
- Identification of opportunities for embedded services such as technical assistance given by other chain actors and more formalized or specialized service providers.

- Use of partial and targeted subsidies to promote innovative services. Subsidies should be focused on partially covering start-up costs (market studies, capacity building, promotion, etc.) and assessing and disseminating the impact of the services, rather than subsidizing their direct provision.

Implementation and Financing of Activities

Most agroenterprise plans will require financial resources for their implementation. In developing the plan, this difficult task can also be assessed in a stepwise fashion. In this case, decisions on activities can be categorized in terms of what can be done with existing finances and what may be possible with support from other institutions and partners. Finally, the group may also need to consider what can only be achieved with external resources. Based on these planning schedules, the survey team and agroenterprise group(s) will be in a position to make informed decisions on where to invest funds and effort in order to reach the enterprise goals (Illustration 4).

Implementation of the Agroenterprise Intervention

At this stage in the process the diagnosis and planning is complete and the groups need to take the plunge into their new business ventures. As with all planning, implementation often leads to the arrival of unexpected challenges that need to be dealt with by the enterprise team and the facilitator as they arise. Success at this stage will depend on the leadership of the group and the commitment of the enterprise team to take on these new challenges and deal with them pragmatically.

Illustration 4. Financing of activities.

Intervention financing	Timeframe		
	Short	Medium	Long
Local resources			
Partner resources			
External resources			

STEP 4

Assessing Performance, Innovation and Options for Scaling Up

Once an enterprise intervention has been started, whether this is related to a new product, production approach, value addition process, BDS, change in management, or linkage to a buyer, etc., the lead entrepreneur or enterprise marketing officer needs to assess the outcomes in terms of benefits, profitability and problems. This section provides ideas on how to assess agroenterprise intervention projects. The final part of this section provides additional information on how to foster innovation into the marketing process and options for scaling up successful interventions.

Evaluating Enterprise Transactions

Having made the first sales/transaction(s), the entrepreneur/enterprise team and facilitator should evaluate how well the enterprise plan was executed, the changes that were required and the profit achieved. Initial failures or lack of startling economic results should not be regarded as abnormal as developing business skills and new business ventures are not simple tasks. When working in groups, it is important that mechanisms are in place to discuss and evaluate experiences with the view to improving the business and working towards better results in the future. Timescales for evaluation will be dependent upon the nature of the intervention, typically crop-based interventions will be evaluated on a seasonal basis, whereas service and management-based interventions will be linked to client usage and longer term gains.

Evaluating Changing Business Linkages and Management Capacity

In addition to profitability analysis, the service provider can further analyze enterprise performance and changes in business relationships using the marketing history table, shown in Illustration 5. This history can be completed from two different perspectives, from the farmer's level perspective, linking up the chain to markets, or from the commercial buyer's perspective, linking to farmers.

As much of the success in enterprise development is related to learning new skills and

building business relations, the marketing history framework provides a means of assessing how different enterprises change in their market position from the outset of a market support intervention/project and their market position after a selected timeframe. The framework has axis related to the degree of both vertical integration or coordination¹, and horizontal integration², as measures of changing business organization against the form, value and volume of sales.

The Importance of Record Keeping

To be in a position to analyze progress it is vital that service providers and those engaged in new enterprises keep regular records of their business activities including: investment costs, production costs, labor use, cash flow and income. For service providers this information needs to be collated in a way that is comparable across groups. There are many texts available on how to undertake book keeping for small scale enterprises and learning this skill should be integrated into the enterprise process. Ideally the lead entrepreneurs/lead farmers should keep weekly or fortnightly records which can be compared against targets that have been set for marketing, production, profitability and management.

These records should be routinely monitored against targets and assessed to evaluate whether these targets are well linked or require changes. Similarly financial records need to be maintained and checked. In the case of collective action plans, individual records for production should be kept by each farmer and retained by a group secretary.

1. Vertical integration or coordination—the linkage and management relationships of two or more successive functions in the marketing chain of a commodity.
2. Horizontal integration refers to the combination of management skills, enterprises or actors that perform similar functions, i.e., the merging of many farmer groups into an association, to bulk their produce.

Illustration 5. Market history table.

Give information on how market has changed for selected marketed crop.							
	Give information on changes in group membership over time <i>(If not in group at this time write individual farmer)</i>	Approximate volumes of sales in kg/MT	Value of sales in currency/kg/MT	Give information on type of buyer you sold to: (village member, local trader, traveling trader, urban wholesaler, processors)	Give information on method of sales (random sales, sell to identified buyer, negotiated agreement, contract)	Give information on links to other groups and when joined a secondary association	Give information on use of new business skills (savings, record keeping, profit analysis, grading, packing)
2005							
2004							
2003							
2002							
2001							
2000							
1999							
1998							
1997							
1996							

To support this process, CIAT is developing methods for participatory monitoring and evaluation, such that the community can play a lead role in data collection and be involved in this analysis of these records.

Maintaining Dynamism in the Enterprise Process

Having digested the lessons from the first enterprise cycle, the business process should proceed with market planning and organizational analysis for the second sale. This planning should take into account changes required to improve performance. Success should encourage increased levels of investment in the enterprise but this needs to be planned carefully. In the second cycle, the enterprise planning should also consider evaluating new, higher value, or higher volume market options. These new considerations can be included in a market identification study as indicated in strategy 2 of Figure 1 (page 5).

Catalyzing Innovation

Being competitive in the longer run requires that enterprises innovate, to grow and increase market share. This requires an experimental phase in the planning process. Experimentation is not usually undertaken in the first year, and the evaluation of new ideas must only be done with a clear profit or sustainability motive. Groups that include experimentation in their business planning provides a sure sign of enterprise maturity. Service providers and their beneficiaries/clients should be encouraged to adopt an experimental aspect into their business planning to achieve a continuous level of innovation whenever possible.

Exit Strategy

As with all support measures, there is always a great deal more that a market facilitator can do to assist in a market chain and develop new business options and refinements. However, the market facilitator should focus on building the market engagement and when an agroenterprise have been assisted through more than two cycles of success in the market place, the facilitator should consider exiting or scaling up. Exit strategies may not be immediate, one approach is to shift from a free to a paid facilitation, another option is to facilitate the market chain at a higher level, or to shift entirely into a new market chain or area. The main point is that facilitation has a defined end.

Scaling Up

The speed at which an enterprise can be scaled up is determined by several aspects including, (i) market size, (ii) types of buyers, (iii) past performance of enterprise/farmer groups, (iv) numbers of partners and resources, and (v) numbers involved from the outset. Interventions should only be scaled up when there is something tangible and positive to scale and generally scaling up and out requires additional field staff, shifting into new areas all of which require more resources.

The scaling up process also depends what is being scaled, whether this is a BDS, such as marketing support service shifting from a district to a cluster of districts, or national service, farmer groups associating to increase volumes of supply or market chain actors investing in a new chain wide improvement. In most cases, having partnerships with higher order private sector buyers and or companies will accelerate scaling up.

Context for scaling up

For the purposes of this document, let us consider scaling up in relationship to increasing volumes of supply by farmer groups. In analyzing farmer groups, our experience suggests that many Government and NGO extension workers have a limited knowledge of farming as a business and they facilitate fairly weak farmer groups. Most efforts are based on increasing production and yet many extension workers lack access to new technologies and links to the private sector services which could provide new ideas and inputs. Staff incentives are not linked to business performance and limited market acumen makes scaling up difficult. Many extension workers are not driven to increase market sales and farmers are often reluctant to invest in new agronomic/value adding methods if this is not clearly linked to profit.

However, organizations such CLUSA and Technoserve³ and increasingly international wholesale and retail companies use extension workers that are highly trained in market linkage. In the case of CLUSA, field staff are given remuneration packages linked to the economic performance of their clients. Under

3. CLUSA and Technoserve are international NGO working to promote farmer group organization and commercial development.

these circumstances a well trained market facilitator, operating in a mature market, can establish 10 to 20 farmers groups, each consisting of 20 to 30 farmers, in the first year. Given that the supply of a selected product is successful in the first season, i.e., there is product demand and interest from other farmers to join the process, the market facilitator can add 20 to 30 groups in each subsequent season to achieve numbers of up to 50 to 60 groups/ facilitator within a 24 to 36 month period. Beyond 50 groups the market facilitator may find that the quality of training is compromised in terms of his/her direct support and at this stage other delegation strategies are required to expand the process of market chain supply. When numbers of farmer groups exceed 10, the market facilitator should also shift attention to the establishment of second order associations that brings together the individual groups into a higher order marketing plan.

Farmer groups and clusters

Given that a market facilitator can only work with a certain number of farmers, the process of clustering farmer groups is an effective way to rapidly increase the numbers of farmers in one area to supply a given product. Beyond a certain point, however, further expansion of groups will become the responsibility of the farmers themselves, in which case, lead farmers will need to pass on the knowledge they have received to others (so that they have the organizational, market and production skills required to raise product volumes). To be successful the groups should be self-selecting, motivated and have strong democratic principles and leadership.

Associating clusters

As the number of farmer groups in one area goes beyond 10 to approximately 200 farmers, there are advantages in associating these groups. The advantage of this approach is that it allows the individual groups to gain from economies of scale in both input and output markets and at the association level, more specific tasks can be performed in a more cost-effective manner. To be effective, associations should have strong leadership, a good means of communicating with members and must be transparent and show tangible economic benefits for their members.

Working with partners

As mentioned in Step 1, one of the main reasons for establishing a working group is to identify organizations working in the same area of

operation, that have a common vision. Having identified these partners, the market facilitator from the lead agency can provide training courses for partners, to increase the number of market facilitators in the area. In this manner the partner organizations can identify their own farmer groups and clusters of farmer groups. Alternatively, lead organizations can work with partners that have different skills, such as microfinance, input supply, livestock veterinary services, business planning, marketing information, etc., to complement the services being provided to the producer groups and other chain actors.

Short duration support

To enable the market facilitator to cover larger areas within a project site, the facilitator's agency should consider limiting direct group support to two seasons before moving onto new farmer groups. This would enable the market facilitator to increase the spread of coverage. In this case, the use of short duration crops may mean that up to 20 groups can undergo two enterprise cycles before direct support is withdrawn. This process may benefit from simple tests to evaluate how well the groups have learned the skills.

Expansion through ICT media support

In most countries farmers listen to radio and in some countries they have access to television and/or rural telecenters or mobile phones with SMS facilities. If these ICT facilities are available, options should be investigated for the use of these media formats to explain the agroenterprise process and provide marketing information to a wider audience. To bring complex ideas to a wider audience in the project area methods such as radio drama, learning conversations or question and answer/talk shows can be explored. Using these approaches will promote the agroenterprise process within communities that may not have the opportunity to work directly with a market facilitator. A radio campaign of this nature should be supported by hard copy facilitation documents, in the local language, so that interested entrepreneurs can gain a greater understanding.

Incentives

In many cases, incentives for support to rural communities through agents such as an extension officer or market facilitator are not established to reward an expansion process. Any agency supporting this type of work, should consider this element in their planning process, such that marketing gains made by the

community are considered in a reward system to the facilitator. In some cases a bonus system can be employed based on sales of a selected commodity as this automatically promotes a scaling up perspective.

Overall Intervention Evaluation

For the lead organization, a second level of evaluation is required to evaluate whether market-led interventions lead to expected outcomes; including raised incomes, higher levels of re-investment in existing enterprises, innovations and more sustainable production systems.

This evaluation is probably best done in collaboration with a research group, working along side the lead development agency, the market facilitator and the working group(s). The overall process monitoring should draw lessons from the project being implemented and compare the level of progress against other approaches, being undertaken in the project area or in nearby areas.

To assist the analysis, basic research questions are formulated and then change is evaluated through analysis of activities. Due to the high degree of variation within enterprise activities, it

is helpful to evaluate cases that are selected through clearly defined sampling frameworks. This is done so that outcomes can be compared across known parameters. Two types of sampling frameworks are proposed. The first compares increasing levels of producer organization against increasing levels of market facilitation (Illustration 6) and the second evaluates product/service value against market type (Illustration 7).

The overall analysis being conducted by CIAT's Rural Agroenterprise Development Project is guided by a number of research questions, as indicated below, the results providing greater insight into the effect of our interventions on changes in income, equity, gender, sustainability and the ability of rural communities to innovate and compete. Key research questions include:

Intervention process performance

- How does business management and strength of business relations effect levels of market engagement. This analysis will enable service providers to assess enterprise growth for selected interventions, based on value and volume of sales over a selected timeframe (Figure 8). This evaluation can be also be assessed against level of investment.

Illustration 6. Example of capacity framework for evaluation of process performance.

	Process performance	Increasing levels of farmer experience and organization			
		Individual farmers	A farmer group not linked to other groups	Farmer group formally linked to other first order groups (no second order hierarchy)	FG's formally linked to second order associations/cooperatives
Increasing service provider marketing skills	No service provider (SP)				
	SP with production skills only				
	SP with production and marketing skills				
	Specialist marketing SP's				
	Direct Private Sector contracting agents				

Illustration 7. Example of product or service value/market access comparisons.

	Local market	District market	National market	Export market
Low value crop product				
High value crop products				
Livestock products				
Processed products				
Service provision				

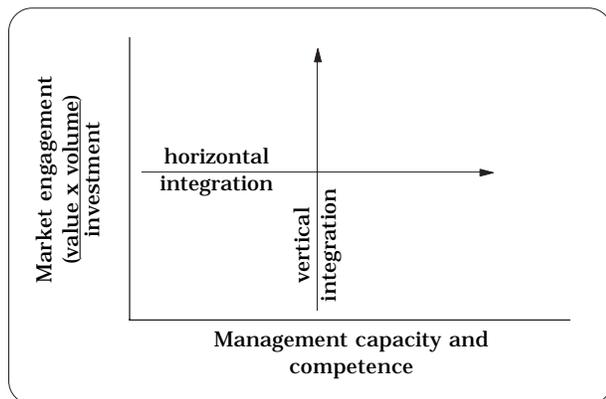


Figure 8. Performance evaluation of market engagement.

- How important is context, defined by (continent, market access, wealth ranking, education, ethnic background, etc.) in linking to specific market types in an equitable manner?
- What type of product value/market type combinations work best with selected communities using the CIAT approach compared with other approaches being implemented by other development agencies? See Illustration 7.
- What are the minimal resources needed to participate in community enterprise projects?
- Does the enterprise process catalyze new entrants to the identified market chains, including farmer groups, business support services, and entrepreneurial links?
- Does the agroenterprise process facilitate better working relations across development agencies? And between public and private sector agents?
- How does the agroenterprise process contribute to changes in rural livelihood strategies? At the community/administrative levels?

Equity in the market chain

- Which community members benefit most through the agroenterprise process?
- Does the agroenterprise approach improve the livelihoods of particularly vulnerable groups such as women and the poorer social segment?

Information access and innovation

- Does the agroenterprise approach stimulate innovation cycles and streams?
- Does the agroenterprise approach stimulate greater investment in sustainable natural resource management?
- How can decision support tools be integrated into the process, to improve market signals and market linkages for farmers?
- What information and technical support do small-scale producers need to make well informed decisions about new market opportunities?

Institutional change

- Does the learning alliance improve the level of agroenterprise institutionalization?
- What institutional and policy arrangements enhance market orientated agriculture?
- What incentive structures are needed to increase the performance of enterprise activities?

These are suggested evaluation approaches, for a particular project the lead agency, market facilitator and working group should select the most appropriate area of questioning or develop new questions to assess the effectiveness of agroenterprise approaches in specific locations with particular client groups.

STEP 5

Knowledge Sharing and Institutional Change

Whilst there are many successful research projects and development activities that are improving rural livelihoods, all too often, success is confined to a limited area. In some cases excellent methods and technologies are not known by agencies working in the same area or within an agency working in many different locations. RAeD is using a range of techniques to gather and share information based on our research, including the traditional methods of journal and conference papers and organizing conferences on specialist issues. These methods are complimented by interactive electronic methods such as D-groups to link partners and on-line resources that are linked through the project website www.ciat.cgiar.org/agroempresas/ingles/index.htm. To enhance the knowledge sharing process with partners, RAeD has also developed an approach called a “learning alliance” (Lundy et al., 2005; Best et al., 2005b).

Learning Alliance

A learning alliance can be described as a coming together of interested parties to solve common problems. Partners in a learning alliance can include actors from research, development, farmer groups, private firms, donor organizations and policy makers. In the agroenterprise learning alliance, partners work together to address problems specifically associated with agroenterprise development. The alliance works on the basis of shared responsibilities, roles and resources. The model is based on three key elements:

- (i) The identification of clear objectives and specific outputs.
- (ii) The implementation of activities through an incremental learning process¹.
- (iii) Joint evaluation of activities leading to research and development findings that can be shared widely within the alliance members and beyond.

1. These activities may include capacity building, collaborative action-research processes and/or public or private policy formulation.

The “learning alliance” follows a pattern, as shown in Figure 9, in which partners are involved in an iterative process of learning, putting into practice what has been learnt, followed by reflection and feedback on what has worked well and what has not worked. Cycles of learning and testing are repeated so that information is transformed into locally grounded knowledge based on the targets of the alliance. This approach differs substantially from the common practice of attempting to ‘train’ unlinked development practitioners in new methods through one-off training courses to an stepwise learning experience which involves shared roles and responsibilities (Lundy et al., 2005).

The nature of an alliance means that partners commit to building relationships that foster trust, commitment and ownership of results (Best et al., 2005a). These are important elements in enabling institutions to change as there are few threats and much to be gained by investing in achieving an agreed goal. As with all change processes, gaining the support of top management is a critical first step in endorsing and creating dedication. Consequently, learning alliances typically start with a meeting of managers to set the goals, timeframes and expected results, for the strategic shift they would like to effect. Once a consensus is achieved at this level, the learning process works with staff members directly involved in the implementation of working with beneficiaries.

For the initial agroenterprise learning alliances, CIAT has developed a number of “good practice guides” as the basis for the learning process (see list of guides, page vii).

The results from the learning process can be measured at several levels based on research and development goals. At the research level, the process provides an action research context in which new technologies, methods and tools are tested, reviewed and refined. This generates new knowledge related to technologies, social organization, scaling up approaches and innovation systems. Key findings are integrated

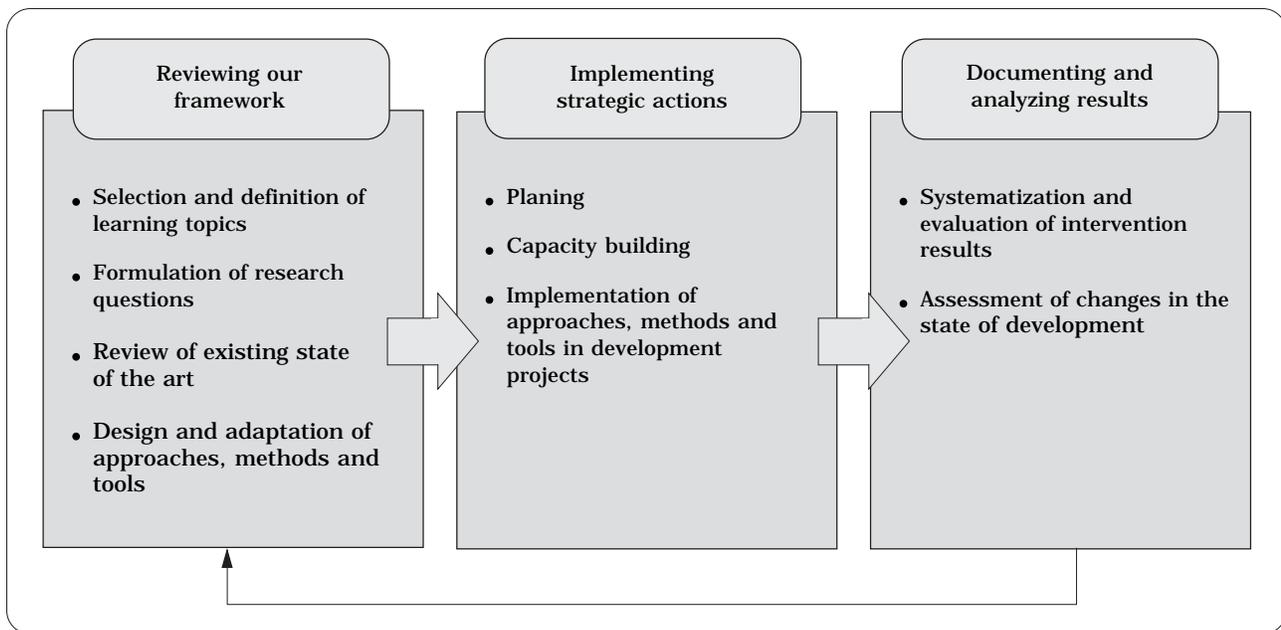


Figure 9. The sequential learning spaces in the first level learning alliance process.

into research papers and best practice guides are developed for ongoing activities. As part of the dynamic nature of the learning alliance, new research themes are also identified where specific studies can be applied. Towards this end, RAeD is developing an alliance-wide database, which includes analytical fields related to aspects such as location, market access, wealth status, social organization, finance, NRM measures, marketing capacity and political advocacy. This database will in the future provide an analytical platform to evaluate the effects of contextual and social issues on market-led interventions.

At the development level, methodologies are improved, capacity and competence is increased, leading to better targeting of development resources and greater empowerment and impact at the community level. The findings from this work can also be used to inform both public and private policy decisions.

Over time the “learning alliance” concept has evolved in response to the needs of different partners and this has led to the development of new types of alliances (Illustration 8).

First generation “learning alliances” focus on a set of known outputs and results based on learning from our existing “tool-kit”. In second and third generation “learning alliances” the agenda is increasingly set by the partners with emphasis on areas of intervention where learning materials are developed as part of the

process. Although flexible in approach, this type of learning alliance requires a high degree of rigor during the learning spaces and this is maintained through tight links with ongoing development projects, managed by multiple agencies. This more dynamic approach allows for increased learning synergies and often requires more attention to political advocacy.

Knowledge Sharing

To support an increasing demand for information and learning tools, the agroenterprise team operates a number of knowledge sharing approaches. In addition to the face-to-face learning in a workshop situation, research outputs are promoted via field visits and through on-line discussion groups, for example www.dgroups.org/groups/cgiar/LearningAllianceEA/index.cfm. The agroenterprise project and its learning alliance partners also share other related resources through the RAeD project and learning alliance websites www.ciat.cgiar.org/agroempresas/ingles/index.htm and www.alianzasdeaprendizaje.org/

At the market chain level, RAeD is experimenting with methods to develop communities of learning that focus on specific issues in market research and selected market chains. This approach uses internet and mobile phone communications to share information and accelerate innovation along market chains by bringing together market chain actors with marketing and technical

Knowledge Sharing and Institutional Change

Illustration 8. Types of learning alliances based on partners' needs.

Learning alliance type	Approaches	Partner types
First stage learning alliance	Based on learning and implementing specific tools, e.g., the agroenterprise guides	Field-based development staff, working with farmer groups who need to deliver agreed tasks
Second stage learning alliance	Based on some existing methods with the provision of integrating new ideas and approaches that need to be refined as part of the learning cycle	Public research and development staff, private sector commercial buyers, farmer groups, traders, local Government
Third stage learning alliance	Focuses on new strategic visions as outlined by the research and development teams and their partners	Research managers, project leaders, investors, support research, development managers and local government

specialists in a way that foster competitiveness and information sharing.

Institutional Change

RAeD has been involved in many capacity building exercises over the past 10 years in an attempt to enable research groups and development partners to shift from a production to a market-led approach to agricultural development. The group was frustrated by the level of institutional learning that was taking place, through one-off training sessions and consequently the “learning alliance” has been adopted as the method to facilitate institutional

change. Our experience shows that making the shift to market-led interventions is not a simple transition and that at least a 2 to 5 year timeframe is required for the service providers to build their capacity and build projects that are competitive. Efforts to facilitate institutional change are being undertaken through projects in Latin America, Africa, Southern Asia and South Eastern Asia with various partners from the public and private sector. This process is slowly building momentum and we hope to generate a range of new public goods materials through this initiative.

STEP 6

Advocating for Improved Marketing and Trade Policies

In developing the agroenterprise methodology, the importance of political advocacy has become increasingly apparent. All too often sound business development plans are made inviable due to lack of supportive policy. It is also recognized that governments and local administrators need to develop more business friendly policy attitudes if they are to attract investments and encourage entrepreneurship.

Given that policy is a wide-ranging issue that requires specialized skills, CIAT is aiming to develop partnerships with dedicated agencies and contribute towards policy development in support of enterprise and trade options for smallholder rural producers. The role of RAeD in this case is to identify specific pieces of research that highlight areas of policy inequity, and also to show the impact of current policy on the marketing prospects of smallholder producers in the developing countries in which we operate. These approaches are being developed to add weight and objective analysis to ongoing initiatives that are advocating for change in the global trading environment that is inadvertently locking millions of farmers into increasing poverty.

Global Trends and Local Rural Development

The global shift towards a liberalized, free trade political framework is accelerating, and for many developing countries, these changes have led to major shifts in policy, development pathways and growth prospects. Many of these changes are based on the growing consensus that growth is positively linked to export oriented trade and that a robust private sector is the only viable vehicle for long-term prosperity. For some donors this has led to the conclusion that even the basic tenets of social support, such as food security, are no longer considered a supply problem, but the result of underdeveloped markets and poor governance. As such these market problems should be addressed through market solutions and better adherence to policies that support market development. The

rising power of the marketplace in global politics is also rapidly filtering into the development world and many development specialists agree that sustainable livelihoods can only be achieved through competitive market engagement.

Given this realization, development agencies need to have a far better understanding of the macro-based socioeconomic trends and policies that are rapidly changing the rural marketing environment. These trends offer both opportunities and threats to the many millions of smallholder producers with regard to their ability to access markets. These trends include:

Market integration (globalization)

Probably the most significant trend affecting world food/agricultural markets is the process of globalization which is being fuelled by liberalized trade policy and a host of innovations in finance, communications and transport. These changes have opened markets across the world and significantly increased competition amongst farmers in developing countries, who are no longer competing with their neighbors but also with farmers from neighboring countries and further afield. The situation is complicated by the fact that some farmers receive subsidies and have greater levels of tariff protections than others and yet all compete in a general marketplace. To remain competitive within this new environment actors along the market chain are adopting strategies to increase their economies of scale through, technical upgrading, collective action, concentration of ownership and vertical integration. These developments generally do not favor resource poor farmers.

Market concentration

One of the consequences of these changes has been a rapid concentration of market power away from producers into the hands of a limited number of wholesale and retail companies (Vorley, 2003; Reardon et al., 2003). In many cases, major supply chains are now dominated by four to five transnational trading companies and their market share is growing. As a result, the negotiating power within agricultural chains

has moved from the producer end of the market chain to the wholesale trader and most recently to the retail sectors with the rise of the supermarkets. This may mean that even when farmers aggregate quality goods, and sell collectively, they will still have limited price negotiating power with corporate buyers. There is increasing concern that lack of competition in the marketplace is having serious negative social effects on agricultural producers and clearly the most vulnerable are the poorly organized resource poor farmers in developing nations. This is an issue of major political concern and solutions other than breaking up large organizations (such as Standard Oil in the United States) are unclear. A further complication is that whereas, Standard Oil was under the jurisdiction of the United States Government, it is not clear to whom or which country a transnational reports to, and as yet, there is no legal structure beyond the nation state to address such issues.

Global decline in commodity prices

Despite Malthusian predictions with rising populations, agricultural productivity has continued to outstrip demand. This combined with the declining terms of trade of agricultural goods, as shown by Prebisch (1960) and Singer (1950), has caused the real prices of primary agricultural commodities to fall steadily over the past 100 years. The downward trend was partially arrested during the 1970-80's through International Commodity Agreements (ICA's), but prices then accelerated downwards when these agreements collapsed at the end of 1980's. Lack of regulation and unplanned overproduction has led to the major commodities trading at an all-time low (Grynberg, 2005).

Clearly, the effect of falling prices of primary agricultural commodities has had a serious negative impact on economic growth in many developing countries, particularly those most dependent on the trade of a narrow range of primary commodities, such as coffee, tea, rubber, rice and milk. On average, current prices of tropical products, taking dollar inflation into account, are only about one quarter to one seventh of those prevailing in 1980 (UN General Assembly) (Illustration 9). This loss in value is due mostly to oversupply and, according to Robbins (2004), foreign exchange losses, for the top 10 traded commodities, are valued at nearly \$250 billion dollars, in one year alone. These are not trivial sums of money and the effects on economies and farm incomes are significant with some observers blaming the increasing political instability in poor countries, increased levels of emigration and slide into production of narcotics on the so called "commodity crisis".

World Trade Organization (WTO) negotiations

The WTO has done little to improve the prospects for rural producers in the developing world, in terms of opening new markets and reducing tariffs to value added markets in the industrialized countries. Trade talks have been unable to redress the imbalance in both internal and export subsidies provided to farmers in developed countries, although developing countries have been persuaded to remove subsidies for their farming sectors and open their borders to imports. Attempts to redress the tariff issue for least developed countries, through EBA¹ and

1. EBA-EU = Everything But Arms initiative, waives tariffs for virtually all products for least developed countries.

Illustration 9. Changes in commodity prices US\$/MT between 1980 and 2002.

Commodity	1980	Adjusted	2002	% value
Palm oil	617	1345	312	23.8
Sugar	254	553	126	22.8
Cocoa	2832	6174	1190	19.2
Coffee	3989	8696	1234	14.2
Rubber	1430	3117	650	20.9

Goods bought for \$1 in 1980 would cost \$2.18 in 2002, Bank of Minneapolis.

SOURCE: Robbins (2004).

AGOA², have largely failed as these countries lack the finances and “know-how” to develop value adding industries that could take advantage of the zero tariff market options.

Avenues for Increasing Incomes for the Rural Poor

Supply management

To address the continued slide in global commodity prices, an increasing number of development groups and policy analysts are suggesting that supply management may be a viable means of dealing with this chronic problem. In the OECD³ supply management is used to regulate the supply and demand of more than 50 goods on the world market. Although supply management has been used effectively to maintain profitable prices of agricultural goods in many OECD countries, there is considerable reluctance to support this process using overseas development aid to support farmers in developing countries. In contrast, most development assistance for agriculture is still used to support production-based activities which arguably makes the supply situation worse rather than better. This is an uncomfortable dilemma for development agencies purporting to use their funds to support economic growth and not the supply of cheap commodities to large wholesale and retail houses.

Value addition

Although value addition to primary goods offers a major income opportunity for developing countries, in many cases this is not being achieved as many OECD markets have retained a combination of escalating tariffs that prevent market entry of value added goods. Even with EBA options, lack of investment in processing capacity has prevented many least developing countries from being in a position to take advantage of this option. Consequently, most value addition to agricultural products still takes place in the importing OECD countries, where the value of processed goods continues to rise. Unfortunately even the domestic markets for value added goods in many developing countries, are also supplied by OECD goods due to poor quality associated with domestic brands. This problem is being exacerbated by the recent rise

in supermarket retailing which is re-imprinting the super brands onto the consumer markets.

Nevertheless, this situation can be changed and supermarkets provide an important market for increased sales of local valued goods. For the rural communities the situation is most grave as even within developing countries (80%) of value addition is generated off-farm, due to lack of investment funds, know-how, infrastructure and market access. Whilst this all appears rather gloomy, the situation can also be interpreted as a real opportunity for rural producers to start on the process of engaging in simple value adding methods so that they can begin to capture a higher percentage of the final market price.

Fair Trade, niche marketing and the sustainable agriculture initiative

In an attempt to offset the problems of oversupplied commodity markets, there are several new initiatives aiming to support rural communities through other trading channels. Fair Trade was introduced as one way of differentiating products based on where it was produced and by whom. Consumers buy this higher priced product in the knowledge that the margin for producers is higher than products sold through the commodity markets. Although this is a well known brand, the market has been slow to emerge and many of the major retailers have transformed this concept into their mainstream businesses, which has had the effect of crowding out the initial brand.

Niche markets offer another means of differentiating products into the high value bracket by appealing to the desire for high quality, novelty and exclusivity, the “niche market” solution. One of the most famous of these niche markets is the highly successful coffee franchise, “Starbucks”, which buys the highest grades of limited coffee lots, from specialty growers. Value addition in the niche market area is particularly remunerative as the seller is capturing a limited supply option. Whilst niche marketing is successful for a limited number of producers, the size of these markets is small by definition and in many cases it is the better endowed farmers who benefit. Unless they are protected, through techniques such as appellation, niche markets can also become the next commodity as many suppliers are drawn to produce the previously exclusive product. Nevertheless, niche marketing is a growth area and is highly rewarding for the successful and most innovative suppliers.

2. AGOA = African Growth and Opportunities Agreement, offers tax exemption for fiber products into US markets.
3. OECD = Organisation of Economic Community.

Most recently, Unilever in association with other trading houses have established the “Sustainable agriculture initiative” which seeks to develop direct links between these major buyers and organized farmer groups. This approach essentially aims to establish long-term contract options with suppliers of quality produce. This is being done because the trading houses want to secure their supplies into the future. One of the problems with declining global prices and associated loss of government-led extension and market coordination of agricultural goods has been that quality and even continuity of supply has fallen. It is unclear at this stage how this process will develop, as these trading houses have enormous purchasing power in the market and may be able to replace the function that Governments used to play in coordinating the market in the past. However, it does raise the issue of who benefits and given the stringent quality and traceability criteria that will be required, whether the poorer segments of the farming communities will be able to compete.

Other market trends for healthy, higher value and exotic products

Although sometimes difficult to access, there are an increasing number of markets trends and opportunities being led by consumers and processors in developed countries who are demanding an ever wider range of agricultural products. Demands for “healthy lifestyle” foods, particularly fruits and vegetables and fish are increasing steadily and the market for organic products continues to show 15% to 20% growth per annum. There is also increasing interest in medicinal plants, cosmetic applications and growing demand for more specialized products such as herbs, spices, essential oils, cosmetics and products that can support biodegradable fabrics and packaging materials. Year round supplies of high value agricultural goods, made possible by the supermarkets and improvements in transportation have opened significant markets for developing countries to supply off-season supplies of summer fruits and flowers. It is likely that the trend for more exotics will continue to open new markets for an increasingly diversified consumer demands and developing countries have an excellent opportunity to supply these markets, if they can overcome the quality, food safety and environmental parameters set up by the buyers.

The prospects for linking farmers to higher value markets is of particular interest to CIAT, as outlined in the recent *CIAT in Focus 2004-2005*.

Making markets work for the poor

Another new initiative being developed to support smallholder marketing is the strategy entitled making markets work better for the poor (M4P). This approach seeks to move away from previous attempts to support broad economic growth through direct intervention projects, towards an alternative market-based approach for development. The approach supports long term projects that focus on facilitation to enable existing private sector actors to address market and state failure problems in a systemic manner, rather than taking the quick option of simply providing short-term goods and services projects that produce unsustainable short-term gains.

Much of the thinking in (M4P) has been developed through the school of new institutional economics, this approach focuses on ways of accelerating pro-poor growth by improving outcomes that matter to the poor in their roles as entrepreneurs, employees or consumers of markets (Dorwood and Kydd, 2005). M4P also aims to change the structure and characteristics of markets to increase participation by the poor. The process essentially works to support the private sector and reinforce the strengths of market systems, rather than undermining these systems. In this way the M4P approach is seeking to find ways to use market systems to meet the needs of the poor and provide processes in “how” to support the private sector through market mechanisms that bring about sustainable change. These are important concepts for the types of projects being advocated by the RAeD team which support the view that communities need to develop enterprise capacity to meet their future long-term needs.

Strategies to support rural businesses

This short review of macro-policy trends and market developments indicates that we are working in an ever more complex environment and that new approaches need to be taken to support rural communities in their attempts to enter these markets. Clearly in addition to gaining business acumen an enabling environment is required with appropriate policy at the macro, mesa and micro levels.

Some of the policy changes that groups such as M4P, IFPRI⁴, Oxfam, CAFOD⁵, Commodity

4. IFPRI = International Food Policy Research Institute.
5. CAFOD = Catholic Forum for Overseas Development.

Action⁶, Tradecraft, the Institute for Trade Policy, UNCTAD⁷ and most recently the G21⁸, are lobbying for are listed in the section below. These recommendations form the basis of many research activities and it is apparent from this list that many of the aspects between macro, mesa and micro levels of operation are highly interdependent. The current interest of CIAT in policies related to agroenterprise development has been stimulated by the ongoing commodity crisis and the need to find ways of linking rural communities to markets, through specialized channels, which requires a far greater understanding of marketing rules and regulations than was required in the past. Our particular area of interest is the meso to micro area as it is these policy decisions that most immediately affect our beneficiaries. However we are keenly aware of the linkage between all three levels of trade policy and are developing specific studies that can contribute towards the macro level debate.

Recommendations for Improving Market Access at the Macro Level

- (i) Eliminate export subsidies for agricultural commodities from developing nations.
- (ii) Reduce internal agricultural subsidies to selected agricultural commodities in developed nations, starting with products where temperate producing countries have no comparative advantage, such as rice, milk and sugar.
- (iii) Reduce or eliminate escalating tariffs on processed agricultural goods supplied from developing nations into OECD countries, as indicated by the Everything but Arms agreement (EBA).
- (iv) Manage the supply of basic commodities to avoid overproduction.
- (v) Evaluate market effects when support agencies consider large scale investments in production-based support programs.
- (vi) Invest in value adding enterprises to increase income and reduce exports of primary goods.

6. Commodity Action = Independent lobby group advocating for market regulation through supply management.

7. UNCTAD = United Nations Conference on Trade and Development.

8. G21 is the Group of 21 countries that are working together as a trade bloc at the WTO negotiations to put pressure on OECD countries to agree to more favorable trading conditions for developing countries.

Recommendations for Improving Market Access at the National/ Meso Level

1. Promote alliances between the private sector and smallholder producers organizations in value chains, contract farming and other possibilities within the Fair Trade segment.
2. Develop long-term processes with smallholder producers, including improved access to natural resources, basic infrastructure and services, plus support for exit strategies when needed.
3. Strengthen the rural business environment through the support of business development services (BDS), involving temporary subsidies.
4. Strengthen the human capital of international, national and local rural development agencies to implement business oriented rural projects.

Recommendations for Improving Market Access at the Micro-level

- (i) Promote participatory methods that directly involve local chain actors in decision-making and develop local capacity.
- (ii) Stimulate collective action and organization of rural economic organizations with a solid business and market orientation.
- (iii) Encourage on-farm intensification, as opposed to extensification.
- (iv) Promote diversification and adding value in rural areas, segment diversification with smallholder producers based on their level of market access and asset base, including local income generating possibilities for poorest segments and higher value options such as: tropical fruits, vegetables, livestock, handicrafts and ecotourism for more endowed rural community members.
- (v) Strengthen the market for BDS and its coordination.
- (vi) Incentivize public services providers so that they are performance paid to deliver a higher quality service, support the development of more private sector service providers in the rural community.
- (vii) Generate and promote technologies related to small-scale agricultural production, including information and communications systems, low-external-input-sustainable-agriculture (LEISA), and other value adding intensification, rural electrification, irrigation and water management.

The Market Debate

Given the dilemma between increasing populations, increasing wealth and the declining nature of the international agricultural sector, it is important that agricultural research organizations, in partnership with development agencies and investors, consider new strategies that will provide a more optimistic economic outlook for the many millions of smallholder producers in developing countries. Currently, there are too many countries reliant upon incomes from a narrow range of agricultural goods that are declining in value. Unregulated volatile markets that are dominated by a few international companies can have the effect of locking farmers in developing countries into a cycle of poverty, despite producing quality and varied products that developed countries both want and need.

For the major trading houses, large scale buyers and Governments in the industrialized countries, having access to primary goods that are falling in price is attractive. As input prices fall, the private sector is able to make increased profits and there are few incentives, particularly for the large transnational trading companies to change this situation, despite the negative effects it has on the livelihoods of poor producers. Some lobby groups suggest that a considerable amount of donor financing is focused on increasing production which is inadvertently compounding the problem of the oversupply of cheap primary goods.

The negotiating position of most developing countries that are attempting to progress in the current trading environment for agricultural goods is weak. The WTO rounds have virtually ground to a halt, although the alliance of Brazil, Russia, India and China, the (BRICS), along with other nations in the Cairns Group⁹ may apply sufficient pressure to accelerate the reform process. It is likely to be a very long-term

9. The Cairns Group, formed in 1986, is a coalition of 18 agricultural exporting countries, from developed and developing countries in Latin America, Africa and the Asia-Pacific region. The Cairns Group is a lobby group working to reform WTO agricultural policies and to ensure that WTO members meet in full the far-reaching mandate set in Doha. Cairns Group countries include: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Philippines, South Africa, Thailand and Uruguay.

transition towards greater equity. Furthermore, for change to be crafted that is acceptable and effective between rich and poor countries, it will require both the public and more importantly the private sector communities to agreeing on terms for any new policy instruments. As outlined at the Cancun WTO meeting, the long term goal must be to effect an environment which is equitable and provides real access to markets for both rich and poor farming communities.

Whilst the macro process gradually moves forward, development agencies working in collaboration with donors and administrations in the developing nations should seek to build the business capacity and competence of key supply chains and to enable smallholder farmers to access these markets and be in a position to respond to changes in market demand. The methodology outlined in this paper is one such approach. The pressing need for better support services is evident. Most farmers in developing countries have almost no access to the types of information and financial support services that can assist in linking them to local, national, regional and in the future, to international markets. Market information and intelligence services are relatively cheap to develop and yet currently this basic information is not available to many millions of farmers.

Having access to information is not meaningful unless the associated knowledge can be applied by the various development organizations that aim to support smallholder producers and entrepreneurs. Service providers therefore need to incorporate a market/trade-based approach in all their future work to enhance the ability of the farming communities to produce a diversified range of quality products, to supply identified market opportunities.

To avoid the oversupply of markets, support agencies also need to develop marketing intelligence systems that enable producers to self regulate the supply of goods and services and thus retain prices within agreed marketing margins. Whilst this may appear to be a Utopian goal, a small number of transnational companies have already succeeded and therefore, if managed well, could be used to support small-scale growers, given the required skills and support services. OPEC is a good example of a loose association of producers, consisting of disparate factions, that can collectively control the price and supply of the world's major energy resource.

Conclusions

There is no question that the marketplace is playing an increasingly important role in the lives of millions of smallholder producers across the developing world. Government support to agriculture is generally in decline and the political weight of the farming community has significantly diminished over the past 20 years.

At this time when investment and opportunities decline, the rural community and their service providers need to take on new skills, and adopt ever more innovative and effective methods to enable farmers to engage in the markets more effectively.

The products and research being undertaken by CIAT's agroenterprise project aims to provide

rural services providers with better methods, tools and technical applications to assist rural communities and their service providers to make the shift from a production to more commercially oriented approach to agriculture, including a shift from volume commodities to higher value and value added products.

The RAeD team are currently working on a number of projects to address the issues raised in assisting the linkage of smallholder farmers with market opportunities in three continents. Through this work the team are developing a series of high quality public goods materials which will enable our clients to work with farmers to improve their income livelihood prospects.

APPENDIX 1

Frequently Asked Questions about the Rural Agroenterprise Strategy

How Long Does the Process Take?

At a minimum, the process should take 4 to 6 months, or one cropping season from production to sales. This gives sufficient time for the buyer or service provider to select a farmer group, select a product, conduct market visits and either identify suitable market opportunities or effect a first contract. It can take 2 to 3 seasons, or 2 to 3 years for a farmer group to learn the required marketing skills and implement the process themselves. If larger scale farmers are involved or farmers are being linked to a large commercial buyer, this learning period can be achieved in 1 to 2 years.

According to agencies such as CLUSA¹, the process of building farmer groups, secondary associations and commercial trading cooperatives can take between 8 to 15 years to complete. This length of time clearly shows the long term relationships that are required to build sustainable marketing skills into a community. This is an important observation because if agencies are to make this level of investment in a community, the process must be of a sufficiently high caliber to give the best prospects for success.

What Level of Participation Should Be Used?

Each of the methods **can** be undertaken by an expert team or with facilitation, by the target community. Our approach promotes the participation from both the target community and lead service provider(s) in gathering information, and thereafter in designing and implementing interventions based on their experience and knowledge gained in the process. The focus on participation is to build capacity within the local community and empower them to be able to undertake the marketing work when the service providers have gone.

1. The Cooperative League of the USA, who specialize in developing commercial cooperatives with farmer groups.

How Does the Process Start?

The standard process begins with the identification of a project area, the establishment of a working group, made up of likeminded development agencies and the selection of enterprise or farmer groups. The advantage of starting in a defined geographic area is that it enables the lead service provider to limit the area of intervention and to support local administration and social support groups, within their context. Working from a defined area also lends itself well to baseline evaluation, followed by monitoring and evaluation.

Is the Approach Flexible?

The process can be applied at a village or national level, and can start at many different entry points (see below). However, modifying the process generally needs a higher level of experience and missing stages will limit the learning experience.

Entry Point 1 (Starting out)

The starting point for market facilitators with limited experience will be to improve their marketing skills and learn with farmer groups how to sell existing products more effectively. The focus of this work is to pilot the enterprise approach so that both the market facilitator and the farmer group get a better understanding of how the marketing process works and how farmers market their goods collectively. Our experience suggests that farmer groups must be well organized and follow best practice principles.

Entry Point 2 (Well organized farmers)

For farmer groups that are organized and interested in investigating new product ideas, the starting point should be with a Market Opportunities Identification (MOI) study. It is anticipated that organized farmers already have competence in growing basic food security crops for the market and are seeking new higher value options. The MOI will provide a list of new opportunities to investigate in more detail,

through market chain analysis and enterprise design.

Entry Point 3 (Pre-selected commodity)

Many development projects start with a product which has been selected as part of a pre-project design phase. When a product has been pre-selected the starting point is either a more detailed market chain study or a rapid survey of buyers. The initial survey work will enable the market facilitator and farmer group to focus on a particular market chain option.

Entry Point 4 (Existing buyer/Contract farming)

In some cases, an entrepreneur/trading company will approach a service provider for support in the supply of a particular product or commodity. If this is the case, the higher order

market actors will drive the marketing process. The role of the service provider will then be to work with the farmer groups to design enterprise plans for competitive supply of the identified product.

Is Client Profiling/Segmenting Important in Designing Enterprise Approaches?

The ability of an enterprise group to take on new marketing skills and engage in the market place is highly dependent upon their starting point. The client profiles in Illustration 10 provides an overview of the types of intervention processes that can be applied to different wealth groups and also how, the function of the service provider should change as the enterprise groups become more sophisticated.

Illustration 10. Evolutionary stages of smallholder farmers and their agroenterprise capacity.

Stage	Characteristics	Pre-conditions to enterprise development	Enterprise emphasis
Subsistence asset building	Individual farmers producing predominantly for own consumption, selling small surpluses to local markets. Limited access to services and no use of purchased inputs. Low asset accumulation, most vulnerable.	This type of community requires pre-enterprise support such as re-stocking assets. This may include provision of food aid, seeds, tools, livestock, inputs, conflict resolution, safety net clauses and interventions in areas recovering from disaster, civil unrest or chronic food insecurity.	Focus on organization of farmers into groups to build social capital, trust and simple business skills to lay the foundations for enterprise. Start with existing products that show high market demand/value and are produced by the majority of farmers.
Early stage enterprise	Small-scale enterprises, limited value addition, weak business skills and incipient social cohesion among group members. Access to services is irregular with limited enterprise growth prospects.	Communities at this stage are well positioned to benefit from enterprise support. Service providers should review their competence and staff profiles to ensure quality of marketing services.	Focus on group dynamics and developing group business skills. Initiate record keeping to lay the foundation for future financial accreditation/support. Seek enterprises that are more profitable for the target group.
Developing stage enterprise options	Commercially oriented enterprises, more social cohesion. Using value adding handling, processing, products more diversified. Selling into local and national markets. Have access to appropriate services that permit enterprise growth.	Require specialist support in areas of enterprise growth. This may include aspects such as market information, finances, new product development, business support, etc.	Focus on increasing scale and value addition within selected subsectors. Lead groups should seek links to like minded groups in order to encourage scale. Record keeping and business planning should be shared with financial experts and group should seek financial support.
Mature enterprise	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 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.	Focus on chain champions and issues of governance and equity in the market chain. Group should link with specialist skills/information service providers, which should be fee-based. Group should focus efforts on to product development issues, including branding, customer relations and broadening product portfolio. Shift to supply chain management or value chain approaches to consolidate markets.

APPENDIX 2

Some Results from the Agroenterprise Approach

The comparative strength of CIAT's Rural Agroenterprise development method is its integrated approach. This approach is flexible and focuses on ways to reduce the risk inherent in the execution of business activities, especially with smallholder producers. Many organizations, both research and development, are working on specific areas such as markets, subsector analysis or the provision of BDS, but few have developed a clear idea about how these areas link together in a given geographic area. Some practical examples of RAeD are given below:

Cut Flowers in Cauca, Colombia

The production of cut flowers—Anthuriums—has traditionally been a women's concern in the Department of Cauca, Colombia. When good market opportunities appeared for this product, an enterprise project was facilitated by CORPOTUNÍA, a local NGO, with three groups of women. The analysis of the farm-to-market chain revealed that flower shops in Popayán largely captured profits, while the producers themselves were barely covering costs. Armed with this information, a negotiating session occurred between representatives of the women's groups and possible buyers. This process resulted in a 24% price increase for producers and, in return, they agreed to sort, grade and pack the flowers based on their customers needs. More important than this initial gain, however, is the business vision which the women's groups have developed. This has led them to establish a direct sales point in the city.

Coffee in Yorito, Honduras

Despite the depressed market situation, a group of 12 producers in Yorito, Honduras, have found a way to make their coffee more profitable. The development of an agroenterprise project for coffee seemed far-fetched as coffee prices plummeted. The Agro industry Committee of CLODEST identified an exporter in San Pedro Sula as a potential client. Initial negotiations led to a 16% price premium for their product over

local buyers if they maintained strict controls that guaranteed high quality coffee. This agreement was honored for three shipments and 227 quintals (11,350 kilos) of coffee were sold. Due to declining world prices the buyer in San Pedro Sula backed out of the arrangement but, a local buyer was identified who offered the same conditions. Since November 2001 when this process started, local coffee prices have continued to decline for producers who are not associated with the agroenterprise project. Currently the 12 participating producers are receiving 50 Lempiras (US\$3.13) per quintal while nonparticipants are being paid 25 Lempiras (US\$1.56) per quintal. The group is gaining in confidence and want to develop a high value coffee brand for their product. If they can achieve this goals they may be able to access a larger part of the export price for a quintal of Honduran coffee which was US\$45, clearly much improvement can still be made.

As a result of improved market knowledge, a larger group of producers (approximately 45) have initiated moves toward ecological and organic coffee production. With the support of the Agro industry Committee of CLODEST, they have been certified as transition coffee and plan to achieve additional certification in the coming years. Negotiations are underway with a coffee cooperative, which currently exports organic beans for the German market, to purchase the transition coffee at a premium.

Potatoes in Uganda

Potato producers in the highlands of South Western Uganda found they were unable to find a reliable market for their high quality potato seed. Market sales of ware potatoes were too low to create sufficient demand for the seed, so, seed producers undertook a market survey to identify higher value markets. A business opportunity was identified to supply Nandos, a large fast food restaurant, in the capital city of Kampala, some 450 km away from the farming community. The farmers decided to opt for this high value, high risk market opportunity. The service providers,

Africare, NARO and CIAT worked with the production group to develop a business plan for year round supply of potatoes. From July 2003 to April 2004 the Nyabyumba Farmers' Group has consistently delivered potatoes to Nandos, reaching a volume of 100 MT. The farmers' group has received a total gross income of US\$24,052,000 (approx US\$30,000). December shows the highest income from the sale of potatoes. In the same month the farmers harvested the best quality potatoes having adapted to the stringent quality requirements of Nandos. The business relationship between the farmers group and Nandos is improving with time and Africare is working with these actors to refine the business plan and build the trust that will be required to make this a long-term sustainable enterprise.

Peanuts in Laos

A participatory market chain analysis conducted with local farmers and service providers in Vientiane, the capital city of Laos Peoples' Democratic Republic identified a growing demand for peanut. The project farmers were based in Xieng Khouang, some 400 km from Vientiane. The constraints included poor quality nuts, lack of access to shelling equipment and low volumes of production. An evaluation of the production systems, revealed that farmers only produced peanuts one year in three due to low soil fertility. Peanut fertilizer trials were conducted to develop a low input management system that would enable annual production. In experiments with local traders, the buyers consistently gave higher prices to peanuts from fertilized plots due to their larger and more uniform size. The combination of higher unit prices and higher yield resulted in a higher net profit of 24 million kip/ha versus 17 million kip/ha without fertilizer. This represents a 41% of increase in profit. The increased production led to analysis of the handling methods as hand shelling was no longer viable when production levels increased. Shelling machines were introduced, made locally in a neighboring province and this appropriate technology increased the speed of shelling by 684%, or eight times faster than by hand. Rather than expecting each farmer to purchase or build a shelling machine the new technology was introduced as a new local business service, which provided off-farm employment.

Business Improvement: Milk Cooperative in Versalles, Southwestern Colombia

Through a 2-year Action Alliance scheme, the Rural Agroenterprise Development Project provided business training to members of Coo-Versalles, a small dairy cooperative in Versalles. This process was stimulated when the cooperative received funding in 2002 from the Colombian Government to establish a 5,000 liter milk-cooling plant. After 1.5 years of operations selling cooled milk, in January 2004 CooVersalles has daily sales of 3,000 liters and has increased its membership from 50 to 70 members (despite an increase in the membership fee, from US\$50 to US\$200). These changes generated an additional US\$150,000 per annum to the dairy cooperation, in income, due to a 100% increase in the milk's sales price and a 130% increase in sales volume. A great proportion of this income goes to coop members and also trickles down to farm employees, and the rest covers the coop's margin, fixed costs and transportation. The trend suggests that income will continue to increase and that multiplier effects in the community will be significant. Currently, CooVersalles is developing new Business Plans related to meat and cheese production plus local retailing of meat and agricultural inputs.

Institutional Change

The pioneering work on the agroenterprise "Learning Alliance" was undertaken between CARE and CIAT in Nicaragua, starting in 2001-2003. The approach gathered momentum and in 2002 a larger alliance was established through an IDRC grant which included CRS, CIAT, CARE, GTZ, Swiss Contact, Inter-cooperation, SNV, CATIE and the Honduran National University, working in four Latin America countries, including Guatemala, El Salvador, Honduras and Nicaragua.

In 2002 another learning alliance came to fruition in East and Southern Africa, between CRS, CIAT and Foodnet in E. and S. Africa. In Kenya, the agroenterprise approach was applied in four project sites. The process involved 49 farmer groups who invested in a range of market options (Illustration 11). In the first year, enterprises were profitable and there was a good balance of gender involved.

Illustration 11. Project indicators in Kenya's agroenterprise projects.

Project area or "Territory"	Target population	Products	Producer Marketing Groups (PMG's)	Members	Volume sold (MT)	Value in US\$
Mbeere	5000 households	Greengrams, blackgrams, cowpeas, chickpea and coriander	9	447	32	13,103
Homabay	5000 households	Groundnuts, sweet potato, cassava, sunflower/oil Fish and horticulture	27	3014 Male: 1532 Female: 1482	145 800 liters	78,175
Kitui	4000 households	Greengrams and cotton (not sold yet)	8	381 Male: 99 Female: 282	161	46,153
TanaRiver	4125 households	Greengrams, cowpeas, groundnuts, kales, and tomatoes	5	4000	3.5	3,222
Total	18,126 HHs		49	7842		\$140,653

Impact at the "Learning Alliance" Level

In 2005, the agroenterprise learning alliance between CIAT and CRS was scaled up to a global initiative involving more than 30 country offices in Central and Andean Latin America, in Western, Eastern and Southern Africa, and in Southern and South East Asia. The results from this alliance are being incorporated into the next generation of development projects by CRS and this is already influencing how major development projects are being designed and implemented with partners using an agroenterprise approach. Similar relationships are being developed with other partners in the three continents and CIAT's agroenterprise

development team is placing considerable effort in developing its information sharing approaches to support this growing demand.

Through these new partnerships, the role of CIAT's agroenterprise team has shifted from mainly working with clients and beneficiaries on specific, enterprise projects locations to facilitating a process of change using agroenterprise tools across many sites and cultures. In this new role, the CIAT's RAeD team can operate at a more strategic level, focusing effort on improving the process and playing a facilitatory role, whilst our partners test the process in the field with many hundreds of thousands of beneficiaries.

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