

Participatory Market Chain Analysis for Smallholder Producers



Mark Lundy, María Verónica Gottret, Carlos Ostertag, Rupert Best, and Shaun Ferris



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1. Participatory research. 2. Productive chains. 3. Rural agroenterprises.

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1. Empresas pequeñas. 2. Zonas rurales. 3. Participación de agricultores.
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Preface

The Participatory Market Chain Analysis Guide was developed as a key step in the 'area-based approach to rural agroenterprise development'. The *guide* is based on the principles of developing market-led interventions that go beyond single intervention projects. The aim of this *guide* is to enable service providers to work with a range of actors in selected market chains and design interventions that initiate systemic changes in the marketplace.

The approach seeks to empower producer groups to engage with markets more effectively and strengthen their business linkage with other entrepreneurs. The goal is to upgrade the level of competitiveness for all actors within a market chain and thus enable rural producers, traders, and processors to make the shift from opportunistic and irregular market linkages to systematic players within growth value chains.

This *guide* is the fourth in a series of documents designed to support agencies implementing participatory agroenterprise development programs operating within defined geographical areas. The guide series currently includes:

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

2. A Participatory Guide to Developing Partnerships, Area Resource Assessment and Planning Together.
3. Identifying Market Opportunities for Rural Smallholder Producers.
4. **Participatory Market Chain Analysis for Smallholder Producers.**
5. Evaluating and Strengthening Rural Business Development Services.
6. A Market Facilitator's Guide to Participatory Agroenterprise Development.
7. Collective Marketing for Smallholder Producers.
8. A Guide to Rapid Market Appraisals for Smallholder Agroenterprise Development.
9. A Guide to Agricultural Marketing Extension.
10. 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, and anticipated scale of implementation.

Discover your Innovation

Acknowledgments

This *guide* is the result of several years of participatory research in several pilot site areas in Latin America, and more recently in Africa and Southeast Asia. The *guide* has been tested with farmer organizations, local and international nongovernmental organizations, governmental organizations, and the private sector. Without the efforts and ideas from each of the partners below this document would not have been possible. We would like to recognize particular support received from:

- Communities of the Cabuyal River micro-watershed in Cauca Department, Colombia.
- Support organizations in the Rural Agroindustrial Committee of the Consorcio Interinstitucional para una Agricultura Sostenible en Ladera (CIPASLA).
- Communities of the municipalities of Yorito and Sulaco, Yoro Department, Honduras.
- Microenterprise Committee of the Comité Local para el Desarrollo Sostenible de la Cuenca del Río Tascalapa (CLODEST).
- Members of the Consorcio para el Desarrollo Sostenible de Ucayalí (CODESU) of Pucallpa, Peru.
- CARE Nicaragua and in particular the RENACER and FAROL projects located in Estelí and Matagalpa, respectively.
- CRS Eastern Africa and their support to the learning alliance development process in Eastern Africa.
- ASARECA and its support to agroenterprise activities through the regional marketing and agroenterprise network FOODNET.
- PABRA and its support to agroenterprise development in Eastern and Southern Africa through the Enabling Rural Development project.

- DFID in support of the Agroenterprise project in Latin America and Africa.
- SDC support to the Agroenterprise project in Vietnam and Laos.

This text attempts to document and share the work of these pioneers so that other rural communities can apply what has been learned, and thus contribute to improving their livelihoods.

The authors also wish to acknowledge the generous support provided by the MINGA Program of the International Development Research Centre (IDRC) of Canada which permitted the development of field activities, and the elaboration of this guide. The support of many CIAT colleagues have served in a similar fashion, as have the queries of students in the First and Second International Courses, “Linking small-scale rural producers to market chains: Design of strategies to increase competitiveness,” offered jointly with the Center for Competitiveness of Eco-Enterprises of the Centro Agronómico Tropical de Investigación y Enseñanza (CATIE), of Costa Rica.

We give thanks to DFID for their logistic and financial support over many years which have enabled partners to learn, discover, and create this body of knowledge. Thanks also go to USAID and CRS for providing funds to publish these documents.

Technical and language editing of this document was done by Libby Finney. A special word of thanks to Jorge Enrique Gutiérrez for his drawings.

Introduction and Background to the *Guide*



Mr. Busy
Buyer for
Best Fruit
Supermarkets
Ltd.



Mr. Sam
Chairman
Green Farmer
Association



Mr. Movit
Rapid Transit
Traders



Mr. Marco
NGO Market
Facilitator



Prof. Margaret
Market
Researcher
and Academic



Mrs. Jemimah
Fruity
Processors Ltd.



The starting place for this *guide* is a detailed participatory analysis of a selected market chain, followed by an evaluation of critical points that need to be addressed when designing an agroenterprise project to engage in the selected market chain. In cases when a service provider has already selected a product or commodity to integrate into an agroenterprise approach, this guide maybe also be considered as the starting point in the agroenterprise approach. For those who are following CIAT's Rural Agroenterprise Development Strategy, this guide is the fourth

step. At this point you will have completed the following tasks:

From the work in Guide 2 you will have:

1. Selected a project area.
2. Undertaken a biophysical and socioeconomic analysis of your area.
3. Defined the rules of engagement and developed a vision for your community.
4. Identified partners who will constitute the agroenterprise working group.
5. Identified farmer organizations interested in developing agroenterprises.

From the work in Guide 3 you will have:

1. Undertaken a rapid market opportunities identification survey to identify a long list of options that are or could be produced in your area.
2. Used selection criteria to reduce many product options to develop a short list.
3. Undertaken a production, financial, and market evaluation of short listed products.
4. Discussed feasible options with farmer groups.
5. Selected possible options to develop into agroenterprise projects.

Based on this previous work, the reader will have selected at least one product option for participatory market chain analysis. For service providers with considerable marketing experience more product options maybe considered, but it is recommended that first time users of this methodology test the process with one option.

This guide is divided into 11 sections. Each section is designed to explain the reasons behind the methodology and steps that are useful in the field. The sections in this guide include:

1. An Area-based Approach to Rural Enterprise Development.
2. Market Chains and Service Providers: Basic Concepts.
3. Basic Steps in Developing a Competitive Market Chain Strategy.

4. Guidelines for Adapting the Process to Local Needs.
5. Selecting a Market Chain.
6. Planning and Executing a Rapid Market Survey.
7. Identification of Key “Actors” in Market Chains and Steps for Business Planning.
8. Participatory Market Chain Analysis.
9. Analysis of Critical Points in the Market Chain.
10. Negotiating a Strategy to Increase Competitiveness.
11. Monitoring of Strategies to Increase Competitiveness: General Guidelines.

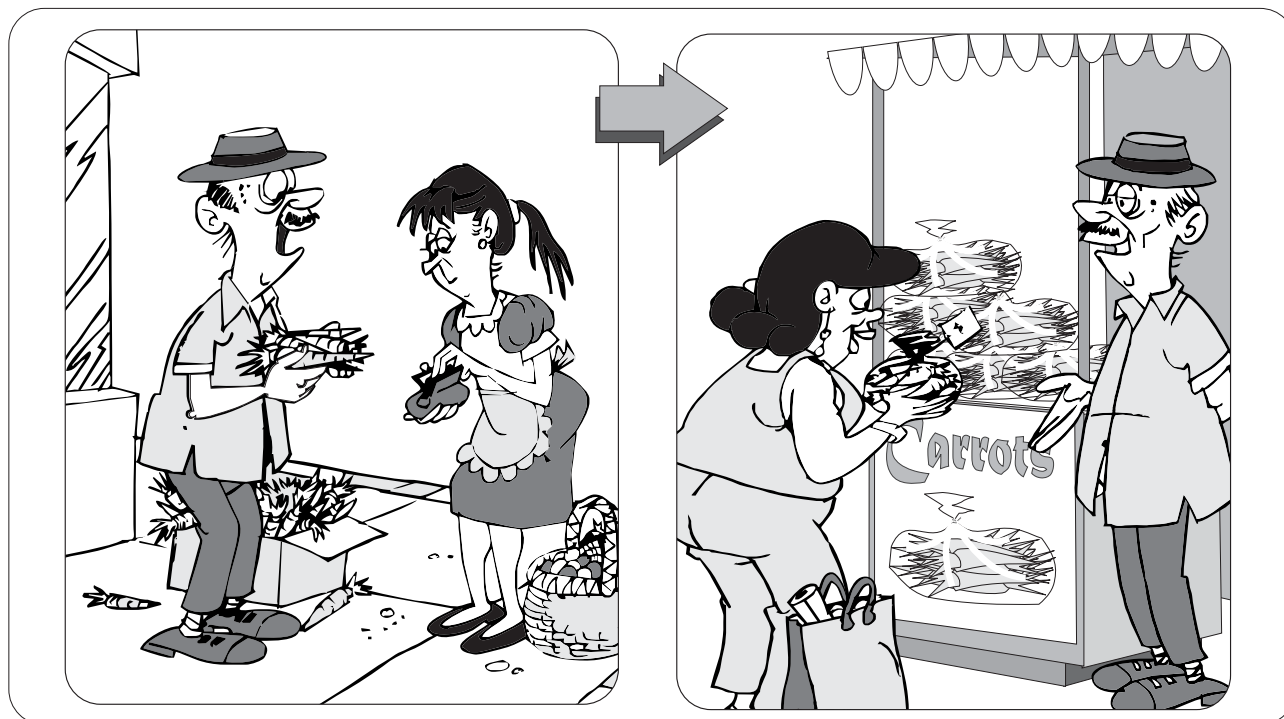
To facilitate better understanding, each section is structured in the following way:

- **Guiding questions** that introduce the themes and ask the reader to reflect on their experience.
- **Conceptual support** relating to the themes introduced.
- **Appropriate tools** to facilitate participative processes of planning, analysis, and design of strategies to increase competitiveness with smallholders and the other enterprise actors in the market chain.
- **Practical examples** of experiences with this methodology in Latin America related with the theme of the section.
- **A review** at the end of the section that restates the main ideas.

THE THEORY

SECTION 1

An Area-based Approach to Rural Enterprise Development



Guiding questions

1. Why is being competitive in the marketplace more important today than 20 years ago?
2. Why have rural development approaches oriented towards agricultural productivity failed to improve rural family income?
3. What are the elements of an area approach for rural enterprise development?
4. Who are the local actors that participate in this approach?
5. Why is the formation of a local group for inter-institutional work important for facilitating processes of rural enterprise development?
6. Why is diversification a useful option for small-scale farmers?

Introduction

Traditionally farmers have made decisions on what they should grow, what they should keep for home consumption, and what they are able to sell at the marketplace. In former times sales would have centered on local markets and it would have been rare for a farmer to venture far afield in search of new market opportunities or to consider developing new, higher value products. This traditional form of agriculture starts to change as communities and nations begin to modernize. Through processes of

urbanization, generally fostered by industrialization, demand for food from urban dwellers becomes dependent upon more sophisticated arrangements that require aggregation of farm produce, transportation, storage, wholesaling, processing, and retailing. As cities expand, food supply systems develop into increasingly longer and more complex market chains with many market channels and specialization of roles in the market chain based on product type, levels of added value and market segmentation.

In most cases marketing system work well, however problems can occur in the food supply system when there are shocks, such as severe drought, floods, major disease outbreaks or civil unrest which can disrupt market supplies. In the case of agricultural markets, problems also occur due to seasonal effects, which can be exacerbated by the lag time between farmers observing a price trend or opportunity and being able to respond, after making decisions to plant, grow, and harvest a specific crop or to rear animals. Consequently, changes in market supply conditions in one year can lead to major swings in the supply and demand of agricultural goods in subsequent years. This is sometimes referred to as boom to bust marketing cycles.

In an attempt to avoid problems in food supplies and reduce price volatility within the agricultural marketplace, governments in many countries have taken it upon themselves to regulate the market, setting up support measures such as subsidies, floor prices, and quotas for specific commodities in an attempt to match demand with supply.

In the 1940-1950's period, many countries in the developed and developing world managed food systems through subsidies to support agricultural production. During this time governments set prices, assisted with cooperative development, and invested in public storage and transport systems. This era of government support was good for farmers, as the government shared the business risk and farmers were able to plan production based on a known price. Unfortunately most governments were unable to adapt to changing times. Procurement agencies became weighed down by poor management which led to uneconomic internal price structures. Over time, farmers in developing countries were unable to compete on international markets and maintaining high domestic support prices led to massive internal debts. When internal debts could no longer be paid, the International Monetary Fund (IMF) and World Bank were required to renegotiate loans. As a result, many developing countries had to adopt reform packages known as the Structural Adjustment Programs (SAPs).

The reform programs meant that governments withdrew from agricultural markets and in the last 20 years, markets in most developing countries have been increasingly liberalized.

Prices are no longer controlled by governments but are subject to the laws of supply and demand. The role of government has reduced to regulation while the operations of the market are left to the devices of many individuals, companies, and associations that make up the private sector. For many small-scale farmers, their position has changed over the past 40 years from being a free local agent, to a virtual government contractor and most recently to an agent that has to compete with countries across the globe, even to supply local markets. Farmers regardless of size must assume the full risk of doing business in this new trading environment many smallholders have to competing against farmers who receive subsidies.

A large percentage of the rural population in the developing world therefore finds itself facing a crossroads, on the one hand, traditional products are steadily losing value in a rapidly globalizing market, and on the other hand, their natural resource base is being eroded due to pressures that place today's food and income ahead of care for tomorrow's resources. As a result, many families face an increasingly difficult future in agriculture and increasing numbers of people are abandoning the countryside in search of alternative options in cities and even abroad, without achieving or being able to contribute towards dignified livelihoods for their family members.

Confronting this reality are governments, donors, and development organizations that aim to support rural development projects with an increasing focus on raising incomes. Unfortunately, many development projects and development practitioners only look at one part of the market chain, on-farm production, and these projects often have limited effectiveness on livelihood issues.

Food Security versus Income Security

A focus on production is often justified by the concept that smallholder producers should focus their efforts on having sufficient food to provide for the family first and thereafter base their marketing strategies on surplus production. The ability of a community to avoid famine is clearly a sensible approach and food security is a basic tenet in the development pathway. Unfortunately, the food security approach has tended to dominate

agricultural interventions for the past 30-40 years, meaning that development projects, regardless of market access issues, have remained focused on increasing production of low value, staple food rather than taking on a broader concept of economic security. This approach takes advantage of a more diversified approach to farm incomes based on local opportunities, local assets, and the competitive advantages of the community in which the project is located. Major development projects are all too often based on macro economic analyses that attempt to achieve growth through improving traditional food security cropping systems and, by doing so, subject many thousands of communities to a limited economic outlook, based on a national perspective. In this scenario, countries that are maize-based work on maize production, countries that are rice-based produce more rice. The first result of food security is achieved, but the communities are often unable to gain the skills to take on the second step of finding and developing other supplementary income streams.

An alternative “market driven” approach, as outlined in this series of guides, aims to empower rural communities with basic marketing skills that will enhance their ability to engage with markets in a more sustainable and stable manner. To achieve the shift from a production to a market orientation means that farmers need to be more organized. They must acquire new skills in financial and business management and be able to respond to changes in dynamic markets. Acquiring these skills also means that service providers, involved in providing agricultural advice, also need to gain new skills to assist local communities to plan and sell their goods and services based on market demand, and to work on sustainability through markets rather than on handouts.

The approach to rural agroenterprise development begins with participatory processes to ensure the full involvement of community members. The conceptual thinking starts from the marketplace but planning for the market is undertaken with a clear understanding of the needs, capacities, and desires of the clients, i.e., the rural families being targeted by a specific development intervention.

Working with a specific community, the service provider¹ can build a clear understanding of local marketing conditions and how best to work with farmers to resolve critical points in a particular market chain. Developing this knowledge with farmers is a key element in developing sustainable and competitive agroenterprises. Before investing in a sector the service provider and for example, a lead farmer group, should evaluate the likely effects that changes such as (i) increasing productivity, (ii) improving quality, and (iii) increasing volume of sale, will have on their target market. Our view is that projects designed with adequate market information can improve the sustainability of development efforts and that increased incomes are essential if rural producers are to complement the resources provided by development actors.

Most importantly, by taking a market or enterprise approach, the end point in the development process changes from a short-term physical goal, i.e., increasing the amount of maize that is produced by a farm family, to a longer term social goal in which people learn skills that will enable them to adapt continually in a changing environment, that is to be able to innovate in the face of change.

Area-based Approach to Rural Enterprise Development

To address these issues, CIAT’s Rural Agroenterprise Development Project (RAeD) has developed methodologies that aim to respond to the entrepreneurial needs of rural development organizations. The overall process is entitled “A Participatory and Area-based Approach to Rural Agroenterprise Development” (Ferris et al., 2006), which has been developed and tested with partners in Latin America, Africa, and Southeast Asia. The approach comprises a series of interconnected methodological steps that seek to improve local capacity in linking farmers to markets. Within each element, there are sub-steps that guide the service provider and community towards agroenterprise selection and market engagement: The key steps in the process are shown in Figure 1.

1. Service provider in this context refers to the agency or group of actors that take on the mandate or role of coordinating a development project or interventions to support a community. The service provider could also be referred to as the “change agent”.

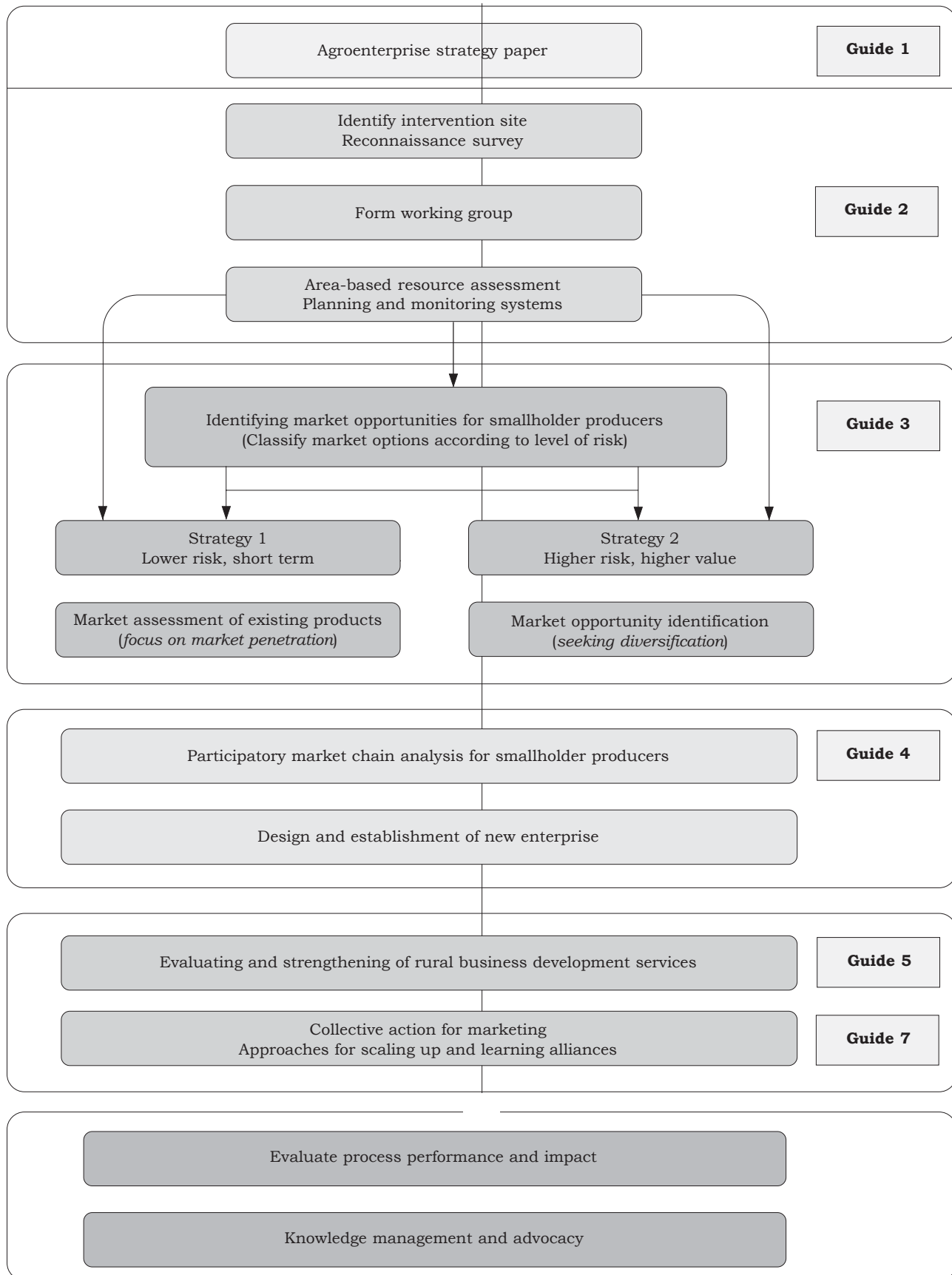


Figure 1. Flow chart of key stages in the participatory agroenterprise development approach. Please note that Guide 6: “The Market Facilitator’s Guide” is a summary of Guides 2-5.

Each of these elements is approached through a series of participatory methods that address issues of diagnosis, organization, planning, action research, learning, and socializing information. These steps serve to generate, systematize, and share information and knowledge with the aim of building agreements for action, and in turn to increasing the probabilities of market success. The information in Table 1 shows a general timeline to complete the first four stages; these timelines are guides and implementing agencies need to negotiate with their partners on actual investments in time and other resources as their funds and availability allow.

At the end of these four stages in the process, participants will have established an

agroenterprise development team composed of various organizations and local actors with skills and capacity to:

- (a) Identify competitive market opportunities for the project area, based on the needs of diverse populations and/or ecosystems.
- (b) Analyze market chains and propose concrete actions in research and development to increase their competitiveness; and design agroenterprise activities in which target farmers can invest.
- (c) Coordinate supply and demand for specific business development services, and facilitate markets for business development services on a continual and dynamic basis.

Table 1. Planning, organization, and timing for rural agroenterprise development.

Planning and organization	Intermediate product(s)	Estimated time	Processes and actions to be established
Diagnosis of area Formation of RAeD work team	<ul style="list-style-type: none"> • Establishment of agroenterprise working group. • Development of partnerships for implementation. • Area diagnostic. • Action plan (visioning). • System of monitoring, evaluation, and learning. 	2 to 3 months	<ul style="list-style-type: none"> • Consensus on what to do, and how and when to do it. • Agreement and coordination of actions among actors.
Identification of market opportunities	<ul style="list-style-type: none"> • Rapid market study (local, regional, and/or national). • Characterization of market options. • Participative selection of market options. 	3 to 4 months	<ul style="list-style-type: none"> • Establish relations with actors in the markets. • Generation, analysis, and diffusion of market information.
Participative analysis of market chains	<ul style="list-style-type: none"> • A strategy to increase competitiveness designed for each prioritized market chain. 	3 to 4 months per market chain	<ul style="list-style-type: none"> • Implement research and development actions of the strategy to increase the market chain's competitiveness and income of its actors.
Implement the agroenterprise option	<ul style="list-style-type: none"> • At this stage the agroenterprise team invest and establish their agroenterprise. 	Typically enterprises work around a specific crop/ animal cycle	<ul style="list-style-type: none"> • This stage is when design is turned to action and evaluation.
Identification of supply, demand, and gaps in the local business development services	<ul style="list-style-type: none"> • Diagnostic of supply, demand, and gaps in enterprise development services in the area. • Design of strategies to strengthen the markets for enterprise development services in the area. 	3 to 4 months	<ul style="list-style-type: none"> • Improve rural enterprise development services existing in the area. • Establish new rural enterprise development services requested in the area. • Links with external actors that can offer the services requested in the area.

Although the methodology for the agroenterprise development process has been presented as a linear set of events with fixed contents and times, the process should not be considered a recipe. Each process of rural enterprise development will be different, based on the conditions of the area where the approach is implemented, the capacities and interest of the participants, and the needs that emerge from this interface.

The methodology should be viewed as a set of principles and skills that are developed through community action in a flexible and interactive manner. The service providers should take care to encourage local adaptation and innovation. The service providers should also take time for periodic evaluation of the process according to the needs of the community, taking into account their experiences and the context. It is important to document and systematize local experiences so that information can be socialized and shared with others, and thus lead to the identification of general rules and lessons learned, that enrich and improve the approach as well as the specific methods.

Agroenterprise as a Catalyst for Enabling Rural Innovation

Although there is a growing consensus that agroenterprise development is a robust process that offers many small farm families in Africa, Latin America, and Southeast Asia a ladder out of poverty, there are a number of challenges that must be met in order to make this happen. These include:

1. Building the skills base and social capital of farmers to enable them to gain a better understanding of markets and how to respond to dynamic market needs.
2. Enabling small farmers to diversify their outputs so that their efforts can benefit from high value market opportunities as well support low value staple food systems and thus take advantage of market opportunities profitably.
3. Providing farmers with basic methods and tools for group formation so that the many millions of small-scale farmers can benefit from economies of scale where it is appropriate through collective action processes that are locally owned.
4. Building the capacity of development oriented service providers to support agroenterprise within a defined project area

and facilitate farmers' access to local business support services.

5. Transforming research from generators of new knowledge and technologies to service providers for enterprise customers—government, NGOs, private sector, and farmer organizations.

The ability of smallholders in developing countries to address these issues is important as they face an increasing imperative to incorporate themselves into the market economy in order to generate cash income that will allow them to meet their basic needs, and thereby improve their livelihoods. These smallholders have been accustomed primarily to producing basic food staples for their own subsistence, with a little surplus to buy essentials. Many of the products that are produced by small-scale farmers are of low value and even the so-called "cash crops" have experienced severe price declines in their real terms over the past 2 to 3 decades. The increasingly harsh or competitive marketing reality within the agricultural sector is the result of the trade liberalization process, globalization, improved production efficiency of medium to large-scale producers, and oversupply of the major commodity markets,

Among the options that smallholders have for confronting this situation are:

- Improving the competitiveness of the products they grow.
 - Diversification, by incorporating into their production system higher value crops or livestock that have an identified market demand.
 - Adding value to and/or achieving economies of scale through collective action for both production and marketing of their traditional crops and livestock products.
 - Entering new and more equitable trading arrangements with larger buyers through mechanisms such as fair trade and labeling based on method of production such as organic or by "mark of origin"² appellation systems.
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2. Mark of origin or "appellation" is a method used by which producers and processors to differentiate their produce and protect price premiums by legally registering their products such that no other producers or processors can this name, title or logo, unless they produce the product within a legally recognized area or territory and use a specific and or traditional method of production and/or processing.

There are many simple ways in which farmers can add value to their produce, such as use of improved uniform seed, bulking and grading products, and in many cases by working in marketing groups. Farmers can diversify their production and use part of their land for higher value crops and in some cases farmers can sell their produce into higher value marketplaces. All of these methods aim to take advantage of the rapidly changing market environment being led by urban consumers, who have more sophisticated market needs such as organic and fair-trade markets.

In order to take advantage of these potential options, farmers, however, must be able to understand market opportunities and being able to respond to changing market needs. Farmers must also provide products and services at a price that is competitive with rival suppliers and there is increasing social

pressure to ensure that production systems are environmentally sustainable. To achieve desired levels of competitiveness, farmers and their service providers need to build strategies that incorporate the following elements:

- A clear market orientation, producing the right product for the right buyer at the right time and price.
- The establishment of production systems that makes efficient use of existing financial, human, and natural resources.
- The incorporation of necessary post-harvest handling and processing techniques.
- Appropriate business and marketing skills and organizational schemes which lead to economies of scale by reducing costs and increasing marketable volumes of produce.
- Improved links among market chain actors and flows of both market-based information and new production technologies.

SECTION 2

Market Chains and Service Providers: Basic Concepts



Guiding questions

1. What is needed to achieve effective and lasting rural poverty reduction?
2. What elements characterize the rural situation in your community?
3. What is the difference between “comparative advantage” and “competitive advantage”?
4. What is a market chain or sub-sector approach, and what are its advantages and disadvantages?
5. What other elements need to be included in a market chain approach and why?
6. How is a strategy to increase competitiveness defined, what is it for, and how is it executed?
7. What is the difference between a market chain and a value chain or value net?
8. What differences are there between the efficiency of an individual enterprise and the efficiency of a market chain as a system?

Introduction

A market chain is used to describe the numerous links that connect all the actors and transactions involved in the movement of agricultural goods from the farm to the final consumer (Figure 2). Supporting these activities are services that enable the chain to operate efficiently. Agricultural goods and products flow up the chain and money flows down the chain. The efficiency of the market chain is dependent upon how well information flows between chain

actors, their level of business linkage, and the ability of services to overcome problems as they arise. This section will describe the basic concepts of a market chain, why it is important and how we can use information on the structure and performance of market chains to help link farmers to markets.

Many agricultural support programs focus only on increasing production with little regard to markets and business relationships. Increasing

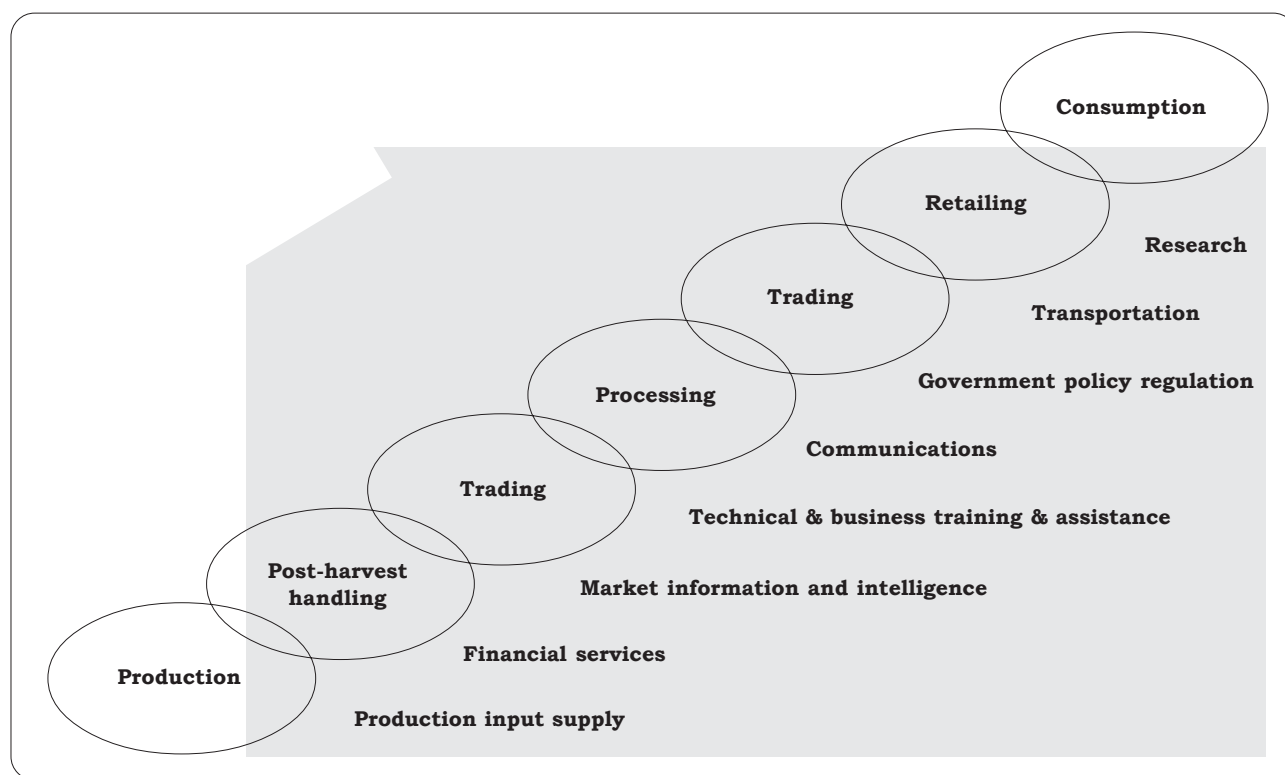


Figure 2. Market chain and its business support services.

production is often achieved through the provision of inputs supported by production-based research and agronomic assistance. A typical intervention package is usually comprised of new high yielding varieties, fertilizers, pesticides, and information on how to maximize yield. This type of intervention leads to increased output and is measured in terms of yield per unit area cultivated. For food insecure areas this approach has been highly successful, but economic growth achievements have been less convincing.

Getting the balance right between production (supply) and demand (the amount required by a market) requires attention to all points in the market chain. All too often, local markets are unable to absorb rapid increases in yield from higher input farming systems and thus higher production is often translated into reduced farm gate prices.

Unfortunately for smallholder farmers, gains in agricultural research and trade policies over the last 100 years, have led to the steady decline in prices of “commodities” including cocoa, coffee, maize, rice, sugar, and tea. In the 1990’s, oversupply of the global markets and weakening

demand led to commodity prices falling to a 40-year low. These prices are unlikely to increase dramatically unless new trade policy or market trends lead to a major increase in demand. One such option may be the increase in demand for biofuels, but we are yet to see the influence of such trends on global commodity prices.

One of the major contributory factors to the recent acceleration in downward prices for agricultural goods is the process of “globalization”. Globalization is the term used to describe the recent impact of innovations in communications and transport systems on trade and the increasing integration of world markets. This process has encouraged nations to liberalize, or open, their economies with the aim of increasing their volumes of trade, including the international trade of agricultural products.

The recent shift from national trade protection towards a free trade environment means that many farmers need to alter their strategies that have focused on comparative advantages to adopting a “competitive” approach to marketing their goods. Whereas comparative advantage

builds on access to local assets, such as climate and natural resources, competitive advantages are achieved when farmers can manage their resources to sell quality goods, at a profit and offer their customers better value than rival suppliers. To be competitive in today's marketplace, farmers in developing countries need to be better organized, at both the enterprise and market chain levels. These farmers need access to new technologies and relevant market information and must take advantage of their low labor and energy costs to offer consumers unbeatable produce value. Farmers also need to understand how their markets function and how their enterprise can be better positioned within a market chain to enhance their market performance.

To be successful in this environment, farmers and their service providers need to learn new skills and take a proactive approach in the marketplace. Understanding how an enterprise fits within a market chain allows the entrepreneur to make better business decisions, such as finding better market options, trustworthy buyers and learning to appreciate the quality that is required by consumers at the end of the market chain.

All of this requires a sound understanding of the basics of markets and how to monitor and respond to market changes. This responsiveness applies to their dealings with input markets, output markets, and service markets. Input markets is the term used to describe the physical products such as seeds, irrigation, fertilizer, chemicals, plastic tunnel

suppliers, etc., that enable a farmer to grow food products. Outputs markets focus on the distribution system and place where the farmer sells his or her produce and who they sell to, e.g., traders, transporters, processors, and retailers who handle the product up to the point of final purchase by a consumer. Service markets include the range of professional services such as advisory services, market information, financial support, business services, local/international trade regulations that facilitate more efficient trade. The links within the various parts of the market chain are sometimes referred to as backward and forward links, as the entrepreneur views his or her links to the places and people involved in their input and output markets (Figure 3).

Local Service Providers and their Role in Sustaining Market Chains

Another major gap in previous development strategies has been the lack of emphasis on local and national business support services. It has been assumed that profitable business support services will emerge as sectors develop, or that a local authority will provide business support where it is needed. However, this has not been the case in most developing countries and few efforts have made to address this problem. A nonexhaustive list of service provision is provided in Table 2. These functions are taken for granted in most developed countries and with this enabling environment, food production and distribution operates fairly efficiently.

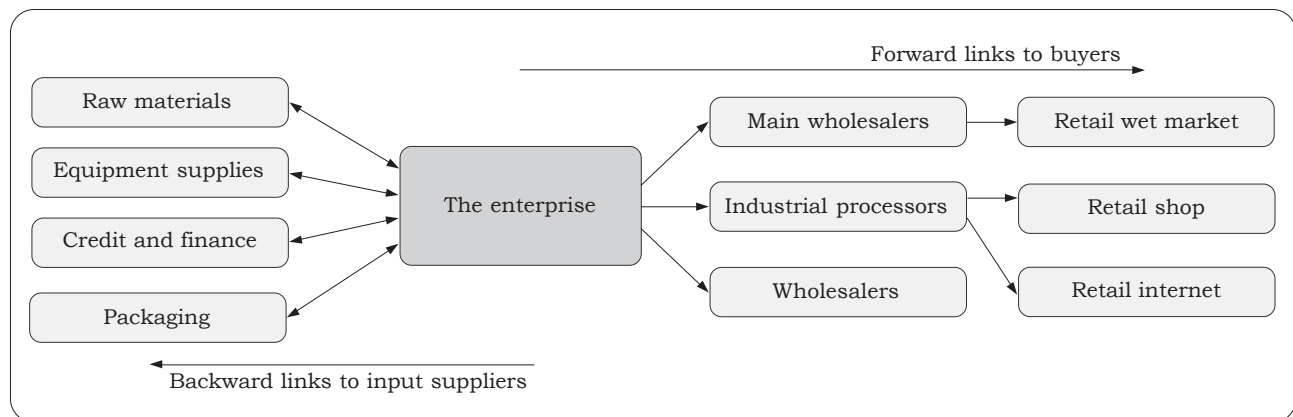


Figure 3. Forward and backward market linkages for enterprise.

Table 2. Service providers that support enterprise development.

<p>Basic infrastructure</p> <ul style="list-style-type: none"> • Roads and transportation. • Communications. • Rural energy distribution. • Water and irrigation access and regulation. • Products from agricultural research (genetic and production hardware plus information for efficient productivity). 	<p>Production and storage support</p> <ul style="list-style-type: none"> • Production input supply merchants. • Farm machinery manufacturer and suppliers. • Extension services providing “know how and innovation” to producers. • Producer associations and cooperatives. • Weather forecasting. • Storage infrastructure. 	<p>Marketing and business support</p> <ul style="list-style-type: none"> • Market structural services. • Market information services. • Market intelligence. • Chambers of commerce. • Trader and sector support groups. • Technical and business training services. • Local marketing centers. • Export promotion (trading houses).
<p>Financial support</p> <ul style="list-style-type: none"> • Credit services. • Banking services, note and electronic. • Crop/farm risk insurance schemes. • Trading exchanges. • Futures markets. 	<p>Policy reform, regulation, incentives, and safety nets</p> <ul style="list-style-type: none"> • Security. • Land tenure policy and taxation. • Government policy regulation for trading. • Safety net functions, such as food aid, price support schemes. • Investment grants. • Arbitration and reform council-based dialogue between private sector apex groups and government select committees. • Legal reforms and dispute settlement. • Regional and international trade policy groups. 	

The lack of investment in agricultural business development services (BDS) and deteriorating market linkages has meant that the agricultural sector has stagnated. For the poorest communities in developing countries, this has meant that their only source of income is very limited and explains the fact that the highest levels of poverty are found in rural areas.

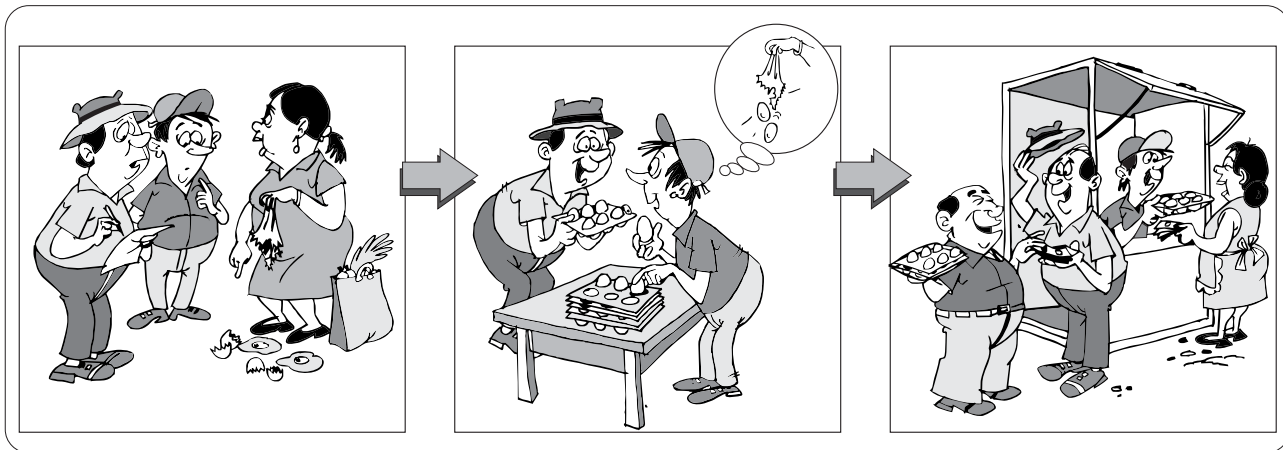
The failure of governments to provide effective support services to stimulate agriculture has opened a major gap for alternative publicly funded nongovernment organizations (NGOs) to provide local communities with access to “not for profit” goods and services. The primary role of these organizations has been to build capacity in food security but this role has expanded to include a gambit of other support services including health, education, finance, and environment. It is clearly cheaper for developed nations to provide prophylactic services to produce food locally rather than the extremely expensive and highly distorting alternative of providing relief food supplies.

Even though NGOs have proven to be an effective service provider, there continues to be debate about whether these external

agencies should be empowered at the expense of local government capacity. To date the reality is that NGOs continue to grow, especially in the poorest areas, as they are often considered to be more accountable and show better value for investment than government agencies.

This, however, leads to a second question, and that is whether NGOs should provide services with their own staff or whether they should build capacity in local services providers, both public and private. Our contention is that NGOs should place far greater emphasis on the facilitation of services and in their production and marketing projects. They should facilitate local services rather than hire staff to provide such services. If NGOs are to enable local communities to create their own opportunities for income growth, they need to be much more business oriented. NGOs should work from a market led approach to production and they should build enterprise sustainability through strengthening of local, national, and regional support services. As this is a long-term endeavor, **it is as important to strengthen the ability of service providers**, as it is to build the capacity of farmers to produce for markets.

Using Marketing Skills to Reduce Rural Poverty



Given this position, service providers need to be able to empower local communities to engage in the marketplace. To do this farmers and local entrepreneurs need to develop new skills and therefore service providers also need to gain a far better understanding of markets and how they operate. Farmers need to learn how to identify profitable market opportunities, how to adapt and improve their produce and to work with others in a market chain to meet the increasing demands of the “globalized” consumer.

As consumers become more aware, they seek more choice, better quality, consistent year-round supply, greater assurance of safe production methods and as markets mature, consumers want all of these factors at lower prices. Understanding profitability, competitiveness, and being attuned to changing market signals helps in making sound business decisions. The promotion of a rural sector capable of managing and maintaining connections with more diversified and growing markets is presented here as an alternative strategy for rural development.

In conclusion, agri-food systems are in a phase of rapid change with moves towards greater business association of actors along market chains (vertical integration) with the objective of guaranteed quality, continuous supply, and more competitive prices for consumers. Farmers and rural communities need to be equipped with effective market strategies to deal with these changes if we are to make markets work better for the poor.

Situation Analysis

Client profiling/audit

When developing marketing strategies for a “community” or a set of farmer groups, a basic starting point is to undertake a social audit of the location in which you are operating, and to assess your clients in terms of their assets, skills, levels of organization, market access, and specific challenges. Challenges can often seem overwhelming, particularly for service providers working in areas affected by major shocks such as drought, floods, conflict. In addition, many rural areas are also dominated or complicated by problems associated with ethnic problems, language differences, illicit crop production, poor infrastructure, and weak services. However, we contest that in spite of all of these problems, markets operate in the most difficult of circumstances and it is the robustness of the marketing system and its associated actors that needs to be built upon.

The partner analysis conducted in Guide 2 of this series should provide you with much of the information required for a partner audit. However, to recap, the information you need is based around the following questions:

- Who are you working with?
- What do they already produce for the market? What provides highest income?
- What are the major demands in the market place?
- Could you produce alternative products that are in demand in the selected market or markets?

- How well organized are the farmers, individuals, groups, or associations?
- What are their financial skills? Do they have financial assets?
- Does the group have reliable business/marketing skills?
- What level of risk are your clients able to adopt?
- Do local service providers have the skills to support promising enterprise options?

Issues of crop diversification have different implications for different smallholders and options for enterprise development are generally related to key aspects including: (i) market access, (ii) asset and skills base, and (iii) current level of commercialization.

To differentiate groups, we can use the following descriptors, based on a recent evaluation of rural producer groups:

Rural World 1: “Globally competitive”:

- Part of consolidated market chains—high levels of collaboration (vertical integration) with processors and retailers.
- Have access to financial services and market information.

Rural World 2: “Shrinking middle”:

- Local orientation, generally supplying national markets, includes landowners, residual suppliers to wholesale or bulk commodity markets.
- This group is generally under capitalized, currently suffering from declining terms of trade³.

Rural World 3: “Fragile livelihoods”:

- Limited access to productive resources.
- Multi-occupational migrants straddling rural and urban residencies.

3. Declining terms of trade relates to the changes in relative value of specific products in the marketplace over time. For many developing countries, producers of raw commodities face declining incomes as prices for a given unit of product falls on the world market compared to increasing prices received by producers of other goods. An example of relative prices changes: farmers in developing countries sell coffee into the world market but face a steadily falling buyers price, whereas producers of Mercedes Benz cars sell their goods at increasing prices over time. Therefore over time due to the declining relative price of coffee, the coffee producer must continually sell more coffee to be able to buy the same car.

- Unskilled and uneducated, dependent upon low-waged, casual family labor.
- Generally not involved in global food and fiber production.

Most farm families that service providers work with in the developing world are a combination of Rural World 2 and Rural World 3. However, within a project area there maybe some Rural World 1 operators which may have specific skills that you can use in your marketing strategies. For the Rural World 3 producers, asset levels are typically low but even in difficult circumstances, taking on more diverse markets can also help to reduce overall risk. The asset and skills audit will enable a knowledgeable service provider to develop appropriate marketing strategies that enable farmers to start on a pathway towards incorporating higher value crops and production systems into their market options.

Farmer perspectives and intervention options

Using rapid methods to assess the marketing capacity of a rural community will assist external agencies to decide upon specific types of marketing interventions they can use once a market chain has been studied in more detail. The following section gives insight into basic intervention options that can be developed after the analysis in this *Guide*.

1. Individual rather than collective competitiveness:

Given the income uncertainty faced by farmers in many rural areas, it is not unexpected to find that individuals seek short-term solutions based only on their needs as opposed to developing initiatives that promote competitiveness through collective action. In areas that have experienced managerial problems with cooperatives, there are low levels of trust. As a starting point, initiatives that can build capacity to address market options as a group is a first step in working towards economies of scale and building better business relations between actors.

2. Focus on enterprise competitiveness: Poor farmers in the Rural World 3 category tend to focus on growing and selling produce with no marketing strategy. Introducing marketing concepts will enable these clients to understand their marketing options and work towards being more competitive. This

can be achieved through basic methods such as product aggregation and grading. More sophisticated marketing methods can lead to product differentiation⁴, market segmentation⁵, and the development of specific client niches.

3. Focus on strengthening market chains:

The links in the market chain (production, post-harvest management, marketing, and business development services) are often disjointed in agricultural markets, generating an inefficient flow of information along the market chain. This lack of marketing information and coordination along the market chain allows some actors to exploit other market chain actors unfairly. This type of exploitation is usually marked by excessive profit, i.e. rents, being extracted by a particular market chain actor at one point in the market chain. This can be overcome if market chain actors along the chain initiate a process of strengthening their business links to enjoy the benefits of systemic market chain improvements. This approach, often referred to as value chain development, means that different actors have shared goals and work to maximize their role in a specific market chain.

4. Strengthening managerial capacity:

Many rural organizations are weak in terms

4. Product differentiation: The act of taking a single product and using product development methods to make different types of product from an original, e.g., take a standard product such as a 50 kg of unsorted, unwashed potatoes, and change this into (i) sorted washed potatoes, (ii) add value by sorting and packaging into 10 kg, 5 kg bags of potatoes according to use—baking potato, chipping potato, boiling potato, add processing value by changing potatoes into precooked frozen chips, crisps, starch for soups, etc.
5. Market segmentation: Generally related to dividing consumers into sales groups to target a specific product (i.e., products which target children, families, rich people, middle income groups, etc.).

of their managerial skills. They have limited capacity to identify and analyze critical points in their market chains; they do not fully appreciate the gains that can be made by building relationships with others in the market chain and are often unable to find strategies or actions to improve their business opportunities as they do not have the appropriate business skills to move into more lucrative markets and also to increase their competitiveness. Many producer cooperatives fall into this category. Using market chain approaches is particularly relevant to these types of organizations, as many can learn the necessary skills from their business partners and through making links to specialist business development services. Some service providers specialize in the area of business services and interventions that cluster service providers to support large cooperatives or producer associations can be a very effective means of unlocking the potential of organizations that are unable to growth their business.

5. Lack of business development services:

As has been discussed, one of the major problems in poor rural areas is the lack of business development services to support and sustain new initiatives in the agricultural sector. In the past most service providers have focused on advice for increased production. In many cases, service providers do not have the right staff or skills to offer such services to rural communities. In this case, steps in supporting this area may require basic learning by the NGO first. Having acquired skills in business management, the service provider can undertake interventions that identify existing business support services with a view to strengthening them. In areas where such services are lacking, efforts should be made to build such services so as to lay the foundations for more sustainable marketing interventions by producer groups and local entrepreneurs.

SECTION 3

Basic Steps in Developing a Competitive Market Chain Strategy



Introduction

The main stages in developing a strategy to increase the competitiveness of a market chain involve a series of sequential steps shown in Figure 4. If you have been following the agroenterprise manuals in order, the information required for Steps 1 and 2 will have been gathered previously. The next stage in the process is therefore to map your chain and

identify key informants or contacts in the selected market chain.

Designing a Strategy for Increasing Market Chain Competitiveness

1. Collate information on market opportunities and socioeconomic assets of the area and target beneficiary group.
2. Select a market chain.

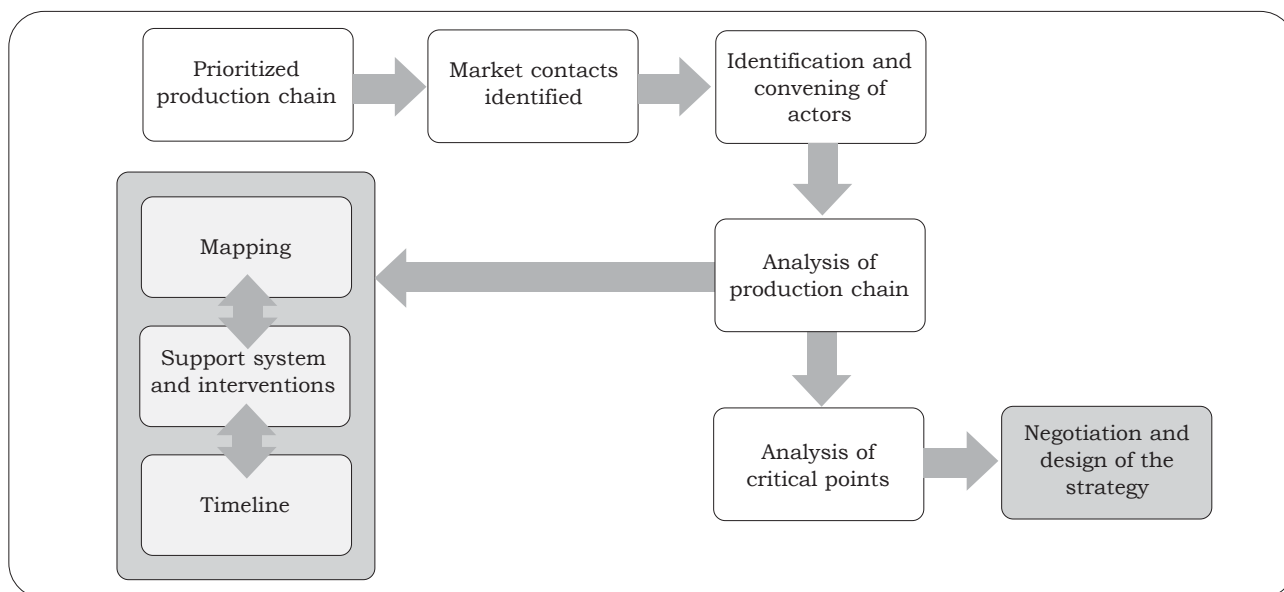


Figure 4. Stages in the design of a strategy to increase competitiveness.

3. Identify contacts including the different actors and interest groups that should form part of the analysis.
4. Map the market chain with participation from representatives from the chain.
5. Evaluate the level of business organization along the market chain.
6. Review the services available to support the selected market chain.
7. Catalogue past interventions in the area with particular attention to those which impact upon the selected chain and chain actors.
8. Analyze critical points for the development of the market chain.
9. Develop a long-term strategic vision based on market prospects and possibilities for product and process innovation.
10. Around this vision, design a set of strategies to resolve the critical points, taking advantage of opportunities that contribute to an increased level of competitiveness for the market chain and its actors.

Vision of the Market Chain

Given the many challenges of the marketplace, a practical starting point in developing a marketing strategy is to assist partners to visualize their market chain from beginning to end. The market chain should start at the point that your partners, i.e., farmers, local traders and processors, know best; in the case of farmers, the activities on-farm and the production of basic goods. Outlining the market chain should then work backwards to document the provision of inputs, before working forwards to document where produce is sold. At each point in the market chain, names of the people who sell input goods and buyers who purchase their goods should be recorded.

The next step should be for the group to work through the other aspects of how their products move from the initial buyer to a final consumer. This visioning process needs to include all the stages of preproduction, production, post-harvest, processing, selling, and retailing. The three main components of a marketing chain with their links and functions are shown in Figure 5. It may help for the facilitator of this process to work through these different aspects with different people and then join the ideas together so that time, and/or groups, can be developed effectively.

Use of the market chain mapping approach has several advantages:

1. It permits a more complete vision of the market chain and the roles that different actors play within a business framework.
2. Divides the chain into discreet functions and enables the actors to see who performs which functions and their relative importance. This allows the farmer group and service provider to begin to understand the market chain.
3. Access to more complete information facilitates the identification of critical points impeding the development of a market chain, and where improved and/or alternative interventions can be applied, so that investment in a particular market chain can be most effective.
4. Visioning the market chain with multiple actors facilitates the formation of alliances and synergies between the different actors through the identification of common interests, reduction of transaction costs, and a more efficient use of available resources.

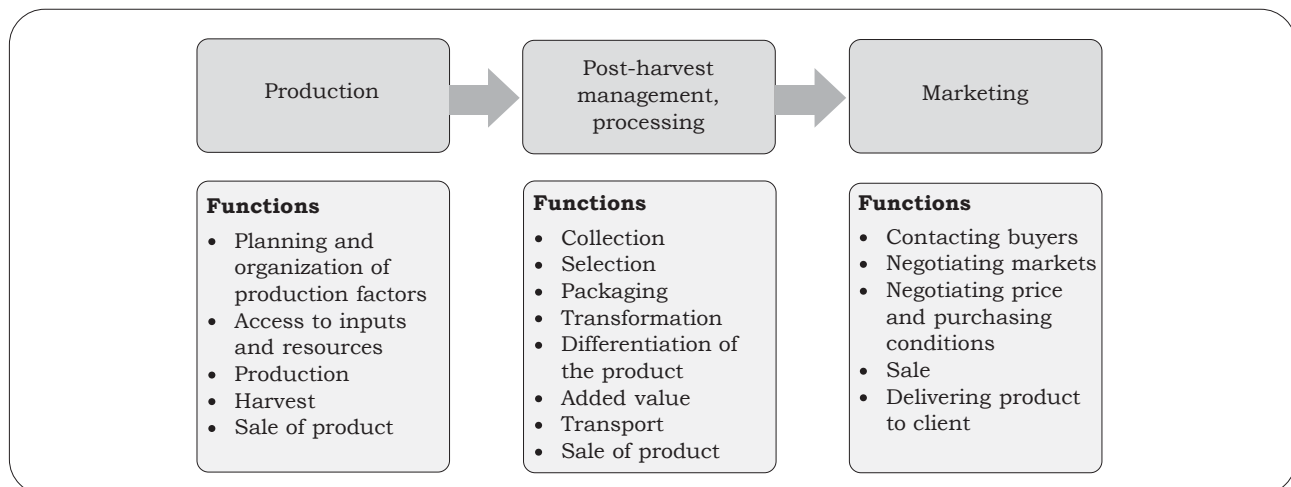


Figure 5. Components of a market chain.

This first impression of the market chain is a useful way of starting to appreciate where farming groups fit into a broader marketing context. However, this first look does not explicitly identify three important aspects that are key to understanding how a market chain operates. These include (i) the degree of business development of participating organizations, (ii) the provision of business development services, and (iii) the context in which the market chain operates.

A limitation of the traditional market chain approaches is that it tends to evaluate actors in isolation and does not take into account the combined business acumen held by the people involved in a market chain. A good understanding of the level of business organization along a market chain, and the actors that make up this business support process, will allow for the design of strategies that play to existing strengths. Taking this into account when designing intervention strategies will be more representative of the marketing chain and builds in a higher degree of sustainability in the overall approach.

Traditional market chain analysis can also overlook the role of business support services—both public and private—that support critical areas within a market chain. As in the case of business organization, it is important to understand the quality, coverage, and effectiveness of existing business development

services to find possible ways of improving the functioning and competitiveness of a selected market chain. Understanding the relationship between business development services and the bottlenecks that limit market chain development is equally important. Often it is more helpful to identify necessary services that do not exist or do not effectively respond to market chain bottlenecks than to focus on the evaluation of existing services.

Finally, a general understanding of the context in which the market chain operates is critical. Specific issues include local and national policies, the climate for economic development, social issues, natural resource management concerns and the existing technology within a market chain.

To address these issues, we propose a wider view of the market chain that combines the basic buying and selling role of market chain participants, with an analysis of the business organization of the existing support systems and the overall context of the market chain.

A Wider Vision of the Market Chain

The wider view of a market chain includes not only the functional aspects of a market chain (production—post-harvest—marketing), but also business organization, supporting services, and the economic framework in which the market chain operates (Figure 6).

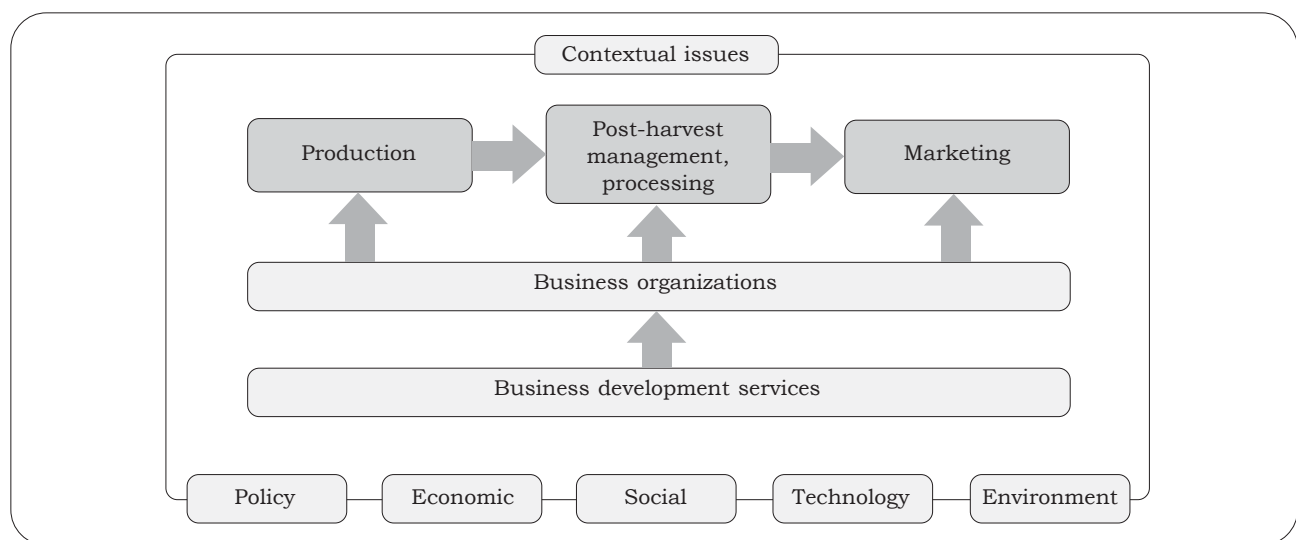


Figure 6. Wider perspective of a market chain.

By taking this broader view, this methodology aims to fill gaps that have been identified in traditional market chain analysis and by doing so contribute to the principles which we believe are essential from the perspective of the poor rural producer. These principles include:

1. Identifying chain actors and their roles

Experience has shown that the success or failure of a market chain intervention depends principally on the partnerships that are built between actors and business organizations that participate in a particular chain. This method therefore requires that market chain actors are clearly identified and existing relations understood. This information enables the individuals involved in the design of an enterprise to develop strategies built on trust and recognition rather than only focusing on opportunities and balance sheets.

2. Seeking equity in the market chain

Thorough analysis of the market chain and developing strategies to increase competitiveness is not only a matter of maximizing profit; it should also take into account a fair distribution of gains along the market chain. As such the method seeks to

identify interventions that generate a more equitable distribution of benefits, and also ensures that rural smallholders, their families and their communities are involved in the decision-making process. This aspect is crucial if the design of strategies is to achieve a major goal in poverty reduction through the provision of benefits for producers, i.e., those with least resources.

3. Designing strategies

The use of the term “strategy” permits the design and implementation of a series of complementary projects guided by common and clear, demand-led objectives, and an overall competitive vision for the marketing chain.

4. Focus on competitiveness

The methodology aims to generate a consensus between actors involved in the market chain with the view of facilitating better management of intervention resources by focusing investment on increasing the competitiveness of a market chain.

CIAT’s Rural Agroenterprise Development Project has developed the following working definitions of competitive strategies:

What is a marketing strategy to increase competitiveness?

A marketing strategy that increases competitiveness is a set of activities that are planned and carried out with the active participation of diverse actors within a market chain, that share common objectives, around which one or more business organizations and/or interest groups are linked.

Why focus on a strategy to increase competitiveness?

A strategy to increase competitiveness seeks to strengthen or establish a market chain that has been prioritized based on its market potential, sustainable production system, and capacity to generate income and employment for a given rural population.

How is a strategy to increase competitiveness carried out?

A strategy to increase competitiveness is carried out through short-, medium-, and long-term research and development activities in production, post-harvest management and processing, marketing, business organization, and business development services, involving multiple actors along the market chain and is based on an analysis of the critical points which limit the market chain’s competitiveness.

Market Chains and Innovation

Promoting processes of change or “innovation” is crucial when attempting to increase competitiveness within market chains. However, most opportunities for innovation are situation specific, touching on a few or many of the links in a market chain including: input supply, production, post-harvest management, processing, marketing, business organization, and business development services. Ideally innovations raise the competitiveness for the market chain as a system and thus capture added value that can be shared by many participants within the chain. It is more often the case that innovations assist particular actors or groups of actors along the chain enabling them to capture additional value. The ability to capture added value at specific points in a market chain should not be confused with the highly negative connotation associated with the extraction of “rents” that is often laid at the door of unscrupulous traders. Typically this type of exploitive behavior is symptomatic of highly inefficient market chains that are manipulated through local political power. The approach presented here aims to identify and remove such distortions.

The use of innovation is particularly important when attempting to differentiate a product in the market. The process of setting a product apart from the rest adds overall value by attracting consumers and then building product loyalty. Examples of this approach include the use of logos, branding or labels that distinguish one product from many similar types, or places emphasis on how a product was produced, such as organic, sustainable, or socially responsible, or via new presentations and the development of new products. These strategies are where innovation can play a major role in gaining longer-term added value for a product in the face of competition.

Over the past decade, trading standards such as fair trade and organic production have been developed as a means to gain higher market prices for small-scale producers. The logic behind the organic strategy was that many small-scale producers are by default, often organic producers as they do not have the necessary funds to apply chemical fertilizers or pesticides to their crops. These farmers can easily conform to organic

production and receive a premium price for their products. In this case, the innovation to increase market chain competitiveness was organic certification.

However, as illustrated in the case of organic cacao (see Box 1), simply taking on an organic “certification” based on a minimal financial investment without also taking on new skills or knowledge, may not confer long lasting market benefits. This is because when basic market strategies show themselves to be successful, many other producers can replicate the same “competitive advantage”. In economists’ terms, the “barrier to entry” for this market innovation was low and, thus, the innovation was easily replicable by others, leading to oversupply of the product.

Based on this experience with organic cacao, what lessons can we learn about innovation and competitive advantages⁶?:

1. If an innovation is easily replicable by other producers, it tends to be quickly copied and thus loses the advantage and added gain.
2. Profitable innovations, no matter how complicated, are copied sooner or later and thus the initial profitability will decline with time.
3. This indicates that processes of market information and innovation should be continuous and require periodic updating and analysis to maintain competitive advantages and profitability.

Large multinational companies invest considerable time and money in improving their products and generating product brands to differentiate their products from rival products. Branding is supported with large promotional budgets that can make certain products such as Coca-cola, Kiwi fruit, Manchester United, “household” names. It is often the case that the existence of an easily identifiable brand or label translates into a more sustainable competitive advantage in the long term rather than innovations in systems of production and post-harvest.

Does the power of branding have implications for the processes of rural enterprise development that are being promoted nowadays? New approaches to market-based

6. For wider discussion on this theme, consult Kaplinsky (2000). See also Kaplinsky and Morris (2001).

Box 1

Organic cacao and sustainable advantages

When the El Ceibo cooperative in Bolivia entered the market for organic cacao and fair trade cacao in 1992, it was one of the first to offer this product. Initially, the novelty of both products provided much higher prices than those offered for traditional cacao. As other producers and their organizations found the same “innovation”, profitability decreased as shown below.

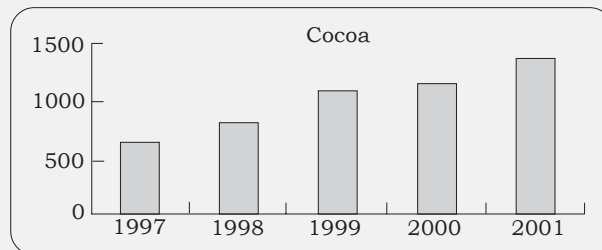
Although the possibility of additional income remains, it is not at the same level as at the start of the innovation.

Comparison of price increase according to market and quality of product.

Year	Conventional cacao		Ecological cacao	
	Free market (price in US\$)	Fair trade (price increase %)	Free market (price increase %)	Fair trade (price increase %)
1992	950	121	179	226
1993	1110	64	105	173
1994	1330	39	50	71
1995	1570	18	-	45
1996	1440	22	-	40

SOURCE: Adapted from Augstburger (1996).

Even when the initial additional income for the first innovators was good, these data show how an easily replicable competitive advantage loses value over time. The expansion of ecological cacao supply for the fair trade market is also increasing, as shown in the following figure.



SOURCE: Data from Fenway Libraries Online (FLO) (www.flo.org).

The combination of these two tendencies shows us that the competitive advantage conferred by the ecological certification and fair trade will tend to decline as more providers copy this strategy.

interventions need to take this point into account if rural producers are to compete effectively in the future. The Fair Trade movement is one strategy that seeks to use labeling or branding techniques to differentiate their products in the marketplace from those produced by large scale agribusiness and multinationals.

Individual Enterprise Efficiency versus Market Chain Efficiency

Strategies to increase competitiveness at the individual enterprise level are different from

options to increase efficiency across a market chain. Focusing on upgrading one enterprise is probably the simplest starting point and is the more common intervention. However, most market chains are comprised of several enterprises, which may be poorly linked. In these cases, individual gains can be lost through inefficient marketing channels. Given that most agroenterprise activities are not carried out by a single enterprise, but by various interrelated actors, achieving a competitive market chain requires improving organization along the chain. This requires establishing trust-based relations between

potential rivals. This challenges the service provider to facilitate a move beyond the conflictive competitive relations that operate in many market chains. When taking a market chain focus, there are no good or bad actors, the approach should focus on a “systemic” level of efficiency that seeks to benefit all the participants.

Raising Competitiveness through Market Chain Quality Assurance

Another important issue in sustaining market performance is product quality. For products traded formally, e.g., internationally or through major international supermarkets, products will only be accepted if they meet strict food safety protocols such as ISO, HACCP⁷, and EUREPGAP⁸. These protocols are conducted throughout the market chain and therefore it is vital that all actors within a market chain maintain these stringent quality procedures if they are to avoid losing income or have their produce downgraded. For consumers this mark of quality gives them greater confidence in buying a product that has been approved by a market chain scheme. Measures such as HACCP requires that actors along market chains work in a more coordinated manner and by doing so, gain a greater market share.

EUROTRACE is another legislative approach being used by the European Union to track quality from point of sale back to point of production. Retailers use this quality-based process as part of a market chain inventory process. EUROTRACE however offers another opportunity to differentiate a product on the market, as it provides an avenue to reduce the risk taken by a buyer when purchasing from multiple sources across the globe. Once again the emphasis is on recognition of roles and linkages between multiple actors within a market chain and this requires a high degree of coordination to be successful.

Raising Competitiveness through Mark of Origin (Appellation/Labeling)

In France, the government has invested large sums of money in promoting the certification of origin for agricultural products, known as “Appellation of Origin” Certification: First used in 1935 for validating wine vintages, the AOC has expanded to include a range of agricultural

products including dairy products, farm-raised poultry and olives.

While it does not guarantee quality, AOC does impart important knowledge to consumers—they can follow regions with good crop years, learn reputable producers and buy accordingly.

The AOC certificates essentially link the product with its locale and manner of production in such a way that it is easily distinguishable from products having similar characteristics produced by industrial firms. An example of this type of labeling by origin includes the exclusive drink of the rich, “Champagne”, an otherwise unremarkable sparkling white wine.

According to the mark of origin procedure, the label “Champagne” can only be applied to wine produced from the region of Champagne, according to traditional methods. Similar sparkling white wines that are grown elsewhere and sold at a fraction of the price of real Champagne, is now labeled “Method de Champagne”, to disassociate it from the original product.

The French government’s Institute of Denomination of Origin expects eventually to achieve coverage of 20% of French products sold. Currently, France sells US\$18 billion products with a certificate of denomination of origin (Becker, 2003). This method is now being applied to high value traditional products in other countries such as high quality coffee origins and in many developing countries this approach provides a lucrative opportunity for a limited number of producers.

Market Chains, Supply Chains, and Value Chains⁹

The terms production chains, supply chains, market chains, and value chains are often used interchangeably, but there are some important differences. In its simplest definition, the terms production chain, supply chain, market chain are synonyms used to describe all participants involved in an economic activity which uses inputs and services to enable a product to be made and delivered to a final consumer. A value chain is understood as a strategic network between a number of independent business organizations. According to Hobbs et al.

7. Hazard quality assurance at critical point.

8. For more information, see www.eurep.org

9. For more information, consult Hobbs et al. (2000).

(2000), a value chain is differentiated from a production/supply chain because:

- Participants in the value chain have a long-term strategic vision.
- Participants recognize their interdependence and are disposed to work together to define common objectives, share risks and benefits, and make the relationship work.
- It is oriented by demand and not by supply, and thus responds to consumer needs.
- Participants have a shared commitment to control product quality and consistency.
- Participants have a high level of confidence in one another that allows greater security in business and facilitates the development of common goals and objectives.

Table 3 presents other comparisons between a production market chain and a value market chain.

This guide seeks to provide a practitioner with a better understanding of a production chain and facilitate sufficient negotiations between participants to lay the groundwork for the formation of a value chain. The resulting value chain will most likely involve a smaller group of the participants than the production chain. Not all participants are interested or willing to enter into a value chain arrangement given the transaction costs involved in negotiation, information exchange, and the risks or costs that may be incurred by changes along the market chain. Generally the process of change and added responsibility within a value chain adds costs.

The advantages of a value chain are that complex strategies of product differentiation and innovation are easier to achieve, and thus contribute to building sustainable competitive advantages over time. Box 2 gives an example of a value market chain in a rural community.

Scale of Evaluation and Level of Participation

This methodology has been designed to be both scalable and flexible in terms of clients needs. However, the reader should note that this guide is biased towards a high degree of participation not only by the lead service provider, but also from representatives from all relevant chain actors. This bias is intentional as the method seeks to assist local service providers in building community capacity and skills.

The reader should be aware that there are alternative methods for market analysis and most market chain studies do not seek to transfer these skills and are therefore not conducted in such a participatory manner. This approach is most appropriate for use at the local and provincial levels and in value chain development. However, there are other more rapid methodologies that are less participatory for sub-sector¹⁰ analysis. These methods include Guide 8 in this series entitled “A Guide to Rapid Market Appraisal” by Wandschneider and Ferris (in preparation), and also the classic text on Methods for Rapid Market Appraisal by Holtzman (2002).

Considerations When Applying the Method at Diverse Scales of Intervention

This section seeks to present some of the implications in terms of capacities, resources

10. Sub-sector is the term used to describe the various levels of market chain activities that allows goods and services to flow from sites of production to consumption points. A sector is generally used to describe a consolidation of activities, e.g., an agricultural sector, a health sector, an education sector and within this context a sub-sector refers to a specific branch of activities based around one commodity or product within a sector, e.g., a maize sub-sector, livestock sub-sector.

Table 3. Enterprise relations: Production chain versus value chain.

Factors	Production market chain	Value market chain
Information flow	Little or none	Extensive
Principal focus	Cost/price	Value/quality
Strategy	Basic product (commodity)	Differentiated product
Orientation	Led by supply	Led by demand
Organizational structure	Independent actors	Interdependent actors
Philosophy	Competitiveness of the enterprise	Competitiveness of the market chain

SOURCE: Hobbs et al. (2000).

Box 2

Example of a value market chain: “Las Brisas,” Santa Cruz de Turrialba

When the cheese factory *Las Brisas* began activities over 10 years ago, it functioned like all the other plants in the cheese-making cluster of Santa Cruz de Turrialba in Costa Rica. The company had unstable relations with suppliers and buyers. As the sector evolved and became more competitive, *Las Brisas* developed strategies to move from being just one more player in the production chain to carving out its own value chain.

This search led to the establishment of trust-based relationships with both suppliers and buyers. On the milk production input market side, *La Brisas* made its biggest milk provider a new partner in the business, and thus guaranteed 70% of its daily consumption.

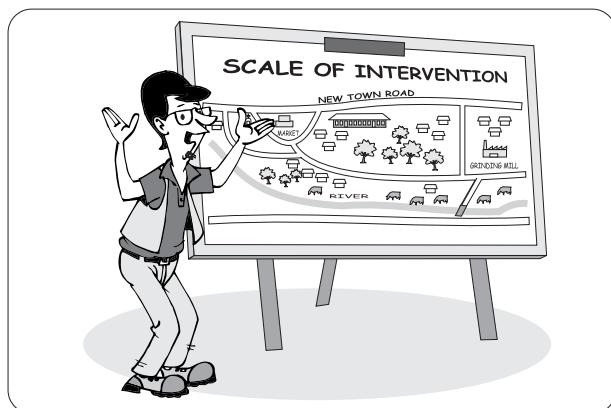
On the output market side, *Las Brisas* pursued two market strategies. First, it developed contacts with one of its clients—a biscuit factory—to produce a special cheese for manufacturing biscuits. The two businesses jointly obtained support from the University of Costa Rica for specific research on the best type of cheese for the biscuits. Through this product development process, *Las Brisas* was able to enter a new market, in which no competition existed, as well as assisting the biscuit factory to expand production and sales. Secondly, *Las Brisas* consolidated relations with an important chain of supermarkets in San José, the country’s capital, through the application of a methodical quality control process for its own brand. This relationship has resulted in joint promotion and marketing strategies as well as the development and testing of new products based on consumer demands detected by the supermarket.

What are the results has *Las Brisas* achieved through its value chain strategy?

1. The quality of its products is recognized as being the best in the zone and, therefore, have high acceptance in the market.
2. *Las Brisas* is the only business from the cheese cluster in Santa Cruz that sells consistently directly to supermarkets in San José. In 2001, a promotion of cream was so successful that it contracted additional production with other plants of Santa Cruz, but under its supervision and brand.
3. *Las Brisas* suffers less than other businesses during times of milk shortage.

In summary, constituting a value market chain has given *Las Brisas* an important competitive edge over similar plants that share the same comparative advantages.

SOURCE: Personal interviews (November 2002).



required, and methodologies for this approach depending on the scale of analysis. The term “scale” refers to the geographic coverage in which the market works. This guide works at three scales (local, provincial, and national) that can be defined as:

Local

Refers to a scale ranging from a village to a community/municipality. This scale is useful when seeking to work closely with processes of community development and community management of natural resources.

Provincial/District

Includes more than a municipality and can reach as far as a province or department/district. This scale is useful for working with more geographically dispersed agroenterprise market chains, or those with more complex interaction, such as clusters or local agri-food systems.

National

Focuses on one single market chain at the national level and presents advantages when the

objective of the exercise is to formulate policies or plans in medium- or long-term to promote national competitiveness in a given product.

As the scale shifts from local, through provincial to national, there are several changes that need to be considered. Some of the likely changes and questions that should be answered before starting are listed below:

Clients and capacity to convene

Who are the intended beneficiaries? How are they organized? Who are the key actors of the market chain and what are their roles? How will benefits from this process be shared between beneficiaries and the wider community? Whom should we convene for work at the scale proposed? Do we have the capacity to bring these actors together?

Your project design should have clarity in regard to these issues before any work is undertaken. Defining the client is probably the most important decision in the process.

Costs

What can we achieve with the available budget? The definition of viable objectives with the available resources is important and can have important implications for the scale at which we work. *It is better to work at a smaller scale rather than attempting to work at a level where resources are insufficient to guarantee results.*

Methodologies and level of detail

How do we choose an adequate basket of methodologies for the scale at which we wish to work? Methods that work well at a local scale are probably less effective at a national scale. This consideration is related to the degree of participation that can be achieved at the different scales, level of detail, information requirements, and costs. What is the key information that we have to collect and analyze? Collecting additional information, however interesting it may be, implies more analysis and additional costs.

Management, negotiation, and implementation capacity

What implications does the chosen scale have in terms of management and negotiation with important decision makers? How strong will our negotiating position be in relation to key decision makers in the market chain as we expand the area of coverage? Can we reasonably implement a strategy at this scale?

Representation and level of participation

What are the considerations for guaranteeing active participation and adequate representation of all actors and interests involved in the market chain? As we increase the geographical scope, the direct participation of our target beneficiaries is likely to fall, and these factors need to be discussed and resolved.

Recognition of actors

How do we assure that we hear the needs of all actors in the market chain? This point requires special care both with the market chain's weaker actors (i.e., the poor, ethnic minorities, women, among others) and those considered negative (i.e., traders) whose ideas tend not to be taken into account.

Differentiated strategies

How do we guarantee that the final strategy includes differentiated solutions according to the needs of the diverse actors? All agroenterprise market chains include heterogeneous actors, and thus demand differentiated solutions according to their needs instead of "one size fits all" strategy.

Potential for impact

What is the potential impact of actions at the chosen scale in terms of number of beneficiaries, economic development, natural resource management, social and gender equity, impact on class relations, or others?

Table 4 summarizes some of the considerations of scale in relation to the themes previously defined.

Observations on the Use of Participatory Methods

This guide is based on participatory methods adapted from the school of Participative Learning and Action (PLA). These methods, which include focus groups, mapping, visualizations, social dramas, and other forms of facilitated reflection, seek to prioritize not only documented results, but also the process of application. Although a concrete result is generated at each stage in the process, i.e., a map, a matrix, a table, etc., these products are not the central purpose of the exercise. Of equal importance and benefit to the group members is the time and space they have invested in analysis and reflection around the methodological tool. The discussions and

Table 4. Considerations when applying the method at different scales.

Theme	Scale		
	Local	Provincial/District	National
Client identification, representation, and participation	High: Clients are easily defined; study is being suited to their needs. Facilitates direct participation of actors throughout process from each interest group.	Medium: Clients can be identified and integrated with study at specific points. Need to select representatives from each group with the capacity to clearly represent the interests of all.	Low: Clients defined in terms of income categories, less easy to integrate clients with data gathering and analysis. Actors selected represent a larger group and therefore need to have recognized ability/reason to share information and credibility within their group.
Capacity to convene	Good for local actors, but more difficult with external actors.	Good with provincial actors, although may leave some out greater possibility of working with external actors.	Good with national actors, but with little real representation possibility of convening national decision makers.
Costs	Low: Costs of participative workshops, generation and analysis of information and feedback to participants.	Moderate: Costs of workshops, generation and analysis of information, transfer, lodging, communication of results.	High: Costs of workshops, generation and analysis of information, transfer, lodging, publication, and formal communication of results.
Methods and level of detail	Participative, with local actors. More detailed, with direct information from individual actors.	Participative at times, but with the support of survey teams or systematized data. Less detailed, with systematized data and averages for the province.	Emphasis on systematized data (databases, means, surveys, etc.) with key decision makers. Mean data or national aggregates—sector trends.
Management, implementation, and capacity to negotiate	Limited: Depends on local resources and desires of participants. If advances are achieved they may be sustainable.	Medium: Mix provincial resources with external. May fall into the trap of depending on external actors and resources.	High: Good possibility of obtaining resources, but difficulties in implementation if clear rules do not exist among the actors.
Needs differentiation	This can be done by income, access to market, gender, class, technology employed, or any other criteria. It is necessary to ensure that all relevant groups are included.		
Strategy differentiation	This can be done by income, access to market, gender, class, technology employed, or any other criteria. It is necessary to ensure that all relevant groups are included.		
Potential impact	Limited to the work zone, and perhaps some neighboring sites.	Medium, with wider coverage.	Higher, but with the challenges in implementation previously mentioned.

agreements reached are generally more important than the final tangible result of the method.

The use of participative methodologies in this guide encourages members to air their views and we aim to hear many voices speaking about a single market chain. These points of view will be quite different—what the rural producer thinks is very different to what a city trader thinks—but all the viewpoints have important information regarding the reality of the market chain. To understand the market chain, its

strengths, weaknesses, and the design of a shared strategy to increase its competitiveness requires listening to all voices equally. The role of the facilitator in this process is to systematize and document the information and present it back to the market chain actors so that they can use this analyzed information to make more informed decisions on what to do, together, to improve their economic activity.

The design of a strategy to increase competitiveness is a systematic way to generate an open, informed discussion among actors

from a market chain. But, at the end of the day, those who decide what to do, design action plans, and implement them are the actors themselves.

Summary

In this section, we have reviewed some basic concepts about market chains; an initial definition of what the strategy to increase competitiveness can be, how it is designed, and how it is carried out; some key ideas on

production versus value market chains; some appreciations regarding the scale of intervention; and finally, some initial ideas on the use of participative methodologies. In the next section, we will look in more detail at the principles behind this method. Many of these principles relate to the concepts that we have seen in this section, and together form a philosophy that supports the design of strategies to increase competitiveness.

SECTION 4

Guidelines for Adapting the Process to Local Needs



Guiding questions

1. What are the principles behind a strategy to increase competitiveness?
2. What characteristics and qualities are required to facilitate the design of such a strategy?
3. Why is it important to keep in mind the heterogeneity of the market chain's actors even within a single segment of the market chain?
4. How can research and development activities be combined in a strategy to increase competitiveness, in the short-, medium-, and long-term?

Introduction

In the previous sections, we reviewed basic concepts underlying market chains and the basic steps in developing a strategy to increase market chain competitiveness. In this section, we will look at how to adapt and apply these principles into the design of a local strategy.

A strategy to increase competitiveness is based on a combination of innovation and building agreements between chain actors that seek sustainable improvements in the competitive performance of a particular market chain. This market chain approach is applied within the

context of an area or territorial approach to rural enterprise development. The methodology includes support to both the market chain actors and to the businesses that support the market chain. Local actors including technicians, promoters, facilitators, and local leaders can apply the methodology without having to rely upon external experts. Implementing actors should review and adapt the method to their needs, deciding which parts of the method are most useful, and where changes will be required. To support the process of adapting the method to local needs we recommend some basic guidelines.

Market Orientation

A competitive strategy should be considered as a business tool, designed to support enterprise activities that increase income and respond to market demands. Before designing a market chain strategy, local facilitators should have a clear idea of the strengths, weaknesses, and potential for enterprise development in their local area, and have up-to-date information on the market opportunities open to the project area and the aims of the client group. Methods to gather this information are dealt with in Guides 2 and 3 of this series.

Market Chain Focus from “End to End”

This methodology reviews all the functions of the market chain starting from input provision to the consumption of the final product. The existing enterprise and available business development services are analyzed as well as the functions of input provision, production, post-harvest management, processing, and marketing. This requires that key players in the system are identified and participate in the process of market chain analysis. Developing a multi-actor group and having a wide analytical framework is important in understanding the market chain as a business system, and at the same time identifying critical points where a minimum of effort will generate maximum benefits.

Coordination among Different Actors to Identify and Develop Synergies

The methodology assumes that areas of common interest between diverse actors along the market chain are not evident. For this reason, the methodology seeks to incorporate and motivate a range of actors to define common objectives and strategies, thus permitting a coordinated effort between them. In this approach, it is important to ensure that key actors are included in the system. The organization facilitating the process should have friendly relations with key informants or actors, or be disposed to build these relationships during the course of the process. Building contacts with actors in the private sector including enterprises, supermarkets, local, and external traders and those offering business development services, etc., is sometimes complicated, given time limitations. However, the ability to negotiate with these actors is critical because of the information they

manage regarding the market chain and market potential.

Working with the Private Sector

An additional objective is the identification and development of synergies among actors along the market chain. The organization facilitating the process should involve representatives of all actors along the market chain to highlight their interdependence and the possibilities of improving their business activities. This does not mean that all actors participate at all times in the design of the strategy. Most private sector representatives will not attend long workshops and therefore the process facilitator may need to interview some market chain representatives to capture their opinions and relay these ideas to the group in the design phase. Where possible, private sector representatives should review the analysis of the market chain and be key participants in the final design of a market chain strategy. Despite being less participative due to time constraints, these actors can often help (or hinder) any proposed change in the market chain, and therefore must be included.

Selection of Key Informants in Decision-Making Processes

Understanding how a market chain functions and who the key players are, is vital to having good representation from the market chain. These key informants range from input suppliers, producers, those who are involved with post-harvest management, processing, and marketing of the final product, to business development service providers. Key informants need to participate actively so that their viewpoints are clearly heard and incorporated into the information gathering and strategy development.

Respecting People’s Time, Needs, and Differences

In certain circumstances it is better to separate actors so that their time is used most effectively. Traders for example are busy people and do not appreciate time spent discussing other peoples business that is not relevant to their area of activity. The facilitator should therefore evaluate whether certain groups in the market chain are best interviewed within a mixed group, or interviewed separately. For example, if a market chain includes the participation of large-, medium-, and small-

scale producers, with diverse technologies, different access to resources, and thus different opportunities and limitations, it is important to have representatives of each group to design effective support strategies to meet their different needs. People or organizations involved in processing activities are another example; the use of different levels of processing technology can affect processing efficiency, costs, and final product quality. At a consumer level, differentiation is also important. For example, consumers of varying income levels may have varying demands based either on product quality or price, or a combination of the two. The facilitator should take care to separate these types of actors and groups as this will not only help to focus future interventions more appropriately, but will also use people's time in a respectful and meaningful manner. The facilitator should constantly review people's comments on the process, and if participants are bored, or feel their time is not being well used, the process needs to be changed.

Combining Research and Development Activities to Promote Innovation

The final strategy to improve the competitiveness of a market chain can include both research and development activities, which may take place at any point along the market chain. Research actions may focus on improving productivity, post-harvest management, processing, marketing, or the provision of business development services with the purpose of improving market chain competitiveness. At the same time, other actors may implement development activities seeking to increase the market chain's competitiveness.

Typically short-term activities focus on development outcomes, but as the strategy advances, and research results are obtained, other innovations are introduced which may be of a medium to longer term nature. Several actors along the market chain often implement the longer term interventions.

The process of innovation is typically long term and, if possible, permanent. A reasonably long time horizon is important to improving market chain competitiveness. In other words, improving the market chain quickly is important, but if substantial, or sustained improvements are sought, a more strategic research approach that facilitates innovation may be required. Strategic research is not necessarily an action carried out by specialists

or research centers, although these may participate, but rather a permanent focus of innovation, learning, and diffusion that draws on both experts, and the knowledge of market chain actors and their own capacity for innovation.¹¹

Mixing Short-, Medium-, and Long-term Activities with Available Resources

A strategy to increase competitiveness, which includes both research and development activities, can be divided into short-, medium-, and long-term actions and should be developed with a sound understanding of whether external resources are required or not. In the first instance, a strategy should be based on local actions using local resources and knowledge, before seeking external support. This is useful because it promotes a positive dynamic between the actors and helps a community to realize that they can do things themselves, without waiting or relying on external support. If a community is to embark on a business strategy, it is always best to develop processes and activities that are within their financial reach. In the medium and long term, as a business idea advances, local and external resources and knowledge can be mixed more effectively, and at the same time more complex actions or strategies designed and implemented to increase competitiveness.

There are three main reasons why it is important to think about time and resources from the start of the process:

1. A process initiated with local resources and knowledge tends to strengthen local capacities for analyzing and resolving problems, and thus assists in the development of capacities for innovation.
2. Seeking solutions to market chain needs based on existing local resources instead of waiting for external resources (or projects) to

11. Three clear examples here are the master builders of local processing plants who may be excellent adaptors and diffusers of improvements in post-harvest technology, Local Agricultural Research Committees (CIALs, the Spanish acronym), that carry out applied research focused on crop production at the community level, and Research Groups in Rural Agroindustry (GIAR, the Spanish acronym) that integrates post harvest technology and production improvements to develop value added products targeted towards a specific market demand.

solve the problem results in faster and more sustainable actions. Often the most efficient solutions require more commitment from actors than financial support.

3. Grounding activities in local resources tends to reduce the pressure of overestimating the market chain’s needs and possible responses. A clear example is the choice of technological options. When large- or medium-scale funding is available, costly and complicated technological solutions tend to be chosen; when solutions are based on local capacity for payment and maintenance of the technology, the types of interventions are generally better matched with local needs and conditions, and outcomes are often more sustainable.

Identifying a Process Facilitator

Finally, the design of a business strategy requires facilitation by an organization or individuals. This organization can be a Producers’ Association or other union (for example, a processors’ association), a local Chamber of Commerce, one or various nongovernmental organizations (NGOs), a university, a private enterprise, or other group. In our experience, NGOs working with organizations of producers are the most common facilitators, but in some cases other combinations of actors have promoted market chains. For example, a public-private regional center for competitiveness assisted work in Colombia, and a private support service enterprise assisted market chain development in Peru. These processes could be led by a strong private enterprise that seeks to improve

their competitive position and that of their market chain. The facilitating organization should have certain basic capacities, characteristics, and attitudes for the work, as outlined below. Table 5 is a generalization of the basic conditions, and therefore should be taken as a guide and not as a definitive list.

In summary, the design and implementation of a strategy to increase competitiveness has a business orientation, responds to clear market opportunities, analyzes the totality of the market chain with contributions from key actors, seeks synergies between them to implement research or development actions, and proposes actions at short-, medium-, and long-term, with or without external resources.

In this section we have discussed the principles that support and orient the analysis of a market chain and the design of a strategy to increase competitiveness. Some characteristics and qualities were identified that are required of organizations or persons intending to facilitate the design and execution of strategies to increase competitiveness. The importance of recognizing the heterogeneity of the market chain’s actors and its implications was also touched upon. Finally, the section closed with a brief discussion on how to combine research and development activities in the short-, medium-, and long-term to generate innovations that permit increases in the market chain’s competitive position.

In the following sections, practical details of each step of the method will be developed.

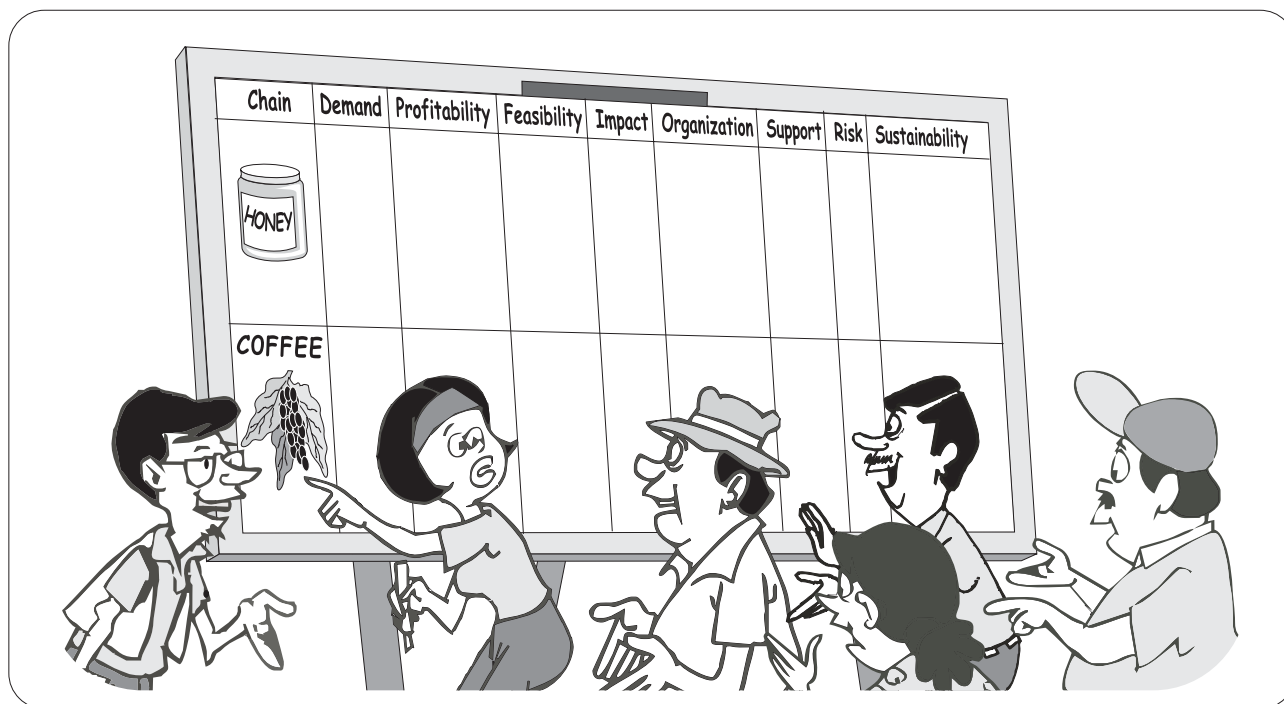
Table 5. Identifying a process facilitator.

Key characteristics	Necessary	Recommended
Position of neutrality in the market chain	✓	
Experience with the management of participative methods and process facilitation	✓	
Convening capacity and at least some level of influence in support policies to the sector	✓	
Disposition to facilitate design of the strategy and seek funds and support for its implementation	✓	
Interest in participating in the implementation of the strategy	✓	
Trust of the actors and a reputation of acting with transparency	✓	
Interest in building or improving local capacities	✓	
Previous experience in rural enterprise development		✓
Knowledge of market tendencies relevant to the market chain		✓
Basic knowledge of the market chain		✓

THE PRACTICAL WORK

SECTION 5

Selecting a Market Chain



Guiding questions

1. What are some key criteria for selecting one or various market chains with which to work?
2. How can these criteria be classified according to their relative importance? Which one/ones is/are more important than the others, and why?
3. Once the criteria are identified, how can they be used to separate key market chains from those of lesser importance?
4. What are the advantages and disadvantages of using quantitative selection criteria and objectives compared with qualitative, more subjective ones for selecting a market chain?

Introduction

The previous sections have outlined the basic principles and concepts for the rural agroenterprise development methodology including an overview of a market chain, functions of the chain actors, the wider view of the market chain, support services, and an outline of the basic steps in designing a strategy for increasing market chain competitiveness. This section will focus on the first practical step in the design of the market chain strategy. This is the selection of a market chain.

Selection of a market chain can be based on a range of criteria. In some cases service providers will follow a decision made by a third

party or follow the recommendations of a previous marketing study. In other cases a decision can be based on what is mainly produced in the project area. These are passive arrangements and our experience indicates that if a market decision is taken from a third party's perspective with no primary analysis by the group that is about to engage in a marketing process, the chances of developing a sustainable or appropriate business are reduced. Making a decision on which market chain to analyze is fundamental to the process and therefore needs to be taken seriously.

If you have followed the RAeD process for agroenterprise development, you will have made a selection based on the information in Guide 3

of this series, entitled “Identifying Market Opportunities for Smallholder Producers and Processors”¹². There is, however, no one correct way for making a choice of markets since it is a decision of the organization that will implement the agroenterprise process. Whatever the criteria used for selection, it is important to reflect upon the impact that the use of a particular set of criteria may have on the success, or not, of the market chain selected. Here are some helpful tips for selection criteria that have been useful in previous applications of the methodology. This section explains the ideas briefly, and ends with the presentation of a concrete field experience.

Selection Criteria Used to Choose an Appropriate Market Chain

The following criteria may be useful but do not represent an exhaustive list and they should be modified according to the criteria of the organization that will lead the process. However, in most cases the following principles are a useful guide:

- Market options must be feasible in the context of the small rural agroenterprise; technological and investment requirements must be in accordance to this socioeconomic context.
- The market option must be attractive as a business; it should offer an adequate profitability or cost-benefit ratio.
- The market option must be sustainable and should not harm the environment.

Market demand

How much demand is there for the market chain’s product? Is the market for this product growing rapidly or slowly? Is it stable or diminishing? We recommend working with products that show strong to moderate market growth, as this usually implies the market can absorb additional supply. In the case of new products, a survey of intent to buy can be done to identify potential market size¹². It is best to do your own study but you can use information from recent market studies, or surveys made by private or state institutions.

Profitability

How profitable is the production or processing of this product? How does the product’s profitability compare with what a bank pays on

money in a savings account? Profitability of various products can be done by comparing gross margins, or through calculating the internal rate of return (IRR) of a product. We recommend that those, **not** familiar with the IRR technique, seek advice from an accountant. In evaluating profitability, there are no hard and fast rules, given that the opportunity costs for labor tend to be low or nonexistent in many rural areas. It is important that the product be sufficiently profitable for the producers at actual market prices, and that the market demand be sufficient to assimilate additional produce without entering a state of oversupply and price decline.

Feasibility of production

Even though market demand exists for a product, it is vital to be sure that it is possible to produce this product in the project area given existing social, economic, and environmental conditions with the quality that the market demands. Is the production system for this product consistent with sustainable natural resource management? The selection of market chains that adapt to existing conditions and coincide with the facilitating organization’s concept of natural resource management is recommended. If this is not the case, the facilitating organization should identify strategies to resolve feasibility limitations (for example, find a supplier of credit who can assist with installation costs of perennial crops such as fruits, simple systems of water harvest, micro-irrigation systems, or the identification of improved post-harvest technologies). The existence of feasibility questions should not necessarily eliminate the product since solutions can be included as part of the activities to increase the market chain’s competitiveness.

Potential impact

How many families could benefit from a strategy to increase competitiveness in this market chain? Will this strategy generate strong, medium, or low impact, in terms of income for producers? What impact will this strategy have on least favored groups/on women as opposed to men? It is also important to ascertain if the strategy will generate rural farm or non-farm employment, and for whom. If the target population of the project or organization is a specific segment of the population (for example, small-scale producers, women, indigenous populations, youth, or others), it is important to ask ourselves if this group will be able to take advantage of the additional gains foreseen by the

12. For more information, consult Ostertag (1999).

project. Strategies with greater impact generate interest among possible participants and contribute to the business development of the area as they bring in additional profits instead of merely redistributing existing ones.

Existing business organization

Many researchers and public sector workers are constraint oriented and can be highly risk adverse. Traditional extension workers often look for problems and then set programs to overcome them. A business approach is different; it seeks opportunities and then evaluates business options, investment, cash flow, and profit to make decisions. The lead organization should assess aspects such as: What are the business organizations in the market chain like? Are there formal or informal groups of producers, processors, or traders in this market chain? How strong or weak are they in business terms? Is there coordination among them now, or was there in the past? Do not leave out informal actors and organizations such as local and regional traders and their networks of suppliers, who despite being informal are business organizations that exist and function with some grade of effectiveness in the zone.

Support agencies

How many support organizations are associated with this market chain? What services do they or could they offer to the market chain? Are they willing to facilitate or participate in the design of a strategy to increase competitiveness? Again, it is important not to leave out the actors who are associated with the market chain informally, in aspects of technology, credit, or technical assistance, since they can facilitate or limit the design and implementation of the strategy.

Risk assessment

One of the more difficult criteria to assess is an appropriate level of risk that a client group should take on. In formal terms, risk can be measured in terms of exposure to credit (debt), suitability of producing a particular product in a selected area, other players in the market, level of technology required for the new business, price and volume volatility of the market, number of buyers, cohesion of the group, and access to technical and financial services. Risk management is based on having sufficient information to make an informed decision. If the likely investment is low, less information is required than if the investment is high.

In assessing risk, the facilitator should consider the investment in a new market chain intervention in relation to the existing farming mix, and the potential to raise incomes with new opportunities. New business opportunities need to be discussed carefully with a client group in terms of land, labor, and capital availability. Also the farmer group should be assessed with regard to their view of credit, the common use of labor and the innovation level they would like to accept. As a rule, profitability of an enterprise increases with the level of risk and according to the Ansoff matrix (Table 6), risk increases with the following types of products and markets, from 1 to 4. Diversification, defined as presenting a new product into a new market, is the highest level of risk in this matrix and herein lies a dilemma. Analyses of products based on demand often biases opportunities towards higher risk and towards diversification. Farmers who are seeking increased incomes are also aware that increasing their production of inelastic¹³ staple foods may not provide them with a better income. Therefore, it is not unusual for farmers to want to take on additional risk when they seek new business opportunities.

Table 6. Ansoff matrix for risk assessment.

	Existing products	New products
Existing markets	1. Market penetration	3. Product development
New markets	2. Market development	4. Diversification

The facilitator can guide groups towards a sensible level of risk based on their experience, skills, and track record. Facilitators may advise newly formed farmer groups to select options that are based on market penetration and market development. Farmers should engage with new markets in a stepwise manner with test plots at first and market trials, before engaging in large scale supply. Groups with more experience in marketing, i.e., those with more assets, savings, ability to act collectively, can take on higher risk

13. An inelastic product is one in which demand does not increase as buyers incomes increase, i.e., the amount of salt that people buys does not change dramatically as incomes increase. A product described as being elastic has market characteristics that increase consumption as incomes rise, i.e., people tend to buy more red meat as their incomes increase.

strategies. Key questions: Where does your selected product fit in the risk matrix? Do you have savings to support this new business or will you need credit? If you need credit, will your business plan pay the necessary capital and interest payments? How much of your land (%) will you give to this product? What would be the consequences if the business venture failed? Are you planning to test the new business in a small plot at first? Where do you feel there is most risk in this new business? Do you have plans to overcome these areas of risk? Do you have partners who will share your risk?

Environmental sustainability

A final but important criterion that must be addressed is the sustainability and environmental impact of the new business. For most cases, the scale of the activity may not merit a full study on this, but the group should be aware of issues such as pollution, soil degradation, run off, types of materials, and chemicals being used. In each case, the group should ask if there are any hazards with the new business venture. Does the group need any specific training or knowledge on how to use a new chemical or material? Is there any risk of pollution? If there are hazards, long- or short-term, what are the measures being taken to address these hazards?

Definition of Individualized Selection Criteria

Each organization or group of organizations should develop their own selection criteria. There are several methodological options for selection ranging from simple (voting or discussion) to more complex (technical studies). Simple methodologies are quick, while technical methods permit more analysis and greater security in the decision made. Essentially the decision-making process should be undertaken in a systematic manner and in a way that takes note of the participants desires and perspectives.

A Methodology for Prioritizing Market Chains

We recommend a brainstorming session to agree on selection criteria. This exercise can be done internally within the facilitating organization or among various organizations, if there is a committee for rural enterprise development or other area organizations with this focus.

The steps to follow in this process are:

Identification of criteria

- (a) Select two people in the group to organize results, one to facilitate and the other to document the decisions.
- (b) Ask each participant to write a list of three criteria in response to the question: "What are the most important criteria for selecting a market chain with which to work in our area?" Each answer should be recorded on a card given to the facilitator.
- (c) The facilitator reads out each card and places it where it is visible to all participants without additional comments. Only clarifying questions are permitted at this time.
- (d) Once all ideas have been read out, they are grouped by common themes. Some cards do not fit in any group, they are put aside for later discussion and revision.
- (e) The facilitator invites participants to revise each group of cards to see if one or more common criteria emerge or can be developed.
- (f) When work with the groups of cards is completed, the outlier cards that were not initially classified are reviewed again, to see if the idea is already in another group or if it is worthwhile including it as a separate theme.
- (g) Once the themes are defined, there should be a list of selection criteria to apply to the market chains of a given area.

At this point it is useful to review all the criteria selected and decide on which are the most critical for the decision-making process, i.e., for action. We recommend a list of three to four criteria with easily measurable indicators. Once the criteria are selected, the group moves to identify indicators and measure each one.

Using the criteria

Based on the list of criteria identified, the group proceeds to define indicators for each. For example, if one of our criteria is "potential impact", we need to define how impact will be measured (persons, families, communities, municipalities, etc.) and where the data will be sourced. The end product from this session will be a list of operational criteria with their respective forms of measurement and data sources.

Prioritizing criteria according to relative importance

The next step is to prioritize the criteria and their indicators: To evaluate this, the group

should consider questions such as: Are market chains that involve more producers of higher priority than those that are more profitable? Is it more important that the activity be sustainable in environmental terms, or profitable? This step gives a specific weight to each criterion with the purpose of enlarging the differences between the options and thus facilitating the selection of market chains. At the end of this process, the group should have arranged the criteria, from the most to the least important, with a weight or score assigned.

Selection Tools

Using the list of criteria with the indicators and sources of information, the final step is the construction of a selection tool. This tool can take the form of a decision tree (see Example 1) or a simple weighted scoring matrix (see Example 2). Once the tool is established, it is applied to all potential market chains in an area.

Example 1: The decision tree of CIPASLA, Colombia

To facilitate selection of market chains, agendas of support organizations, and

interests of community groups, the Rural Agroindustrial Committee (RAI) of the Consorcio Interinstitucional para una Agricultura Sostenible en Ladera (CIPASLA) developed the decision tree presented in Figure 7. The objective was to compare a list of market chains with market opportunities, favorable conditions for production in the zone, and with some degree of interest or organization of producers. The process was carried by four local NGOs, a governmental organization, and a producer association in three 2-hour meetings and was useful for the members of the RAI.

This decision tool was applied using the following criteria and measurements: each option studied received a score out of the total possible of 21 points. The criteria and measurements used were:

Market demand

The growth of market demand is organized in three categories:

1. High—annual growth in demand above 6%.
2. Medium—annual growth in demand between 3% and 5%.
3. Low—annual growth in demand between 0% and 2%.

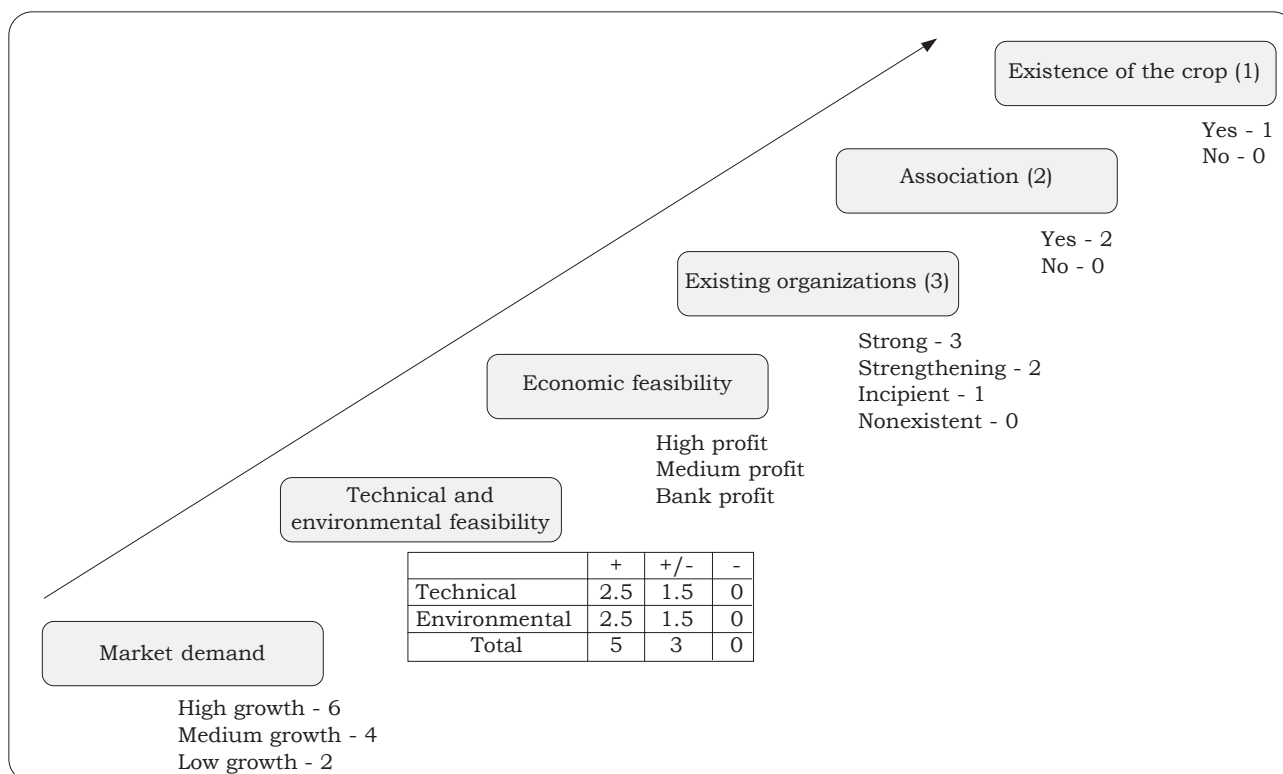


Figure 7. Decision tree of rural agroindustrial committee of CIPASLA.

SOURCE: Authors' adaptation of RAI workshop information with CIPASLA, 2000.

Note: In the case of CIPASLA, indicators on the level of growth of each product were taken from “Market studies for products of small-scale producer economy of the zone of the Cabuyal River micro-watershed”.

Following these criteria, we created the following distribution of products (Table 7).

Technical and environmental feasibility

The matrix is read in the following way as shown in Table 8.

Economic feasibility

Market chains are grouped according to three levels of profitability:

1. **High profitability:** The product’s IRR is 6 points or more over the bank’s savings account interest rate.
2. **Medium profitability:** The product’s IRR is between 1 and 5 points over the bank’s savings account interest rate.

Table 7. Growth prospects and product types.

Growth	Products
High	Mangos, blackberries, oranges, plantains
Medium	Lulos, pineapples, lemons, potatoes, grapes, passionfruit, <i>chonto</i> tomatoes, capsicums, carrots, green beans, free-range chickens, milk products
Low	Tree tomatoes, broccoli, pears, soursop, cauliflower, Batavia lettuce, bananas, guavas, apples, <i>uchuvas (Physalis)</i> , onions, melons, coconuts, avocados, passion fruit, dry beans, beetroot, spinach, green beans

3. **Bank profitability:** The product’s IRR is equal to the bank’s savings account interest rate.

Existing organization

The level of business organization in each market chain is assessed using the following criteria (Table 9).

- A strong organization** fulfills all four criteria.
- An organization growing in strength** fulfills some, but not all, criteria.
- An incipient organization** fulfills none of the defined criteria.

Support agencies

Selection of the partner organization was based on the principle that the organization was interested in working with a range of participants in the market chain, i.e., would work with producers, traders, processors, retailers in a process that would strengthen the market chain in a systemic manner.

Existence of the crop in the zone

The crop or product exists in the zone, and thus is known by local producers.

For each product identified with market options, and of interest to CIPASLA partner organizations or producers, relevant information was collected for each point above. Once the information was completed, possible points for each criterion were assigned, and total points generated for each product. To select the products for which to first elaborate strategies to increase competitiveness, scores were compared to identify those that best responded to the criteria of the RAI of CIPASLA.

Table 8. Technical and environmental issues against feasibility index.

Feasibility	Highly feasible ++	Medium feasibility ++/--	Not feasible --
Technical	Production is feasible in the zone and does not present major technical nor managerial problems	Production is feasible in the zone, but presents limiting technical and managerial factors that require training and research solutions	Production is not technically feasible in the zone
Environmental	Production does not generate negative environmental impacts in the zone such as erosion, contamination, or deforestation	Production generates a negative environmental impact, but it is manageable with good production practices	Production generates a highly negative environmental impact with no known form of mitigation

Table 9. Organizational capacity assessment.

Criteria	Level of organization		
	Strong	Growing in strength	Incipient
Legal incorporation	Legal incorporation	Legal incorporation is in process or does not exist	No legal incorporation
Achievements	Sustained achievements over various years	Some recent achievements	No achievements as yet
Capacity for planning and carrying out actions	Internal processes functioning for planning and evaluation	Incipient processes of planning and evaluation	No processes of either planning or evaluation
Business practices	Effective accounting and administrative controls	Incipient accounting and administrative controls	No accounting and administrative controls

Table 10. Assessment of products by weighted scoring.

Selection criteria	Weight (W)	Product A		Product B	
		Evaluation (1 to 10)	W * E	Evaluation (1 to 10)	W * E
Potential positive impact on smallholders	25%	8	2.00	6	1.50
Potential employment generation in relation to total local employment	35%	6	2.10	4	1.40
Value added potential of the product	20%	6	1.20	6	1.20
Size of the market chain's market	10%	8	0.80	10	1.00
Potential employment generation for vulnerable groups (women, youth)	10%	4	0.40	10	1.00
Total	100%	32	6.50	36	6.10

Example 2: Simple weighted scoring matrix¹⁴

Another way to implement a decision-making process using the criteria identified is to use a weighted scoring matrix as shown in the following example (Table 10).

This system attempted to combine a simple scoring system with the relative importance of the selected criteria to achieve an objective decision-making process. In this example, Product B had a higher overall score but when the weighted criteria are applied, Product A comes out highest.

This section has presented some criteria that have been useful for selecting market chains within an area. The identification of prioritized

market chains is the first step in the design of a strategy to increase market chain competitiveness.

Merits of a Pilot Project to Test the Process

When the agroenterprise process was applied in Madagascar, the service provider, Catholic Relief Services (CRS) led the process (Box 3). CRS is leading a development project in four provinces of Madagascar and before applying the agroenterprise approach to a large project zone, the field teams and agricultural advisors at the management level wanted to test the methodology at a pilot level, during a short off-season. This use of a pilot project enabled the staff to gain experience in a 3- to 4-month period, observe the opportunities and limitations of the process, and also find out what criteria farmers use to assess new crop options.

14. Adapted from Van der Heyden and Camacho (2004), p. 18.

Box 3

Selection criteria used for discarding options

The product selection criteria used by CRS staff were in six categories. If a product failed in more than one category it was rejected. This was a rapid process that was completed by the field staff.

Selection criteria

1. *Ease of production*

- Is the crop grown in the area?
- Can the crop be grown in the area?
- Are people already growing this crop?
- Is the crop grown in the off-season?
- Does the crop need any special inputs, such as irrigation, pesticides, and fertilizer?
- Can the product be produced in the off-season?

2. *Market demand*

- Is there strong market demand?
- Is demand based on season or festival? And does that fall into the intended production phase?
- Is the demand for high volume or a niche market?
- Are there many buyers or only 1?

3. *Financial cost of production*

- Does the production required a high investment?
- Is credit required for this production?

4. *Social*

- Does the product have any special social significance? Is the product subject to any taboos?

5. *Environment*

- Does the production come with any hazards or potential harm to the environment?

6. *Storage*

- Is the product to be stored? Is the technology available for storage?
- How long can the product be stored if market changes?

A rapid market survey questionnaire was developed by the agroenterprise team. The teams conducted the survey with a range of sales points/market actors in a 10-day period using four teams. The survey focused on the major local market town of Ansirabe, and other local markets in the area. No information was collected on national or international markets. A CRS Project Officer led each team. The information was synthesized at a group meeting and results presented to farmers. The timeframe for the development of the questionnaire was 3 days.

Considerable preparation time was spent in developing a simple questionnaire and translating it into Malagasy. The Project Officers focused on two questions in their questionnaire, (i) what do people buy most and (ii) what is scarce in the market.

The group developed the discard criteria, the first level of discard was based on whether the crop could be grown in the area and this reduced products from 50 to 31. The next level of discard used their own 14-point criteria and this enabled them to reduce the number from 31 to 11 possibilities. The three market opportunity matrices, e.g., production, marketing and financial analysis were used to reduce the possibilities to six options. Farmers reviewed these options prior to planting.

All six options from the Market Opportunity Identification survey were tested by some farmers. Project staff found that the more progressive farmers, located on the main road wanted to try more exotic ideas, whereas the poorer farmers in the remote areas were not keen to try any new ideas. The major point is that the marketing study clearly encouraged innovations to take place, but farmers wanted to match their risk profile with their investments.

SECTION 6

Planning and Executing a Rapid Market Survey



Guiding questions

1. What are the key steps in planning for a rapid market survey?
2. Why is secondary data important?
3. Why is it useful to have up to date market information for the market chain's products before beginning the analysis?
4. What information is it useful to have about the product or products, the market, the rules of the game, and the buyers?
5. How can we generate reliable information on the market in a quick and efficient way?
6. What decisions can be made based on up-to-date market information, and what implications do these have for elaborating a strategy to increase competitiveness?

Introduction

Following the selection of one or more market chains, the next step is to gather commercial information on the product and market chains identified, to identify buyers, and determine issues of price, quality, and delivery that are acceptable to an identified buyer, who is seeking to undertake new business with your

farmer groups. To undertake this analysis, we recommend reviewing existing data and carrying out a rapid survey with known or potential buyers of the product. This phase of the method seeks to place the agroenterprise design process on a firm footing with reliable market data, and at the same time to identify and get to know the actors in the market chain.

Likewise, this is a good opportunity to invite key market chain actors to participate in the analysis of the market chain and to assist in developing a strategy to increase competitiveness. The following sections outlines the steps in planning data gathering through secondary data mining and conducting a market survey. It takes into account the type of market, the skills of the team, and the time and financial resources that are available.

Planning for the Survey

A good survey must be well planned and have clear objectives. The group involved in the data gathering and survey need to discuss the level of information required, geographic scope of the survey, people to be involved, and their roles and responsibilities. The following section outlines some aspects that the survey team should consider as part of this exercise.

Formulate the survey team according to skills and size of the study

- The survey team should ideally include representation from the service provider, research, accountancy, and one or two representatives of the relevant farmer groups. Depending on the type of product selected, it is an advantage if one of the group members has some expertise in this area, i.e., a livestock specialist if the dairy sector is being evaluated.
- Team size should be relative to the scope of the study. The team should consider how many surveys will be conducted, their locations, and the logistics required to enable the survey team to get to these points in the market.
- A budget should be developed which meets the needs of the survey team and provides resources to write up results in addition to the field time.
- We recommend that teams of two or three persons conduct market interviews. One person will ask questions and engage the interviewee, a second person will record notes and observe gaps in the information, and a third person can monitor the process and keep time.

Make sure the survey is focused on the selected market chain

- When formulating your plan avoid collecting information that is interesting but not relevant to the needs of the enterprise/client group.

- Draw a theoretical map of your survey zone and market channels to be included in the survey. Make sure you collect all the information you need to develop a business plan and later link up with particular actors in the market chain.
- Find key informants to give you background information and insights into the most useful people to interview prior to setting out on the survey.

Make a list of people to contact, use key informants as a guide

- As part of your theoretical map, include information sources and types of people that you will interview and the numbers of interviews that you plan to make at each point in the market chain. We recommend that four to five persons at one point in the chain are interviewed so that data can be crossed check, triangulated, and confirmed with other market chain actors.
- Use your key informant's information to guide this process. A key informant can be (i) a leading agent in this market chain, (ii) an ex-researcher who knows the sector, or (iii) a retired schoolteacher who is familiar with the area. The key informant should act as your soundboard during the survey and as a source of constructive criticism.

Select sites/locations/industries to be visited and plan for follow up visits based on information from first meetings

- Depending on the nature of the market chain being investigated, plan your visits, and be well prepared when visiting each interviewer. Do not go to an interview without having the purpose of the visit clearly in your mind.
- Be observant, do the answers from the person fit the situation? Use local observation to color your interview.

Design interview checklists and pretest

- Develop checklists that will guide you through an interview.
- Train your interviewers using pretests so that you are sure they will collect the correct information.
- Adapt checklists, where needed to specific types of interviewee, e.g., a checklist for a processor is different from a checklist for a market retailer.
- It is often useful to split the appraisal and checklists into two parts:

- (i) Demand questions focused on urban and market outlets.
- (ii) Supply chain questions focused on actors in the market chain often rurally located.

Collate information and write report

- Select one person in the group who will collate data and be responsible for writing up results.
- The findings from the results should be reviewed by the team and debated.

Use of results

- The final report should be presented orally to the relevant farmer groups and agroenterprise team.
- A written document should outline the process, major findings, and recommendations.
- The document should also provide information on key informants or actors within the market chain who may be interested in participating in the design of a market chain competitiveness strategy.

Starting the Market Chain Analysis¹⁵

Collection of secondary data

As with any type of research or analysis, the starting point in an investigation should be a serious review of existing information with regard to the product, how the product is grown, and the main markets. Secondary information is extremely valuable as it is low cost, the work has been done by others and it usually only requires systematizing. Accessing good secondary data will save you considerable time and money. Sources of secondary information include those listed below:

Sources of secondary information:

- Market information services.
- Consultancy reports.
- Research institutions (CGIAR and others).
- Chambers of Commerce.
- Trade associations.
- Wholesalers.
- Internet.
- Development projects (NGOs).
- Agribusiness development centers.
- Press, specialized trade/commodity journals.
- Export promotion boards.

15. This section presents a simplified version of a rapid market survey. For a complete explanation on identifying market opportunities, consult Ostertag (1999).

It is unfortunately the case that many projects do not invest time into secondary data collection and often miss opportunities and waste resources because of this. In some cases this is due to incentives that pay for fieldwork rather than data collection and analysis. We recommend that this aspect of the work be taken seriously as there is a lot of information available. Review of this information may lead to avoidance of false trails and may produce good contacts who could assist with the efficient collection of primary data.

Collection of primary market chain data

In the context of this methodology, a “rapid market survey” should not be confused with a complete sub-sector marketing study. A rapid market survey identifies critical aspects in the flow of a particular commodity or product from the point(s) of production to the point(s) of sale. Specifically the market chain survey aims to gather information that will reveal new business opportunities or identify key bottlenecks in the market chain. This information is vital when moving to design the market chain strategy. The required information can be divided between data about the product, buyers, linkages between buyers, and other specific observations defined by the agroenterprise group prior to the survey. It is important to define the types of information required for making business along the market chain more dynamic, i.e., the data being gathered should focus on opportunities for business development.

In addition to providing marketing information, the survey will also enable farmer groups and service providers to identify key actors in the chain with the view of establishing new business options. It also permits the identification of possible strategic partners within the design of the strategy to increase overall market chain competitiveness. Hence the market survey should not be considered as an end point, but as essential groundwork for the next steps.

Data about the clients:

The basic data needed about the clients are:

- Name.
- Location (exact address, city, department, etc.).
- Contact information (telephone, fax, cellular phone, electronic mail, etc.).

- Type of client (i.e., position in the chain: trader, supermarket, restaurant, hotel, institution).
- What other products are bought.

Data about the product and the market chain:

- Commodity characteristics (grades, types, varieties).
- Presentation of the product (weight, packaging, etc.).
- Product volumes (aggregate market size, individual buying conditions).
- Frequency and site of product delivery (dates, periods, market site, on-farm).
- Consumption patterns (seasonality, trends).
- Supply situation, production (demand, storage, trade flows).
- Product price and form of payment, price paid (cash, credit, for how many days).
- Price relationships (seasonal, cyclical, supply–demand).
- Actors in the chain (market channels, marketing arrangements).
- Marketing behavior (practices, vertical integration, market power).
- Legal requirements for selling products (sanitary registration, bar codes, packaging, legalized invoices, etc.).
- Market infrastructure (roads, markets, communications).
- Government (regulation, marketing, price fixing).
- Global Trade (world market situation, tariffs, sanitary and phytosanitary regulations, technical barriers to trade).
- Timing of the study (timing of study relative to market cycle).

Survey Teams¹⁶

The complexity of the survey and the requirements for interviewees vary according to the type of market being analyzed. If the study is focusing on sales in a local market, then a small team of two or three people working for 2-3 days may be sufficient. In estimating the time required for the survey it should be considered that excluding transportation, a standard interview might take 30 minutes to 1 hour. In some cases it may take 2 hours when an interviewee has many products to discuss, or is a key actor.

16. For a full discussion on the theme of methodologies, consult Ostertag (2000).

The composition of the team members will change according to market type. For a local market, the producers themselves or secondary school or university students can carry out the market survey, with limited training. However, as the market survey becomes more complex and requires analysis of large urban markets, far from where producers live, it is recommended to organize a mixed group of producers, extension workers, researchers, agents from the facilitating organization, and students to conduct the survey.

Checklists and Summary Sheets

The simplest way of performing a market survey is by means of a structured or semi-structured interview with actors in the market chain. Checklists for interviews should be designed beforehand and pretested by the facilitating organization. Training should be given to those persons involved in data collection, i.e., producers, extension workers, students, or any other suitable group. As the market chain becomes more extended, the pretesting of the checklist requires more attention.

The survey group should participate in the design of the survey instrument (checklist) and be involved in formulating questions to make sure they understand them. Once the survey instrument is designed, it should be tested with local actors to: (a) verify that the information sought is obtained; (b) identify possible gaps, and (c) ascertain that the survey can be carried out in a reasonable time. Logistics and costs of the survey can be based on the information gathering process at the pretest phase.

Likewise, the forms that will be used for recording the data should be tested, and their ease of use verified. When the tools are ready, groups of researchers are formed to perform the survey, and each is assigned tasks.¹⁷ A sample checklist for a market chain analysis is given in Appendix 1.

17. These groups can be composed of a single person or up to three or four persons. According to CIAT experience, groups of two to four persons are best since it is difficult for a single person to interview and document answers at the same time, while large groups tend to intimidate those being interviewed.

Selection of sites

The survey team should draw up a list of market sites and types of market chain actors for implementing the survey. To facilitate the process we recommend that the survey be initially divided into two aspects: (i) demand and (ii) supply. Possible sites in the demand and supply are indicated in Figure 8.

Where to start a market chain analysis

Market surveys can begin wherever you feel most comfortable. This can be with a review of farmer production methods or at a target market. When working from the market end first, your selection of market will depend upon the limitations of the work, whether it is at a local, district, or national level. At the demand end of the market survey, the survey teams should find out as much information as possible concerning where and how the product is sold, how the primary product is differentiated into different products, and how products are segmented for different types of clients. Following the demand analysis, the survey team will follow the product down the supply chain, back to the point of production, in the selected project area. At each point in the chain the team will gather information on actors, product prices, and most importantly opportunities and constraints at each point of transaction. The key issue is to systematically follow the project from production to sales.

Guiding interviews to key informants¹⁸

Identifying and interviewing a small selected sample of “key informants” in a commodity market chain is a critical part of market survey. Key informants are defined as people who have extensive knowledge of a particular part of the market chain, they may be a major player in the market or have extensive experience in their market position and can therefore provide sound insight into their function and give reliable information on costs, trends, problems, and opportunities at their point in the market chain. To identify these people takes some investigative work but this can be done by working from the larger actors on the demand side of your market survey and asking who should be interviewed, based on their market share and number of years in the business. Equally, a first question in a large market where it may be difficult to assess people is to ask for the most experienced person to interview (Box 4).

Cross-referencing information

It is frequently stated that business people never tell the truth, so how is it possible to interview traders? Our experience is quite

18. Key informant: Term used to describe a person who plays an important role within a market chain and can provide you with accurate and relevant information on the structure and performance of the chain. The use of key informants in the survey enables you to be rapid and work from a small sample size.

Checklist 1	Checklist 2	Checklist 3	Checklist 4	Checklist 5	Checklist 6-10	Types of retailers
					DEMAND	DEMAND
				Supply	Retailers	Market stall holder
			Supply	Urban wholesalers		Street vendor
		Supply	Traveling traders			Kiosks
	Supply	Local market wholesaler				Small shops
Supply	Local traders					Supermarkets
Producers						
Number of persons to be interviewed at each stage						
4-5	4-5	4-5	4-5	4-5	15-20	

Figure 8. Sources of primary information.

Box 4***Some practical tips for conducting an interview***

Pre-interview



- Be prepared with your checklist.
- Have a notebook.
- It is advisable to work in pairs.
- Book an appointment and give a correct and convincing reason for visit (telephone, visit).
- Try to memorize the key issues to be asked.
- Have ample background knowledge about the sub-sector, so that you can discuss the product with the interviewee.

During the interview



- Keep your interview to an agreed time.
- Introduce yourself and the purpose of the visit and the institutions you work for, use business cards and letters of introduction.
- Ask open ended questions.
- Avoid interrupting the host's responses, switch off your phone, don't talk while s/he is talking, and always be polite.
- Engage the person, the more s/he learns from you, the more information s/he will trade with you.
- Use this interview to learn who to talk to next.
- Be flexible and conscious of the hosts' time.

Post-interview



- Maintain relations and deliver all you promise.
- Pass on a copy of the study when completed.
- Return all borrowed material.
- Treat detailed material confidential if asked.
- Maintain contact for future.

different, if you are well organized, have planned your survey well, and can explain why you are doing the work, most business people are interested in helping, providing you keep to a strict timeframe and are engaged in your work. However, nobody tells the exact truth, so you should expect to hear versions of the truth. In some rare occasions, you may be unfortunate enough to interview someone who gives you unreliable information. To offset these problems all answers need to be cross-checked against what the interviewee is doing, how they behave, what the team observes, and what other informants say about the constraints and opportunities they identify. Cross-checking can be done by:

- (i) Interviewing several actors at one point in the market chain and comparing their responses.

- (ii) Interviewing informants at different stages in the chain and asking questions that will verify previous results. If several people give the same information, it is usually reliable.
- (iii) Cross-checking price data against secondary data, to confirm validity.

Finally at the end of each interview, the team should ask for the names of other credible people or other key informants to interview. We have found that key actors are well known in a particular market chain and you can be guided to them by asking people to assist you.

Timing of the survey

Several research teams can carry out the survey in a single day or a lesser number can do so over a longer period. Given that markets are not static, it is important to carry out the surveys in a timely fashion; within 1 to 2 weeks at most is

best so that data captured can be easily compared. If the selected market is large, an urban center for example, the work should be divided amongst several groups of researchers. At the end of the day it is useful for the groups to meet to review results, compare notes, and decide how to manage any difficulties and how to proceed on subsequent days. All the data should be written up at the end of each day and be handed over to one person who is responsible for documenting the process.

Use of alternative information types

If the actors hope to use the survey results to motivate changes in the form of production or product quality, it is useful, in addition to qualitative and empirical data, to gather graphic evidence of the visits to the market and the products. Photographs or videos can be used for demonstration at a later date, and to facilitate the socializing of information with other market chain actors. Sometimes, being able to clearly show the differences between the quality of one product and another, or a new form of packaging, is enough to motivate a change in the market chain.

Going beyond observation to identifying future partners

In addition to standard marketing data, one of the aims of the survey will be to identify whether any of the buyers in the chain would be interested in finding new suppliers of a product and whether s/he would be interested in participating in a more strategic long-term relations with groups of producers. One of the main objectives of the survey should be to identify actors in the chain with whom a commercial relation can be established. Therefore the marketing survey is a process that goes beyond simply establishing whether “market demand exists” and how products flow, to identifying people with whom the client group and service providers can later negotiate.

When the survey team finds an actor(s) in the chain that express reservations about working with small-scale producers, it is important that the group perseveres to find other buyers who are more amenable to the process. To assist in the process of follow up activities, the survey team can record details of each interview onto a summary sheet at the end of each day. A summary sheet for interview evaluation and follow up is given in Appendix 2. This sheet has been used to good effect in other surveys; it

enables the enterprise team to rapidly review results some days after the event, with a view to making specific contacts for linkage into the design strategy.

Documenting Results

Once the survey is complete, results should be analyzed and written up as soon as possible. There are many ways of documenting and systematizing survey results. It is important to choose a format that permits a useful comparison of information, and that makes sense to the participants. Information to be included in the format can include:

- Name of the company or client.
- Location and contact information.
- Quantity of the product bought by day, week, month, or year.
- Means of delivery of the product [(with or without processing and required packaging (bag, basket, tray, etc.)).]
- Present source of the product being bought and present suppliers.
- Prices and form of payment.
- Special requirements (health registration, bar codes, etc.).
- Possibility of selling to this client.

In the case of market chains that include multiple products, it is useful to generate a table for each product. For example, when gathering information for a dairy market chain, there will be multiple products and therefore interviews will be needed with buyers for fresh milk, pasteurized milk, cheese, yogurt, and other sub-products. Each specific product has different characteristics that are important to identify and document. Table 11 presents an example format that has been used in the past for this type of survey.

Responsibility for writing up the results

At the outset of the survey, one person should be designated to collate the information from the interview teams and be responsible for writing up the final report. The analyst and writing position is crucial to the success of the survey and therefore the groups should select someone who has a track record of writing good reports and has the time to fulfill this task within a 2-3 week period from the end of the survey. Most importantly, this person should agree to the task and be remunerated accordingly.

Table 11. Results of a rapid market survey for *panela* (unrefined sugar).

Company	City	Weekly quantity ^a (<i>arrobas</i>)	Form	Packaging	Source	Suppliers	Price (pesos)	Payment	Requirements	Possibilities of sale
Olimpica	B/ventura	25	Round	Bag/24 pkt	Candelaria	Caña Dulce-extra	10,800 9,900 8,900 10,400 18,000	30 days	Label of <i>panela</i> source, codification in Cali	Good
		15	Powdered			Caña Dulce-corriente				
		10		Olimpica						
		10		Estrella Buen Gusto 400 g						
Distrib. Casa Blanca	B/ventura	40	Round	Bag/24 pkt	Palmira	Palestina Estrella	11,000 10,000	15 days	Sanitary registration, packaging does not matter	Good
Merka Mar	B/ventura	80	Round	Bag/24 pkt	Candelaria Candelaria	Palestina Palestina	9,800 11,000	30 days	Sanitary registration, packaging does not matter, depends what is offered	Good
		80	Round	2 units						
La 14	B/ventura	n.d.	Round Round Powdered	2 units 2 units	Candelaria	Palestina Estrella Buen Gusto 400 g	n.d.	30 days	Depends on Cali, the codification is through Cali	None
Olimpica	Buga	n.d.	Powdered	Bag	Candelaria Medellín Cali Candelaria Bugalagrande Candelaria Candelaria Bugalagrande	Palestina 500 g Buen Gusto 400 g Olimpica AA Triángulo Lucerna Palestina Palestina Lucerna	32,149 41,860 19,870 20,540 21,767 24,112 28,130 30,363 25,898	30 days	Label of <i>panela</i> source, Codification in Cali	Medium
			Powdered	Bags						
			Round	Vitafilm						
			Round	None						
			Round	Vitafilm						
			Round	Vitafilm						
			8 squares	Vitafilm						
	1 kg	Vitafilm								
	8 squares									
	1 kg									

a. 1 *arroba* = 25 lb.

SOURCE: Authors' adaptation of information from the Corporación para el Desarrollo de Tunia (CORPOTUNIA, 2000).

Results from the analysis for the enterprise development stage:

- Identified market opportunities for an enterprise.
- Key constraints in the market chain.
- Technology requirements to enter a specific market.
- Promising partners in the market chain, or in research, that may be able to assist in developing an idea to a pilot stage.
- Names of potential business partners that may want to test a new product.

Essential results from the demand side of the market chain analysis:

- Identify the major products and market chains.
- Provide figures on the size of these markets, and a figure of the total market demand for the product in question.
- At the product level, information is required on price, volume, trends, quality criteria, current uses, and potential uses.
- The results should prioritize products in terms of where the enterprise can increase sales, increase product value, and volume of trade (i.e., how to be more competitive).
- The process of demand analysis should record the names of traders, buyers, and processors, so that any future intervention can be developed in partnership with these actors after the analysis of the results have been made.

Essential results from the supply side of the market chain analysis:

- A map of the zone being analyzed with major production zones, of the selected commodity.
- For a commodity, the study should provide information on seasonality of production.
- Trend information on prices of the target raw commodity and if possible for processed products derived from the raw material (i.e., cassava roots, cassava chips, cassava flour, cassava starch, etc.).
- Marketing costs along the market chain, showing costs paid by and to the intermediaries and from the farmer to the consumer. This information should include margins along the chain.
- Flows of the commodity through the main supply chains, coming from the major areas of production.

Using Results

The results of a rapid market survey are useful in various ways. First, the results give an

indication of the types of product(s) in demand and information on volumes and prices of produce entering the market. Information such as how much of the product the market is presently absorbing and at what price (a rough proxy for product demand) is important. The survey results will also provide a clearer idea on product delivery and the form of payment presently used. Based on this information, the differences between the quality of this product or its packaging and existing market norms can be identified. Also, it is possible to revise the mechanisms of payment managed by the clients, analyze which is the most favorable for the market chain's producers, and what would be the implications of beginning negotiations with different types of buyers¹⁹.

Second, the survey should provide initial ideas on opportunities and constraints in the system and areas of inefficiency or excess rents in the market chain. These aspects of the study highlight areas for innovation. Finally, the survey will also provide a list of contacts of people in the market chain that have expressed an interest in further participation in developing the enterprise strategy. This is essential, as it is these actors who will be crucial in bringing together and participating in new agroenterprise initiatives that feed into the market chain concept.

Based on the survey, clients can be classified according to the possibility of selling to them or their strategic value for the market chain. Some useful criteria in this exercise can be the volume that each client manages, the segment s/he attends, the use s/he gives to the product²⁰, the price s/he pays or is prepared to pay, and disposition (or not) to establish strategic relations

19. A good evaluation of the requirements and rules of the game that reign in different segments of the market is useful. At times a "good" market turns out to be not so good when these factors are analyzed. A concrete case is the supermarkets that tend to extend payments to their suppliers for 30 days or more, and at the same time discount money for product not sold. At the outset, their prices and volumes are favorable, but it may not be the most profitable segment for small-scale producers.

20. If clients exist that use the product in different forms (for example, the extraction of essential oils from aromatic plants), it is important to take them into account. Sometimes these non-traditional businesses have greater possibilities of growth and demand for strategic relations than the traditional channels. Furthermore, because of being relatively new, there is possibly less competition in these segments.

with other members of the market chain. At this time, it is important to make sure that information generated covers the market(s) in which we hope to work.

Finalizing the process of information and market contacts, the organization or facilitating group should have a clear idea of:

- Who the clients of the market chain's product(s) are.

- Where they are located and how to contact them.
- The rules of the game that govern the market and its most important segments.
- The quality requirements for diverse market segments.
- Which of the clients should participate (directly or indirectly) in the design of a strategy to increase competitiveness?

Feeding Back Results



The team leader or lead writer should prepare written and oral/PowerPoint slide presentations. The results should be circulated to the group and be fully understood by the farmer groups. Hence the presentation needs to be well rehearsed and provide the most important details of the study, i.e., essential information, that has been mentioned but also what this means in terms of potential application as related to the:

- Enterprise/market opportunities.
- Research, development, and service provider innovation opportunities.
- Local administration and policy development opportunities.

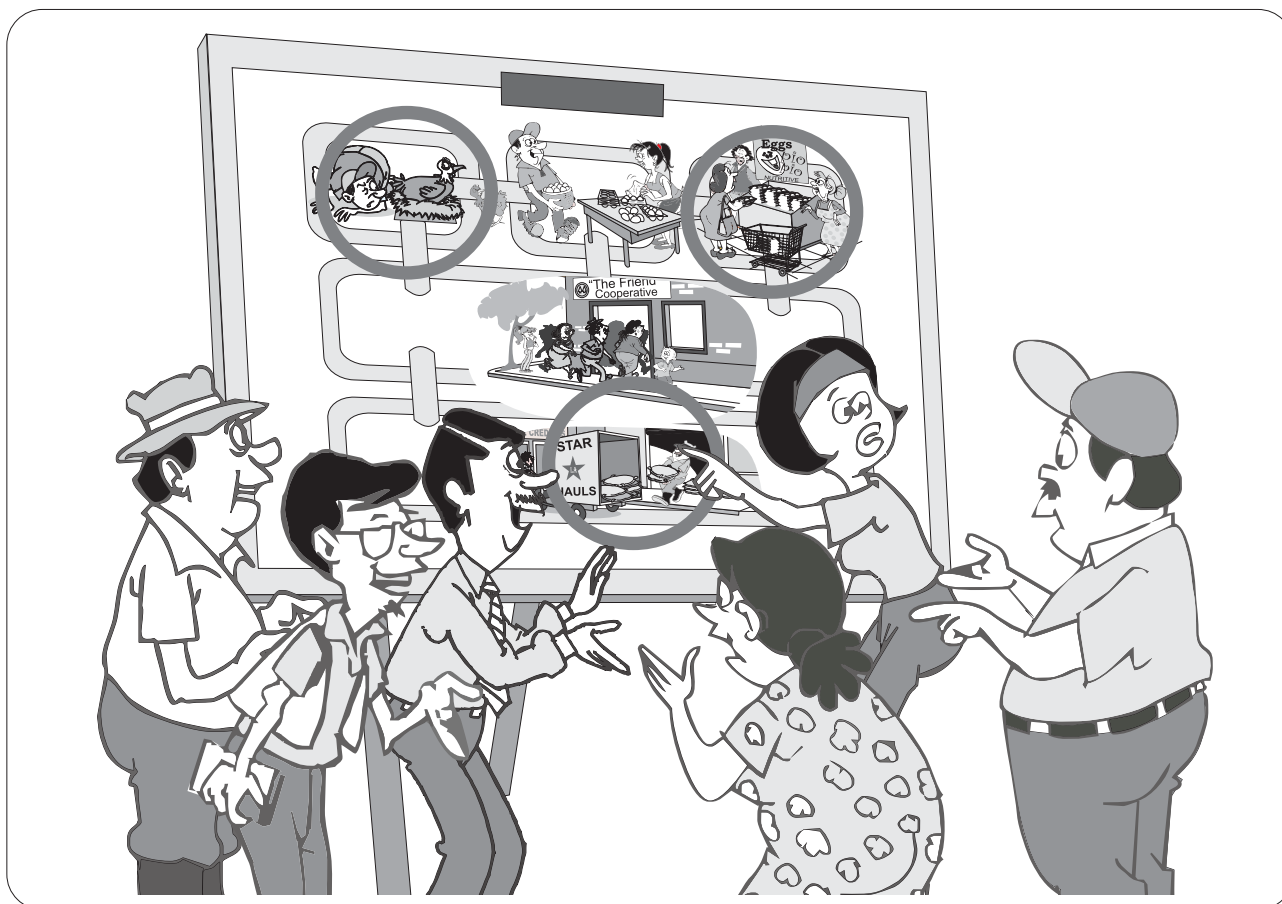
In the reporting stage it is highly recommended to include several of the market chain's key

producers or processors, since these actors are in a good position to evaluate the results, give a reality check where needed, and assist in diffusing survey results to their neighbors and acquaintances.

In this section, we reviewed the principal reasons for carrying out a rapid market survey if we do not have access to up-to-date data on the products and markets with which to work. A short list of the key data to collect regarding clients, product characteristics, form of payment, and other strategic themes were discussed. Finally, some simple methods, forms of documenting the results, and their usefulness for a strategy to increase competitiveness were mentioned. In the next section, we will proceed to identify the key actors and design strategies to convene them for the strategy's elaboration.

SECTION 7

Identification of Key “Actors” in Market Chains and Steps for Business Planning



Guiding questions

1. Who are the key actors in the market chain that should be consulted for their point of view?
2. Are there important differences between actors that participate in the same link of the market chain? What are they? Why do they exist?
3. Why is it useful to differentiate the actors along the market chain? What are some advantages or disadvantages of doing this?
4. Which actors have the capacity to lead processes of innovation in the market chain? Which factors are important for promoting lasting changes in the market chain?

Introduction

Up to this point in the practical section of the guide we have covered two steps which contribute towards our aim of developing a strategy to increase market chain competitiveness:

- (i) Selecting the market chain in which to work.
- (ii) Executing a market survey.

In this section, we will cover the final step of preparation prior to developing the market chain strategy. Having undertaken a rapid market survey, the group will have made contact with numerous actors in the market chain. This section provides methods to identify key actors in the market chain and a strategy for the organization of workshops for the development of the new market chain strategy. At the end of this

section, the facilitating organization will be ready to call a joint meeting with participants and design a participative strategy for the selected market chain.

Identification of Actors

The identification of key actors in a market chain has two basic steps: (1) an analysis of functional categories within the market chain and (2) an analysis within each functional category. The first step seeks to collate the market chain's general participants by functional category (production, post-harvest management, processing, marketing, and provision of business development services), locate them geographically, and obtain some data about them. Results from this step include a list of actors (people, groups, companies, etc.) by function. Based on this information, each functional category is reviewed to assess if we can deal with all actors as single group or if they should be further divided based on social, gender, economic, geographic, technological or other criteria. The differentiation of the actors constitutes the second step of their identification.

Identification of the market chain's actors by functional category

The identification of actors by functional category is based on Figure 9.

Actors are grouped by the following functions:

Production

Actors whose functions are directly related to basic agricultural production, including input provision, for elaborating the market chain's

product(s). This category can include preproduction, production, harvest, or extractive activities.

Post-harvest and processing

Actors whose functions are directly related to post-harvest management (cleaning, sorting, packaging) or processing of basic goods into value added products (for example, processing milk into cheese, sugarcane into *panela* (whole sugar block), or other types of processing). These activities may be in the hands of individual actors or rural or urban companies, within or outside the area.

Trading

Actors whose functions are related to the buying and selling of the market chain's product(s). In general, these actors move the product from the area to the end markets (as traders), but wholesalers located in urban centers can also be included. Various marketing actors can be involved depending on the geographic extension of the market chain under analysis.

Providers of business development services

Individual actors, organizations, or companies that offer business development services to the market chain. The services offered by these actors can be tangible (transport, machinery, storage, among others) or intangible (technical assistance, training, etc.), and formal (NGOs, state agencies, companies, etc.) or informal (transporters, local traders, other farmers, etc.)

In operational terms, actors can be identified through brainstorming with a small group that

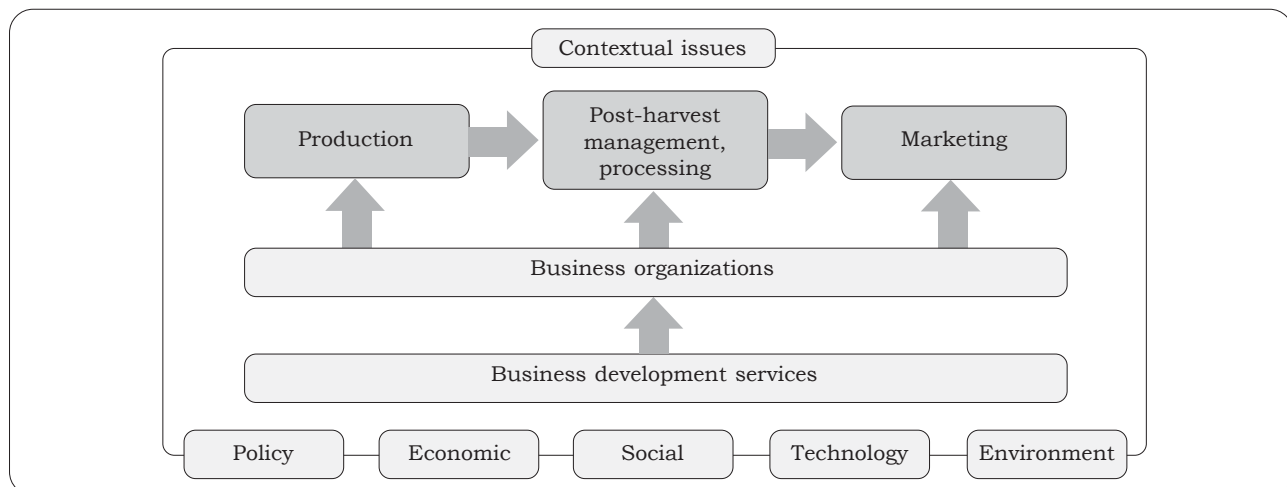


Figure 9. Wider perspective of a market chain.

knows the market chain. If the participants do not have information on some functional categories, then interviews may be necessary to generate reliable data about the actors in this part of the market chain. However, much of this information will have been collected in the market survey work. At the end of this process, results can be documented in a table such as Table 12.

Differentiation of Actors within the Market Chain

Once a list of actors by function has been generated, the differences between them are examined. The framework of analysis here is the functional categories, which are assessed one at a time. Within each functional category, actors are reviewed to see if there is sufficient variance among them to merit differentiating them into sub-categories. Some criteria for differentiation include:

Technology

Are there important differences between the technologies used by different actors within the functional category? Examples of these differences are production or processing technologies that vary from the rudimentary to the modern. If we group actors by technology used, do diverse groups emerge?

Geographic location

Are the actors grouped in a single site or spread among several? What implications does location have? Are there producers with better land than

others? How does access to markets or business development services vary? Are the problems or opportunities sufficiently different in each site to merit a disaggregated analysis?

Access to capital²¹

Is there important differentiation in terms of access to capital? Are there some who have better or worse access to productive resources? An analysis of access to capital could be useful for grouping actors into each functional category.

Capacity to innovate

Do certain groups of actors along the market chain have more or less capacity to innovate? Who are they? What are their motivations to innovate in the market chain? In some cases, the clients promote innovation through changing product standards, but in other cases the agroenterprises processing the product want to improve their market position through the development of new products.

At the end of this process, actors in each functional category are differentiated based on a set of criteria developed by the group and a decision is made on which groups should participate in the design of the strategy to increase competitiveness. Table 13 shows one way to systematize the data.

21. Capital refers to tangible active products such as land, tools, or money, and intangibles such as access to support networks.

Table 12. Actors identified by functional category in the market chain.

Function in the market chain			
Production	Post-harvest and processing	Marketing	Business development services
Actor 1	Actor 1	Actor 1	Actor 1
Actor 2	Actor 2	Actor 2	Actor 2
Actor 3, etc.	Actor 3, etc.	Actor 3, etc.	Actor 3, etc.

Table 13. Differentiation of actors in the functional category of production.

Principal production orientation	Geographic location		
	Zone A	Zone B	Zone C
Commercial	6 producers	None	2 producers
Semi-commercial	5 producers	4 producers	8 producers
Subsistence	10 producers	12 producers	12 producers

If more than two criteria are used, a name is defined for each group of characteristics. For example, a *small-scale subsistence producer* can be one that is (a) located in hillsides, (b) has traditional technology, and (c) has limited access to production assets. The facilitating organization defines appropriate local criteria for differentiating actors.

For each actor typology identified, a brief description with the most salient points can be prepared including the number of actors in this category, their social, ethnic or gender characteristics, position in the market chain, capacity to assume risks and innovate, or other relevant criteria as show in Box 5.

Box 5

Example of an actor typology from Santa Cruz de Turrialba, Costa Rica

This example identifies and describes three types of traders active in one dairy market chain in Costa Rica. For each typology an easily recognizable name was selected and the salient details noted as follows.

Tigers

Largest, most established traders focused on pasteurized cheese for formal, urban markets.



Group 1: 5 or 6 traders

- Buy pasteurized cheese from industrial plants.
- Sell principally to supermarkets in the capital city of San José.
- Have no commercial ties to artisan cheese producers.
- Have access to specialized transportation and cold market chains.
- Develop and use marketing strategies such as publicity.
- Provide personalized attention to their clients.
- Possess sufficient working capital to pay cash for cheese.
- Add value to the product through packaging and branding.
- Develop alliances with industrial plants and other traders.
- Do not assume any risks as sub-quality cheese is returned to processors.
- Set local purchase price and influence final sales prices.

Road runners

Mid-sized traders who sell pasteurized and non-pasteurized cheese to informal local and urban markets.



Group 2: 25 traders

- Buy artisan, non-pasteurized cheese from on farm cheese producers.
- Buy small quantities of pasteurized cheese from diverse industrial plants.
- Do not have employees but buy, sell, pack, sort, and transport their product directly.
- Tend to be from the same communities with good relationships with local producers.
- Tend to pay cash for the product although some pay a week later.
- Principal market are large traders in the capital city of San José.
- Also sell to corner stores and even house to house.
- Assume risks—sub-quality cheese or unsold cheese is aged and converted into cheese slices.
- Sell fresh cheese with no added value.

Jack of all trades

Not true traders but producers who sell their own non-pasteurized products to selected local markets.



Group 3: 11 producer/traders

- Not really traders but rather vertically integrated milk and cheese producers.
- Tend to sell artisan, non-pasteurized cheese.
- Sell primarily in farmer's markets and local corner stores.
- Do not manage large quantities of cheese.
- Entire productive process (cattle-milk-cheese-sale) involves most or all of the family.
- Assume all the risks.
- Do not have strong ties to other traders or actors in the market chain.

SOURCE: Lundy and Gottret (2003).

The objective of this exercise is not to complicate the selection process of participants, but rather to verify that groups representative of the all market chain functions will be included in the design phase. The main justification for this is to ensure that we will receive the most complete view possible of the market chain. If, for example, we only include processors using modern technology, the identified problems and support options will be adequate for them, but not for the other processors that use more rudimentary technology. The same occurs with the geographic location of the market chain actors. Hillside producers, for example, commonly face different problems than do lowland producers. What is important is to ensure that all groups expected to participate in market chain analysis and in the final strategy are identified and included. This approach correctly identifies limitations and constructs adequate solutions for their diverse conditions.

Meetings to Convene the Actors

Once a market chain’s actors have been identified and analyzed, representatives from each group are selected to participate in designing the strategy to increase market competitiveness. It is neither necessary nor desirable to convene all of the actors, but rather to choose a subgroup of strategic actors for this process. The definition of strategic depends on the objectives of the strategy. If we are seeking to improve the links of small-scale hillside producers with an intermediate urban market, and finally with various export companies, then strategic actors should be selected from each of these groups.

For the selection of these actors, two general criteria have been useful: (1) interest in participating and (2) capacity to improve the market chain. The second criterion is important since it leads us to analyze which of the actors can influence the market chain most and includes these powerful actors, sometimes known as market chain “captains”, in the exercise. These persons and companies exercise diverse forms of influence on the market chain. For example, a producer or group of producers that has experience in developing innovative production technologies can exert a lot of influence on how production occurs. In a similar fashion, a processing company that is interested in new forms of product presentation,

developing new products for the market, or entering an alliance with producers can have great influence. The final buyers of the product have purchasing power, and if they participate, they can facilitate rapid and lasting changes in the relations between other actors. Finally, the support organization(s) (including the one that facilitates the market chain analysis) has negotiating power with the diverse actors. Often, this power is used to negotiate better terms of exchange between the different actors, and at the same time verify that all are complying with what was agreed on. In this sense, all of the identified actors are reviewed and the most appropriate selected for the exercise.

An observation on numbers

A common error is to attempt to involve everyone. Provided that good representation of the different actors exists, there is no benefit in having a larger number of participants. In practice, producers are the most numerous participants, followed by processors and support organizations. The group that least participates in workshops, but not in the implementation of the strategy, tends to be traders or buyers. Try to assemble the most active, respected and knowledgeable people.

Organizing Workshops

Workshops with identified actors for mapping the market chain, identification, and analysis of problems and of final negotiation are the principal form of obtaining information, discussing difficulties, seeking possible solutions, and achieving agreements among the actors. Within the workshops, the main factors to keep in mind are: explaining the process of elaborating a strategy to increase competitiveness, the site and the time needed for each workshop and for the whole process, the expected results and benefits, and the use of the results. Each factor is described below.

Selection of an adequate site

The elaboration of the strategy requires various spaces for group work, plus a central site where all participants can be brought together. The following steps of the method explain when to do group work and when to hold plenary sessions. If separate sites are used for different actors, we recommend they are close enough to facilitate plenary sessions.

Scheduling

The methods described in this guide require time. It is important to clarify with the participants how much time is needed, and how much time they are prepared to invest.

The process

At the start of the first workshop or informative meeting, it is important to explain to participants why increased competitiveness is important, how the process will function, who will participate, at what times, and the expected results and benefits. Highlighting that this process seeks synergies among actors is important to clarify that the process does not intend to exclude actors, but rather to improve the overall functioning of the market chain.

Presentation of participants

Once the process is clarified, we recommend a round of presentations to provide background on the roles and experience of the actors present. There are many ways of doing this, such as choosing a method that promotes contacts along the market chain, for example, traders present producers, processors present support organizations, and then vice versa. The idea is to show to the group who the participants are, their role in the market chain, and what their expectations or interests are in the process.

Expected outputs

At the start, it is a good idea to explain the expected outputs of the process. Generally, these results seek to increase the market chain's competitiveness, but it may be that the facilitating organization wishes to highlight additional benefits for the market chain actors. For example, explaining to those that offer business development services that the results can be used to present funding proposals to improve the market chain, or to the traders that results will include shared quality criteria along the market chain.

Use of results

From the start it is necessary to make clear that the results of this process will be shared among the participants, may form part of future projects, and are the basis for negotiation at the end of the process. If there are any concerns in this regard, it is good to clarify them at this time or achieve specific agreements about the use of the information. At the end of each stage

of the process, systematized results should be shared with all participants in a timely fashion.

Ownership of results

Given that most of the information comes from the market chain actors, their contributions must be recognized in whatever document or presentation comes out of the process. We recommend listing the names of the chain actors who have participated in each workshop on the first page of the report, not only to give credit where it is due, but also as a way of building ownership of the process. The facilitating organization should be recognized for its work, but it must be remembered that the real owners of the information are the market chain actors themselves.

Timeline for workshops

Developing a strategy to increase competitiveness usually requires four 6-hour workshops, and which can be organized over 3 or 4 months, depending on the availability of the actors. These workshops cover:

- (i) Market chain analysis.
- (ii) Identification of limiting factors.
- (iii) Proposed solutions to these limiting factors.
- (iv) Negotiation among the market chain actors for the final strategy.

The information in Table 14 shows a timeline used by an NGO in Colombia. However, under different circumstances and at different levels of intervention, these timeframes can change. In Madagascar, which initially developed the process within a pilot project, all four workshop exercises, for 6 market chains, focused in at a district level of intervention, were completed within one 3-day residential meeting. While this was efficient, leaving time between meetings has certain benefits in that it allows a wider diffusion of results and opportunities for informal discussions among participants that may facilitate the later process of negotiation.

Therefore, the service provider needs to adapt this methodology to the situation, based on available resource of time and money.

Sources of Market Chain Information

As we enter into the design phase, the sources of primary information on the market chain will tend to be from the actors themselves. This information may be limited as some market

Table 14. Timeline of design workshops for a strategy development.

Workshop	Contents	Results
1	<ul style="list-style-type: none"> • Presentation of the process and expected outcomes. • Presentation of participants. • Mapping the market chain. • History of the market chain. • Business development services. 	<ul style="list-style-type: none"> • Map of the market chain. • Historic graphic of activities of support and innovation in the market chain. • Supply, demand, and quality of business development services.
2	<ul style="list-style-type: none"> • Identification of critical points by functional category. • Analysis of causes and effects of the critical points. 	<ul style="list-style-type: none"> • Problem trees for each functional category. • General problem tree for the market chain.
3	<ul style="list-style-type: none"> • Identification of possible solutions. • Generation of a provisional logical path. 	<ul style="list-style-type: none"> • Solution tree for the market chain. • Provisional logical path for discussion.
4	<ul style="list-style-type: none"> • Negotiation among market chain actors. • Definition of the final strategy to increase competitiveness. 	<ul style="list-style-type: none"> • Agreements among actors for market chain improvement. • Inputs for the strategy to increase competitiveness.

chain actors, i.e., traders, will not be able to fully participate in the workshops because of their business activities or interests. This is where the previous market information gathered through the market survey work is critical. Furthermore, for the service provider, having undertaken the market survey, this places them in a well-informed position to play the honest broker in the design and negotiating phases.

If additional information is required from key market actors in the next step, the facilitating organization should think of other ways of collecting their points of view. Some techniques that have been of use by CIAT included: interviews (semi-structured and structured), visits, and focus groups. The participation of all strategic actors in the final negotiation sessions is critical as this is where

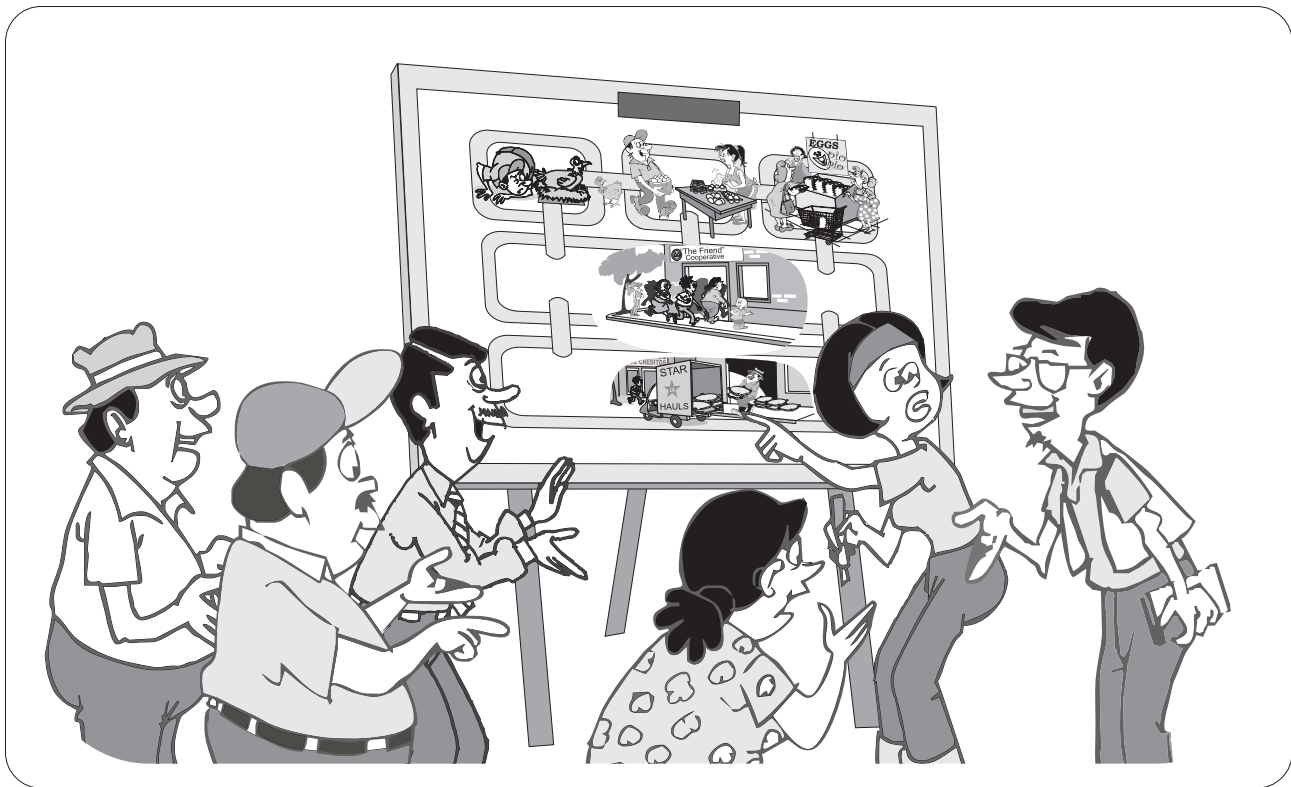
actions to improve the market chain are negotiated and defined.

As well as primary information from market chain actors, secondary information contained in reports, books, or other available documents about the market chain is useful. In the case of secondary information, it is important to share and validate this information with participants in the workshops.

By the end of this section, the facilitating organization will have identified market chain actors by functional category, ascertained if it is necessary to differentiate among subgroups in each functional category, selected strategic actors for strategy design, and organized the details of the workshops. The next section explains the first step of market chain analysis: the mapping of the market chain.

SECTION 8

Participatory Market Chain Analysis



Guiding questions

1. What are the important criteria for analyzing complex systems such as market chains?
2. Why can it be useful to divide market chain actors into differentiated groups to analyze the system?
3. What are some techniques that permit us to generate a common language and understanding around the market chain? What are the advantages and disadvantages of the use of participative tools to this end?
4. What can we better understand by mapping the market chain? Is there additional information that is difficult to capture in this way? Why?
5. Why is understanding of the business development services offered along the market chain important? What important information can we collect in this area?
6. What can we learn by carrying out a historic analysis of market chain development over the last few years? When might this be useful? When is an extensive and formal revision necessary, and when is a rapid analysis sufficient?

Introduction

This section explains how to begin the analysis of the market chain by forming working groups, mapping the market chain, identifying of business development services offered, and the constructing of a brief history of the market chain.

Criteria for the Analysis of Complex Systems

The method described in this guide engages diverse actors along the market chain. Given that each group of actors plays a distinct role in the system, they tend to have different points of view about the limiting factors and

opportunities that affect the market chain. This diversity is positive, since a market chain is a complex system where actors know their part of the system well, but do not necessarily comprehend other aspects of the overall picture. The effective analysis of complex systems requires the application of some simple criteria.

Listen to everyone

Given the diversity of roles along the market chain, actors have different points of view. The producers know a lot about what happens on the farms (production difficulties, pests, varieties, yields, etc.), but progressively less as the product leaves their community or goes into marketing, trading and processing. Actors who are concerned with post-harvest processes, equally, know a lot about this theme, but may know less about production. Similarly, the actors involved in marketing the product(s) of the market chain may have general knowledge about the entire market chain but possess more complete and profound information about the aspects that directly concern them. Support actors ought to be knowledgeable about the entire market chain. However, in practice, it is common to find that they also have specific focuses according to their objectives or capacities.²²

To overcome the compartmentalization of information requires listening attentively to the voices of diverse actors along the market chain. All have valuable information about their particular activities and can contribute general data about the whole system. However, no one, including the technical actors, is knowledgeable about the market chain in its entirety.

Triangulate the data

If it is accepted that all the actors are partly correct, then a process of triangulation is useful to understand the larger picture of the market chain. What is triangulation? It can be understood as a relation between three or more persons who are examining the same thing from

different positions. Each one can see a part of the object, but not the whole. If we ask them to draw the object, we get three points of view that need to be combined into a fuller picture of the object. Each one sees the system from their perspective, and therefore can describe what they see or experience, but they are partially blind to the realities of the other actors. To have a more complete picture, all the points of view must be combined—or triangulated—as shown in Figure 10.

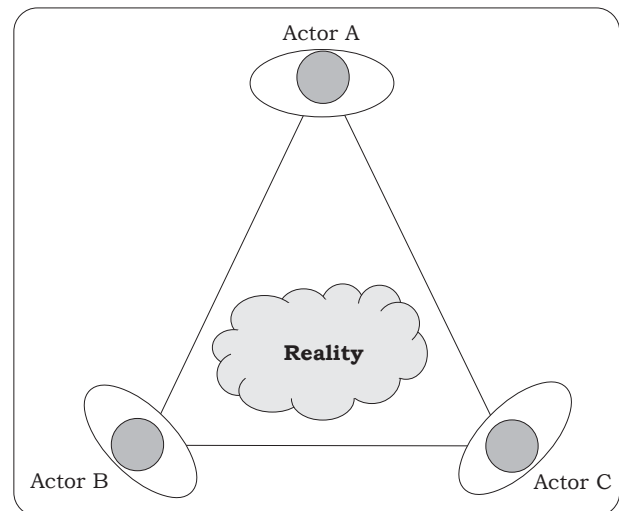


Figure 10. Triangulation of data.

In practice, triangulation implies combining and contrasting data from various viewpoints. It is common to find that actors describe issues that, under revision, turn out to refer to aspects of the same problem. For example, producers tend to talk of low prices for their products, while processors and traders talk of the problems of quality and continuous supply. All are describing the same problem (lack of information on what to produce, when and how) from their own points of view. When data from diverse actors is compared, relationships become clear, and solutions that benefit the market chain as a system, and not a specific group of actors, are more evident.

Managing power relationships

In a complex system with multiple actors it is common to find unequal power relationships. Some may have more economic resources and formal education than others. Some actors feel comfortable talking to outsiders, whereas others will not speak more than necessary.

In market chain analysis, technicians and people with a certain degree of formal or informal education speak easily from the start.

22. For example, many NGOs have an explicit focus towards specific populations (small-scale producers, rural women, youth, indigenous, etc.) or one or other link of the market chain (technical assistance or credit in production, access to transformation technology or storage of the product for marketing). The same occurs with informal support actors. The valuable thing about these actors is their profound knowledge of certain aspects of the market chain, and their capacities to support it in some way.

While these actors may have valuable knowledge to share, they tend to dominate the scene, obscuring the others (persons with little or no education, youth, women, ethnic minorities, etc.). As a result, only part of market chain reality is heard. How do we manage these power relations to ensure more equitable participation among diverse market chain actors?

While many methods exist, experience has shown that the formation of separate groups to map the market chain, analyze business development services, and review market chain history is useful. Separate groups develop different points of view that can be heard more clearly, and with these diverse views, the final strategy to increase competitiveness will be more complete and firmly grounded. This practice implies separating producers, processors, traders, and those offering business development services into different groups. In addition, if there are important subgroups within each functional category (as previously identified in Section 7), it may be necessary for them to work separately. This is especially important if the strategy focuses on a specific population group (small-scale producers with certain characteristics, groups of women, old or young people, ethnic minorities, etc.), since the problems and solutions analyzed should correspond to the focal group, and not to other actors in the market chain.

Formation of Working Groups

Initial working groups are formed based on the functional categories in the market chain. Those who are involved in production are grouped, and those involved in post-harvest management or processing, marketing, and business development services are also grouped together. Once grouped, a decision is made whether the organization of subgroups to capture diverse geographic, social, technological, class, ethnic, age, or gender viewpoints is needed. These decisions can be discussed with participants so that all are clear about the different groups and their objectives. Figure 11 shows this process.

Once the working groups are formed, the exercises are explained. When everyone is clear about what to do, each group should work separately on the exercises without the intervention of the other actors. This process is much easier if all the work locations are in the same zone.

Tools

The tools used for market chain analysis include:

- (i) Market chain mapping.
- (ii) Identification of business development services offered.
- (iii) Market chain history.

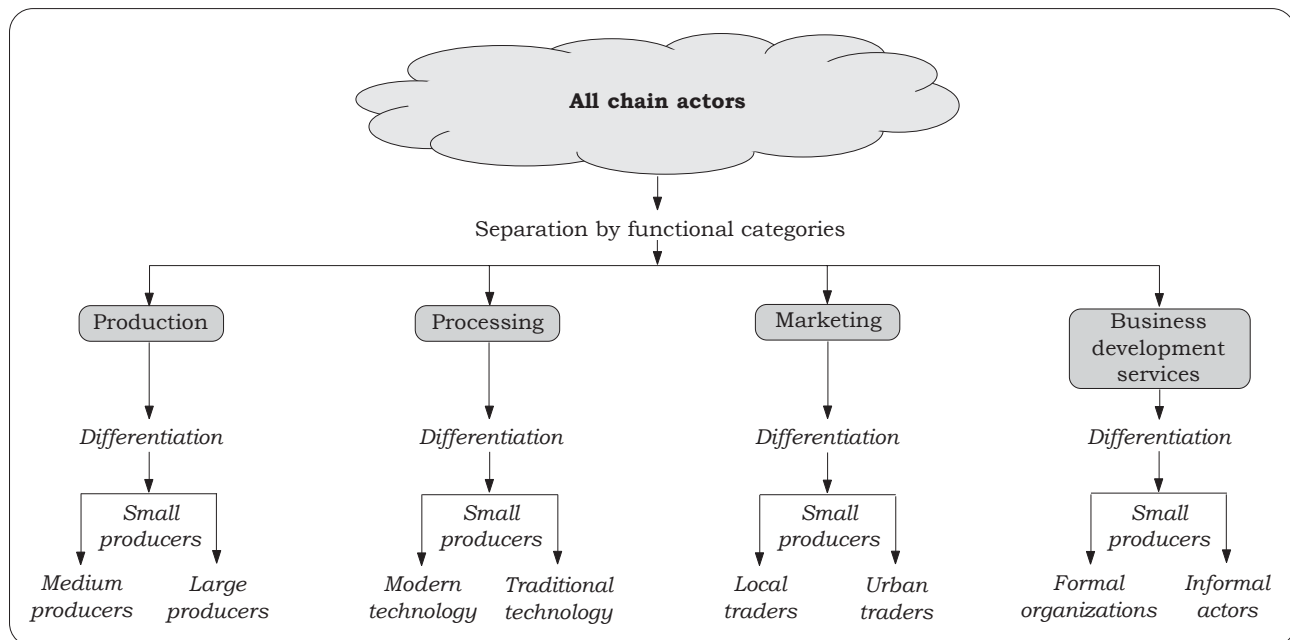
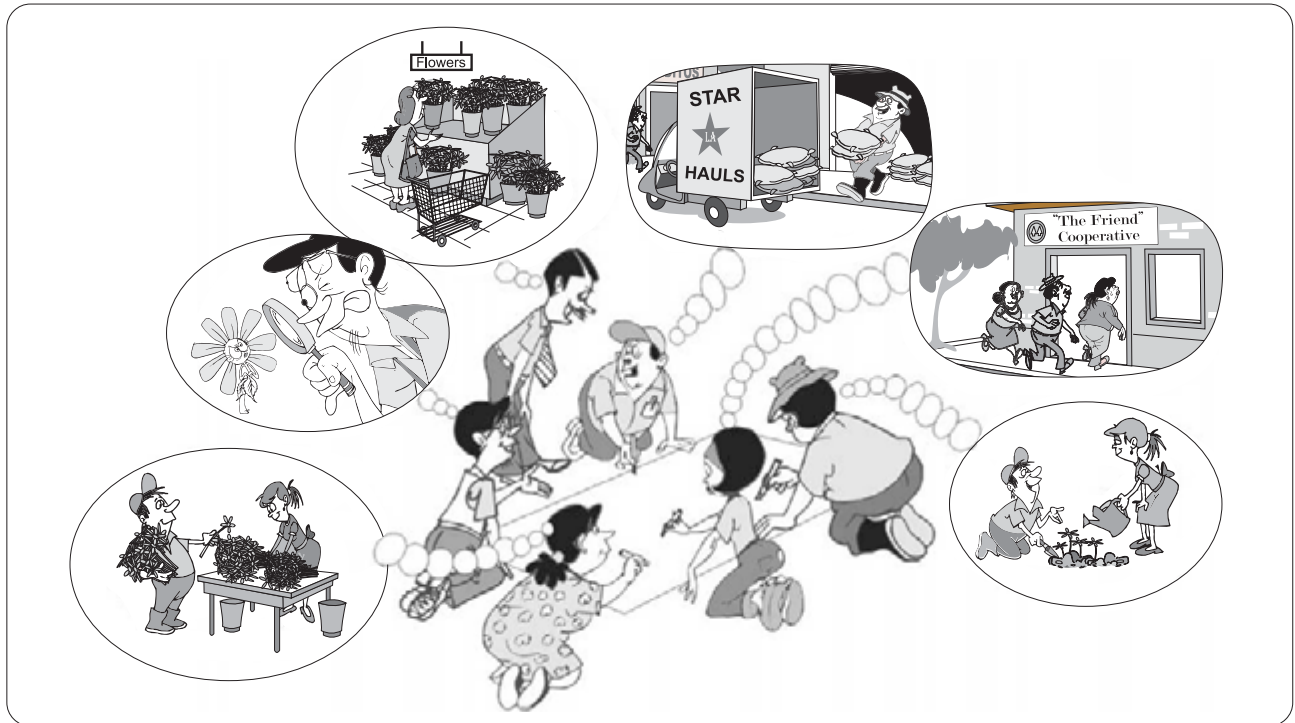


Figure 11. Process of forming working groups.

The most important of these are mapping and the identification of supply and demand for business development services. The review of market chain development is an optional step that provides useful information for analysis.

On the following pages, the objective of each tool, time required for its use, necessary materials, steps, facilitating questions, and examples are provided.

Mapping the Market Chain²³



Objective

Visualize product flows, business development services, and inputs along the market chain, from primary production, to sale to wholesalers, from diverse points of view.

Time

About 3 hours in total. One hour for the elaboration of the maps by each group, 1 hour for the socialization and construction of a consolidated map, and 1 hour for identifying and filling in the information.

Materials

This exercise can be carried out using flipcharts and markers, blackboards, and chalk, or even

on the floor with local materials (e.g., pebbles/twigs on a dirt floor). What is important is to describe the flow of the product(s) in such a way that all the actors can see and discuss it.

Process

Divide the groups using the functional categories of the market chain and ask them to draw the market chain, as they know it. To begin the visualization, it is a good idea to identify the actors and place them spatially (in their community or city) by functional category. As the process advances, other questions are asked that provide additional details. These details are then added to the basic market chain initially drawn. This exercise could take between 45 and 60 minutes. At the end, each group explains its vision of the market chain in the plenary session, and a more complete vision is completed, drawing on all viewpoints. The facilitator of the exercise is responsible for eliciting additional information on key topics.

23. This same technique can be used to analyze not only physical product flows but also intangible aspects of the chain such as relationships between actors, information flows, sources and spread of innovation, among others.

Facilitating questions

Some basic facilitating questions for this exercise appear below. We recommend organizing key questions into a checklist for those facilitating the group work. Some of these questions can be formulated to start or support the process of visualization, while others are more suited for later stages or for reviewing the final maps, identifying gaps, and complementing the data already generated by the group. The results of the questions should be noted on the map itself or by one of the facilitators of the process in his/her notes. These replies greatly enrich the original map and show participants how much they already know about the market chain.

Actors:

- Who are they?
- Where are they located?
- What are their functions in the market chain?
- How do they relate to one another? Are relations good, average, or poor? Why?
- What are their characteristics (gender, class, age, education, abilities, know-how, etc.)?

Markets:

- Where do we sell what we produce (in each link of the market chain)?

Product characteristics:

- What are the characteristics of the product?
- What are the volumes of production, monthly or annually?
- How much of the product is sold in the markets, monthly or annually?

Costs, yields, and distribution of the market chain's value:

- How much does it cost us to produce (in each link of the market chain)?²⁴
- What are the buying and selling prices at each stage of the market chain? Are they stable during the year, or do they fluctuate?
- How efficient (yields by area planted, conversion factors, etc.) are the diverse activities in the market chain?
- What is the distribution of the total income from the market chain between the actors

like? Which groups gain more and which less, and why?²⁵

Business development services:

- Who (in each link of the market chain) supports us?
- How do they support us? What services do they offer (in each link of the market chain)?
- What is the quality of the services offered? Here, care must be taken to visualize the support received by informal actors (intermediaries, moneylenders, etc.) that at times are more effective than that of the other support groups.

Rules of the game:

- What is the form of payment at each stage of the market chain?
- What are the quality requirements?
- What is the buying frequency?
- Describe the relations between market chain actors. Are they happy with the existing relationships? Why or why not?

If the facilitating organization has more specific questions, these can be included in the final facilitation tool, making the necessary adaptations so that they are of maximum help in visualizing and understanding the market chain. Additional tools can be combined with the mapping exercise to document specific information of interest to the participants and the facilitating organization. One example is that of gender analysis, where the relative roles of women, men, and children can be analyzed along the market chain in the various productive activities. A more complete analysis in this sense could examine not only roles and responsibilities but also access to resources, knowledge, and gendered decision making by market chain actors.

If, at the end of the exercise, there are parts of the market chain with major gaps, it is probable that we have left out one or more key actors in these functional categories. A strategy to elicit and include their points of view is needed.

Example from Honduras

Figure 12 presents an example of a market chain map generated by a group of coffee

24. Commonly no one has any idea about this, but sometimes one or more producers can provide an approximate idea.

25. In this part, it is a good to review the role of each group in the market chain bearing in mind the risks assumed, value added, and access to information or key contacts.

growers in the Municipality of Sulaco, Honduras. The map shows that the producers have a fairly complete vision of their market chain, covering functions from production to export, and that they have managed to identify most of the actors. When examined in greater detail, however, it was clear that most of the information on the map related to the relationship between the producers and one large regional trader. Details about what happens in the market chain between Yoro²⁶ and product export are less clear.

The facilitator raised the importance of quality. In this example, traders, exporting firms, and support organizations did not participate actively. As a result, gaps remain that must be filled through workshops, focus groups, or semi-structured interviews with the missing actors.

Production and transformation

The map gives information about the production system at the farm level in the municipality of Sulaco. Here, we can see the average production

per *manzana*²⁷ of land, the cost of depulping the coffee (2.5 lempiras²⁸ per liter of coffee), and the use of the final product.

Reviewing the map, what gaps need to be clarified?

- Production costs.
- Existence of depulping machines in the zone (Do people usually pay for this service?).
- Number of coffee farms in the zone, total hectares under production (approximately) or volume of coffee produced.

Sometimes it is easier to find this data with intermediaries who, for example, have good knowledge of production volumes, or with support organizations that manage more formal data such as extension, yields, and average costs. If market chain analysis methods are required to fill the gaps, the reader should refer to Section 6. Nevertheless, it is important to ascertain what producers know about the activity since these data tend to be more accurate and up to date than most “official” figures.

26. Yoro is a region in north-central Honduras, with many poor smallholders that has undergone rural development efforts since the 80s.

27. A *manzana* of land is equivalent to about 80 m².
28. US\$1 is equivalent to 18.2 Honduran lempiras.

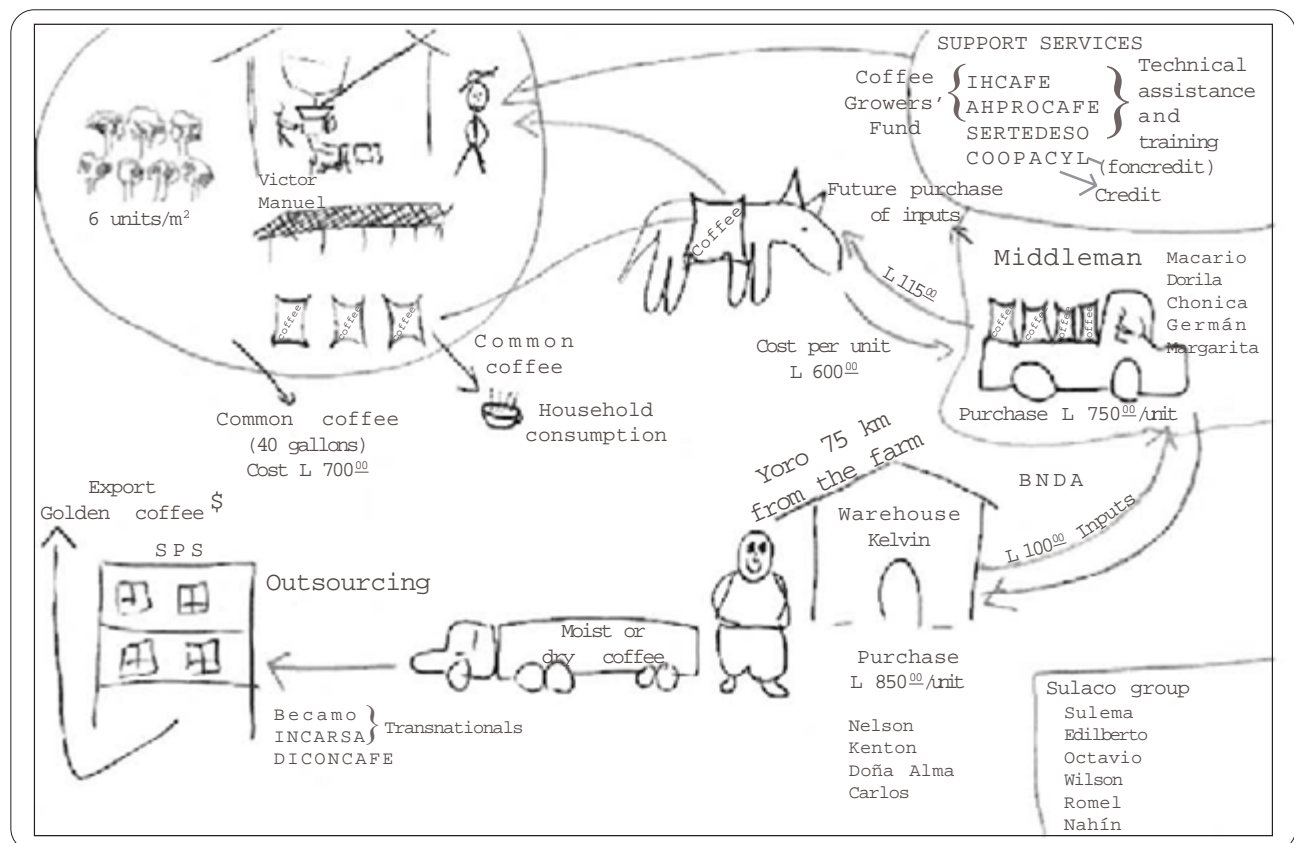


Figure 12. Coffee market chain map, municipality of Sulaco, Honduras.

SOURCE: Authors' adaptation from the Producers of Sulaco, Strategy to Increase Competitiveness of Coffee Workshop, 2000.

Marketing

The map helps us appreciate Sulaco's system of coffee marketing. The data included are:

(a) price of production per load of coffee; (b) traders' purchase price; (c) names of local traders with an indication of which ones are most important; (d) sales price to regional traders; (e) names of regional traders with an indication of which is the most important; (f) final destination of the coffee—San Pedro Sula; and (g) names of the export firms known by producers.

This exercise provides key information to plan future research activities, such as semi-structured interviews with the local and regional traders and visits to export firms in San Pedro Sula.

What are the gaps in this information?

- Prices between Yoro and the export firms and the price of Honduran coffee in international markets.
- The use of "futures" by local traders to guarantee volume at favorable prices. Who provides the funding for this? Local traders or regional traders? What are the advantages or disadvantages of this system for the actors involved?
- The support lent by intermediaries to producers (services provided, costs, volumes, and frequency).

Support system

The support system, both formal and informal, is clearly defined. In this case, producers receive formal assistance (technical assistance, training, and some credit) from public and private firms (see Figure 8), while business support (marketing, transport, inputs, and advances of working capital through future purchases) come from traders.

In the case of the traders, a more complex, two-way relationship is shown, than with support organizations. In this space, what data are missing?

- Information on the actual relationships between traders and producers. Is it a stable relationship, or do producers feel exploited? What is the real flow of funds like in this relationship? The trader advances resources, but what is the final cost of these resources for the producer?

- More details on the relations between local and regional traders. In addition to buying the coffee, what role does the regional trader play?
- More information on the business development services provided by support organizations. Are they efficient, of good quality, sufficient? Does everyone have access to these services? Do they respond to producers' needs?

The map was generated in a relatively short amount of time (less than 1 hour) by a group of small-scale producers. At the same time, other, less complete maps were generated by other groups. After reviewing all maps, it was decided to use this one as the base map for the analysis of the coffee market chain in Yoro and Sulaco. Another interesting point is the level of detail (names, for example) that appears for the informal actors. This contact information is of great use to identify key sources of information for follow-up work.

Provision of Business Development Services

Objective

To make a simple list of business development services that exist along the market chain and to qualify their quality and identify gaps for future improvements.

Time

About 2 hours in total; 1 hour for identifying, describing, and qualifying the services by functional category, and another hour for socializing the results and comparing them amongst the groups.

Materials

This exercise can be done using flipcharts and markers, blackboards, and chalk, or even on the floor with local materials (e.g., pebbles, twigs, chalk, etc.). What is important is to describe the services supplied and received in such a way that all the actors can see and discuss them.

Process

Continuing with the same groups used for mapping, the groups should proceed to examine supply and demand of formal and informal business development services in each function of the market chain. The groups of producers, processors, and traders analyze their respective

links based on results of the mapping, while the business development service providers look specifically at the services they supply. After about 1 hour of working in groups, results are revised in a plenary session, and matrices are generated of supply and demand in each functional category.

It is important to make a special effort to include informal service suppliers since they are more difficult to identify. Examples of informal suppliers of services include farmer extension agents or smallholder farmers with additional knowledge on production themes; metalworking shops that make or repair agricultural or simple processing machinery; workshops that rent out machinery for processing; transporters; traders; moneylenders, among many others. Emphasis is placed on informal suppliers of business development services because: (a) they exist in almost all market chains; (b) their services tend to be more sustainable than those supplied by formal actors; (c) their costs are lower; and (d) their quality is key in understanding the function of most market chains.

Facilitating questions

The following questions are basic for facilitating this exercise with the groups of producers, processors, and traders.

- Who supplies services to this link in the market chain?
- What services are supplied?
- What cost does this service have?
- How useful is this service? Does it solve your problem?

The results can be organized in the following matrix (Table 15).

In the case of service providers, useful questions include:

- What services are supplied to each link in the market chain (production, post-harvest, processing, marketing, business organization)?
- Who are the clients of the service?
- What portion of the service cost does the service client cover? What portion is covered by other sources (donor or government subsidy)?
- How effective is the service? Does it manage to solve the problems of the client?
- How much does it cost to supply the service?

Results can be organized in a matrix such as the one shown below (Table 16).

Table 15. Matrix of the analysis of services received (by clients).

Service by link of the market chain	Supplier	Cost	Benefit (recipient perspective)	Comments
Production Processing Marketing Organization	Who supplies the service?	Paid for the service in cash or kind	☉ High utility ☺ Medium utility ☻ Low utility	Additional information about each service

Table 16. Matrix of the analysis of services supplied.

Service by link of the market chain	Clients	Cost	Benefit (supplier perspective)	Comments
Production Processing Marketing Organization	Who receives the service? Is the service direct?	Paid by service in cash or kind	☉ High utility ☺ Medium utility ☻ Low utility	Included total costs of services

Once the supply and demand of services has been identified, a simple review can be made in the plenary session to compare the services noted by the clients (producers, processors, and traders) and the service providers. Often this revision generates interesting discussions, given that services appear that were unknown up till now, or that the evaluation of quality varies substantially.

Example from Guamote, Ecuador²⁹

This methodology was applied to a dairy market chain in the Municipality of Guamote, Ecuador. Results are given in Tables 17 and 18.

29. For a complete version of the application of this methodology in Guamote, Ecuador, and an extensive discussion on the theme of local business development services, consult IICA-CIAT-COSUDE-MCCH (2001).

Table 17. Example of production services supplied in Guamote.

Service	Whom for	Costs	Benefits	Observations
Credit	Rural and urban marginal producers	18%-21.7% annual interest rate	☺	Individuals, associations, funds
Cattle ranching technical assistance	Milk producers Credit fund: Acción Rural Without credit: Acción Rural • A-R partners • Non-partners	US\$6.00 Extra visit \$1.70 US\$1.70 + Product US\$2.00 + Product	☺	2 visits + products 1 cow Great demand
Storage	All those interested	Same as Riobamba Cheaper than Riobamba		Non-partners Partners
Training in livestock management	Livestock owners	US\$0.25/person	☺	Minimum 15 persons
Training in milk management	Milk suppliers of the consortium	US\$5.00	☺	5 days Real cost US\$12.0
Training in milk processing	Cheese makers' consortium	US\$15.00	☺	15 days Real cost US\$36.0 per person
Follow-up in milk processing	Trained cheese makers Partners Non-partners	\$1.70 \$2.00	No data	Being started

Table 18. Example of production services received in Guamote.

Service	Who offers it ^a	Cost	Benefit	Comments
Veterinary	Private individuals	Warehouse discount 30% to 40% of the cost of medicines	☺	Never arrives on time
	Expert farmers		☺	
	Rural Action (NGO)	None	☹	
	MAG-CONEFA (NGO) CDL	Fuel None	☺	
Credit	FEPP (NGO) Acción Rural (NGO)	22% No data	☹	Very expensive
Inputs	Shops Acción Rural (NGO)	Varied No data	☹	Expensive

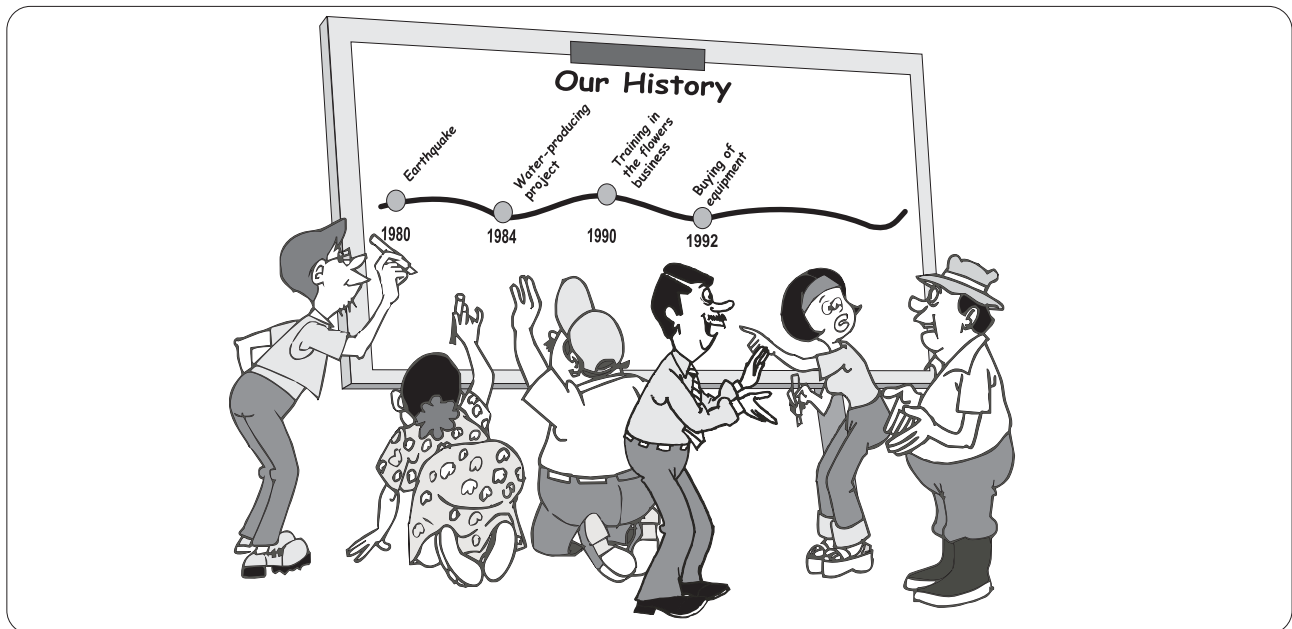
a. MAG-CONEFA = Ministerio de Agricultura-Comisión Nacional de Erradicación de la Fiebre Aftosa; CDL = Comité de Desarrollo Local; FEPP = Fondo Ecuatoriano Populorum Progressio.

When the tables of clients and service providers were compared, a long discussion ensued, as the client groups lists did not include many of the services provided by local NGOs. At the end of the process, it was established that the promotion of existing services was deficient and that few milk and cheese producers were aware of their existence. Through this process, a simple, rapid, and cheap way to improve

service quality was identified—more effective service promotion.

A second result was that best evaluated services were those that were fee-based. Although the full example is not shown here, it was clear that the services best reviewed by the clients were paid services, while free services were not well accepted.

Market Chain History



Objective

To identify key moments in the market chain's evolution, positive and negative aspects and lessons learned. This can be applied generally (key milestones of the market chain), or with an emphasis on previous projects or support received by the market chain.

Time

About 1 hour in total.

Materials

This exercise can be carried out using flipcharts and markers, blackboards, and chalk, or on the floor using local materials. What is important is to describe the history in such a way that all the actors can see and discuss it.

Process

Using the same groups from the mapping exercise, proceed to define key dates in the

market chain's evolution. Start with a brainstorming session to identify key moments, clarify each one, and organize them chronologically. Build a timeline as a column, and proceed to identify additional information on each event and evaluate lessons learned. The exercise ends with a socialization of the results between the groups, and clarification of gaps. After this workshop, the facilitating organization will mould all the timelines into a single one.

Facilitating questions

The facilitating questions for the timeline are:

- What have been key events in the market chain's evolution during the last 10 years? In what year did each one occur?
- Who participated in this event? What were their roles?

- Was there external support during this time? Who facilitated it?
- What was good about this event?
- What was negative about this event?
- What did we learn from this event?

Market chain history from CIPASLA, Cauca, Colombia

The following example (Table 19) is from a dairy products market chain in Cauca, Colombia. In this case, the tool was applied to a producers’

Table 19. Example of the timeline of the farmer association development.

Year	Event	Who participated	Who supported ^a	Evaluation		
				The good	The bad	What we learned
1994	Congreso Internacional de Leche–Medellin	2 milk producers	CIAT, CIPASLA	Idea of organizing ourselves	-	-
1994	Launching the idea, survey of producers	CIPASLA	CIPASLA	Knowing production dates and options	-	-
1994	Trip to La Arboleda	Producers	FIDAR	-	-	Organizing process of the group, how to organize a milk products plant
1995	Training in the milk business	Producers	FIDAR, CIPASLA	-	-	Everything related with milk processing
1995	Organization of the group, buying of equipment	Producers	FIDAR, FES	-	-	Importance of organization, practice in processing
1996	Buying of lot, construction and organization of the business	Producers	CIPASLA, PRODAR, DRI, Econorca, CETEC	-	Not coordinated with public health	How to manage resources Projects can carry on when organized
1997	Inauguration of the plant	Partners	SENA, FIDAR, CIPASLA	The plant	-	Achieve the proposed objective
1997-1999	Independence of the plant	Partners, Board of Management	Jairo Balanta (paid by partners), CIPASLA-AIR	Know that it can be done	Organization (sense of relevance) and Board of Management (low profile)	Despite setbacks, we have made real progress
1999	Market study and sanitary registration transaction (in process)	-	CIPASLA-AIR	-	-	-

a. CIAT = Centro Internacional de Agricultura Tropical; CIPASLA = Consorcio Interinstitucional para una Agricultura Sostenible en Ladera; FIDAR = Fundación para la Investigación y el Desarrollo Agroindustrial Rural; FES = Fundación para la Educación Superior; PRODAR = Programa Cooperativa de Desarrollo Agroindustrial Rural; DRI = Fondo de Desarrollo Rural Integrado; Econorca = Empresa Cooperativa del Norte del Cauca; CETEC = Corporación para Estudios Interdisciplinarios y Asesoría Técnica; SENA = Servicio Nacional de Aprendizaje; AIR = Agroindustrial Rural committee of CIPASLA.

SOURCE: Authors’ adaptation from the Workshop Formulación de Estrategia de Competitividad para Lácteos, Asociación de Empresarios Agroindustriales de la Sub-Cuenca del Río Cabuyal (ASERCA), 1999.

association within the market chain to facilitate a process of reflection on its evolution and growth and to motivate future activities.

A variation on the market chain history exercise is one focused on local processes of innovation to support the market chain or generate new products. If these processes are investigated, it is important to include a space to note the sources of the innovation(s), their channels of dissemination, and the results they have had in the market chain. Actors

identified in this way are key when new changes in the market chain are proposed later in the analysis process.

In this section, we have discussed how to form working groups and three tools for market chain analysis: mapping; supply and demand of business development services; and a market chain history. Together, these tools permit a first analysis of the market chain and prepare us for the next step, which is the identification and analysis of factors limiting the market chain's competitiveness, and possible solutions.

SECTION 9

Analysis of Critical Points in the Market Chain



Guiding questions

1. How can we identify the critical points that limit a market chain's development?
2. Is differentiating market chain actors and their opinions valid when we seek to identify the critical points? Why or why not?
3. If we identify differentiated critical points with market chain actors, how can we connect them later in the analysis?
4. Why is it important to identify not only the critical points, but also understand their causes and effects on the market chain?
5. Is it possible to connect various critical points along the market chain?
6. Once the critical points are identified, how can we use them to plan processes of innovation and market chain development?
7. Can we find critical points that influence the market chain more than others? What would happen if they were resolved? Could strategies to resolve these points lead to dramatic increases in market chain competitiveness?
8. Why is benchmarking important for understanding the limitations in the selected market chain?

Introduction

This section provides a method to identify critical points where the market chain faces internal or external limitations, analyze the causes and effects of these limitations, identify solutions for these bottlenecks, compare the market chain with the competition, and finally design a logical path towards increased market chain competitiveness.

All exercises described in this section will be carried out by groups of strategic actors previously identified by functional categories along the market chain. See Sections 7 and 8 for more information on the selection of strategic actors. An explanation of how to identify factors limiting competitiveness, how to analyze their causes and effects, and a way of translating limitations into opportunities follows. The process is explained graphically in Figure 13.

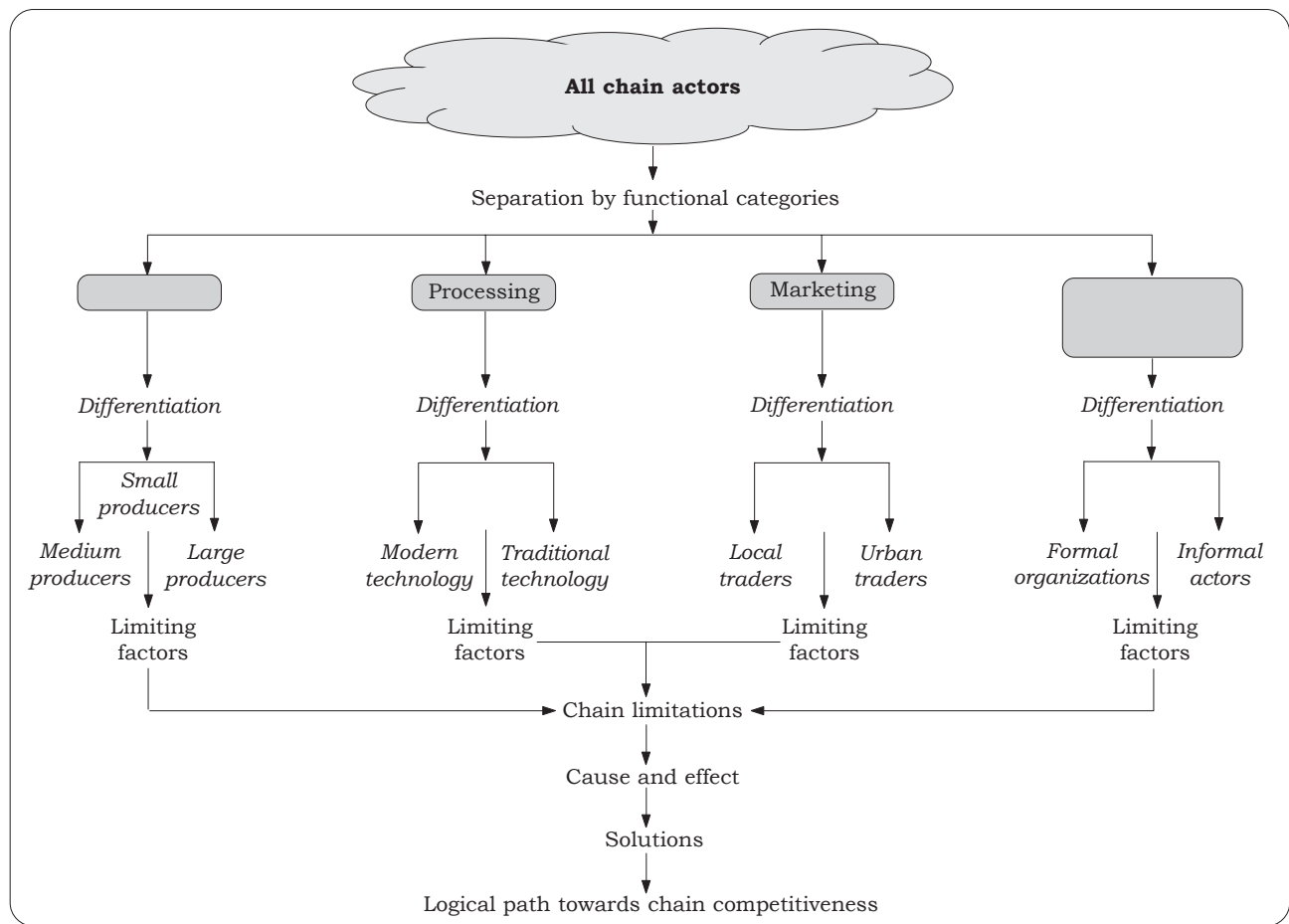


Figure 13. Analysis of critical points in the market chain.

Identification of Limiting Factors

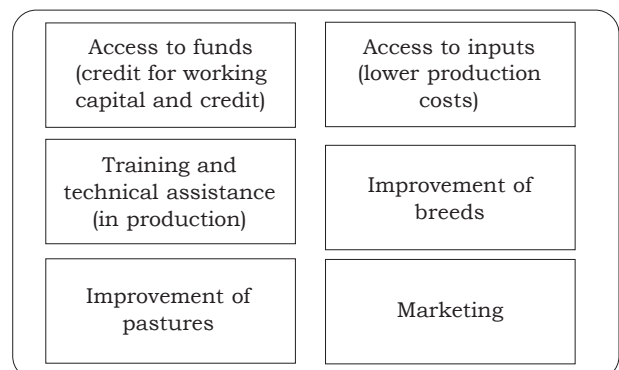
This tool has two steps: (1) a brainstorming session focused on identifying existing limits in the system, both internal and external and (2) the selection of the most critical limitations. This exercise is carried out by actors grouped by functional category followed by a plenary session to share the results.

Brainstorming session

First, ask the group to identify the limits that they see as important in the market chain. Each idea should be written on a card according to the following rules: (a) one idea per card, (b) not more than three lines long, and (c) in big letters so that everyone can read the comments. (In groups where level of schooling is limited, drawings representing ideas can be used.)

Once the ideas have been collected and put onto cards (leave 15 to 20 minutes for this exercise), clarify ideas and find out if the card

effectively conveys the idea of the author. Similar ideas should be grouped. Once ideas have been grouped, define the central ideas of the group in one phrase on a different colored card. This summary card is placed on top of the group of individual cards so that everyone can review whether or not the key ideas have been captured. At the end of this process (of 15 to 30 minutes), the final cards are placed on the wall where all participants can see them and read them out loud (see below for example).



Prioritization of limitations

There are various ways of arranging the identified problems. If the group is relatively homogeneous in terms of participation (no single person dominates the group), and if the group has a limited number of problems (eight maximum), the pairwise ranking tool described below can be used. If there is a marked tendency for one or more persons to influence the decisions of the group or if there are large number of problems, it is better to opt for a secret vote to capture more clearly the opinion of the group and not just that of the most vocal members.

Pairwise ranking

A pair wise ranking process uses a matrix where the identified problems are placed in identical rows and columns as seen in the following example (Table 20).

Based on this example, work proceeds in the following fashion: (1) identical themes are not compared (access to funds against access to

funds, for example) and each pair will be compared once only (for this reason only half the matrix will be filled in); (2) the facilitator asks, “between access to funds and access to inputs, which should be solved first?; (3) the group discusses the question in an attempt to reach a consensus; (4) the answer is written on the card and the group proceeds to the next pair of problems; (5) notes should be taken on the rationale behind the decision (for example, why are pastures more critical than access to funds). The logic behind the decisions is sometimes more illustrative than the decision itself. Depending on the group, this exercise takes between 30 and 45 minutes. At the end of the exercise you should have something similar to the following matrix (Table 21).

Next, each factor is scored based on the number of times it appears and assigned an order of priority according to this frequency. To clarify, explain to the participants that the votes received by each limitation will be counted, and thus determine which factor is

Table 20. Incomplete example of a pairwise ranking exercise.

Problems	Access to funds	Access to inputs	Training and technical assistance	Improvement of breeds	Pastures	Marketing
Access to funds						
Access to inputs						
Training and technical assistance						
Improvement of breeds						
Pastures						
Marketing						

Table 21. Complete example of a pairwise ranking exercise.

Problems	Access to funds	Access to inputs	Training and technical assistance	Improvement of breeds	Pastures	Marketing
Access to funds		Funds	Training	Funds	Pastures	Marketing
Access to inputs			Training	Improvement of breeds	Pastures	Marketing
Training and technical assistance				Training	Training	Training
Improvement of breeds					Pastures	Marketing
Pastures						Marketing
Marketing						

the most urgent to resolve. Table 22 shows the results of this scoring for the example being developed.

Consolidation of limitations

Once the factors are ranked by each group of actors, the results are shared in a plenary session. Each group explains its final ranking results, focusing on the rationale behind their decisions and why one factor is more important than the others. The facilitators should note limitations that are similar across groups, even

Table 22. Final ranking of limitations.

Limitations	Frequency	Order of priority	Observations
Training and technical assistance	5	1	Notes on why each decision was made
Marketing	4	2	
Pastures	3	3	
Financial	2	4	
Improvement of breeds	1	5	
Purchase of inputs	0	6	

if they use different terms to describe basically the same problem. If doubts or inconsistencies exist among the results, they can be clarified at this time.

At the end of the socialization process, a consolidated list of limiting factors is generated. At this time, similar or related limitations are grouped as in the brainstorming exercise. The rank assigned to each limitation by each group is also noted as shown in Table 23.

It is common for groups to rank limiting factors that are exclusive to them highly. Despite this, the facilitators should focus on identifying limitations that are valid along the whole market chain—such as marketing in the previous example—to highlight the relations between limiting factors in each link and the overall competitiveness of the market chain. At this point it is useful to refer to the market chain map and review which of the ranked limitations have causes and effects in more than one link.

Following this exercise, the most common or strategic limitations are identified amongst all the actors to be analyzed in more detail. The identification of common limitations is done by

Table 23. Example of a consolidation of limitations in a market chain.

Limitations	Order of importance for each group		
	Producers	Processors	Support system
Training and technical assistance for milk production	1	-	6
Marketing (publicity, presentation, transport, suitability of sales points)	2	1	3
Pasture improvement (low yields)	3	-	8
Access to working capital and credit	4	-	4
Improvement of breeds (low performance)	5	-	8
Cost of inputs	6	-	-
Training and technical assistance in processing milk products	-	2	9
Weak organization and lack of internal regulations	-	3	1
Need to construct new infrastructure for the processing plant	-	4	-
Management of processing sub-products (whey and cream)	-	5	-
Requirements of team and machinery	-	6	-
Business capacity	-	-	2
Legal limitations	-	-	5
Deficient quality control	-	-	7

SOURCE: Authors' adaptation from the Workshop Formulación de Estrategia de Competitividad para Lácteos, Asociación de Empresarios Agroindustriales de la Sub-Cuenca del Río Cabuyal (ASERCA), 1999.

comparing the prioritized lists and seeking similar or related themes among the actors (the marketing example noted previously). In the case of strategic limitations, a wider discussion on market chain competitiveness is facilitated to identify the causes of the common limitations. This second process becomes easier as causes and effects of each limitation are analyzed, as described in the following section.

We recommend selecting between three and five common or strategic limitations to analyze. It is normal to find that many of the other limitations ranked by the different actors appear as causes or effects of one or more of the strategic limitations. By seeking common limitations to analyze, the focus of the group is squarely centered on finding solutions that benefit most actors, generate positive synergies along the market chain, and help solve other minor limitations that are specific to each functional category.

Analysis of Cause and Effect



As a result of the ranking exercises, a list of limitations is generated to analyze in greater detail. This list must be manageable (a maximum of five is a good rule of thumb), respond to the concerns of the actors, and should contain limitations whose solution generates benefits for more than one group of actors in the market chain. The common limitations can be worked on

first among the actors in each segment of the chain, followed by those that have been identified as strategic among all participants. As the analysis of causes and effects advances, the multiple relationships between limitations will become clear (for example, some limitations are causes or effects of others), so that it is hardly ever necessary to work with more than five limitations.

This analysis is carried out using the technique of problems trees.

Problems trees to analyze limitations

A problem tree (or cause and effect analysis) includes the following steps:

1. Put the selected limitation half way down the workspace (paper, wall, floor), explaining clearly to participants the reasons why it was selected. Care must be taken in explaining the problem clearly—and achieving a consensus on this—since the validity of the analysis depends on a common understanding of the problem.
2. Ask participants about the causes. Questions should be structured in the following way: Why are there low yields, poor quality, and little supply planning of cassava roots? Each time that participants reply, the idea should be noted on the card and placed underneath the initial problem. Once the card is placed, the question is repeated—Why?—and the answer noted on a new card. The objective is to generate chains of causality to understand not only the central, visible problem, but also its causes. It is important to discuss and clarify as much as possible the diverse causes of each problem, and the relationships between problems. Normally, analysis is continued to the second level of causality, although this work can extend—or deepen—to provide greater analysis of a particular point if necessary.

Once the causes of the limitation are analyzed, the facilitator initiates the analysis of the effects using the phrase: What are the effects or results of this limitation? The effects analysis then follows the same logic as described above. For effects, analysis is also carried through to the second level of effects. If the facilitator wishes to analyze the links between the limitation and wider themes—livelihoods, for example—the analysis can be amplified further.

At the end of the exercise, a much clearer idea should be held about the real causes of the problems, their effects, and how to enter to improve the situation (Figure 14).

Once relevant problems trees have been defined for the selected limitations, the next step is to identify the relationships between limitations. As noted previously, it is common to find that some limitations are in fact causes or effects of others.

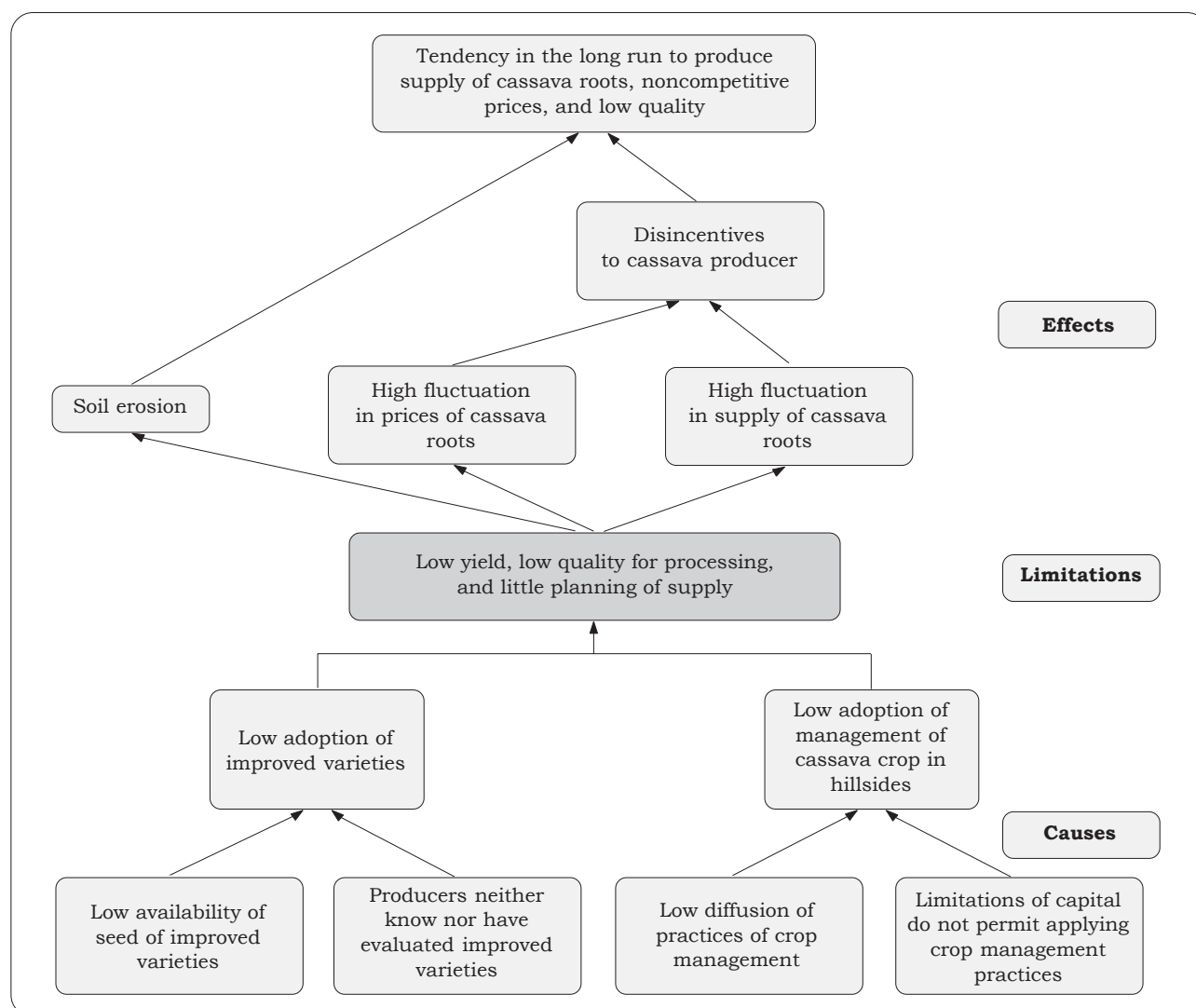


Figure 14. Example of a problem tree.

General problem tree for the market chain

Based on the problem trees for selected limitations, a general tree is constructed to represent the difficulties facing the market chain at the time of analysis. The level of detail in this final tree can be less than in the specific trees. The goal is to link all the trees in a logical fashion. Normally, the sum of market chain limitations adds up to low levels of competitiveness, but on occasions some limitations may actually be effects of others.

When constructing an overall cause and effect analysis for the market chain, facilitators must clearly identify the logical relations between causes and effects that appear in the tree. Equally, it is important to review the relations between levels of causes and effects so that the more profound causes are clearly related, and if possible causally linked, with the identified

limitations. If this process is carried out effectively, it provides a solid starting point to identify possible solutions to the market chain’s limitations.

Figure 15 shows an example of a general problems tree for a market chain. The limitations with a shaded background are those that were analyzed in the specific trees.

This analysis clearly identified the principal causes of the market chain’s low competitiveness and the effects of this on producer livelihoods. In this case, the problem tree was generated by chicken producers, and thus reflects their viewpoint more than that of other chain members. A more complete example for the market chain for plantain in the Dominican Republic is shown in Figure 16.

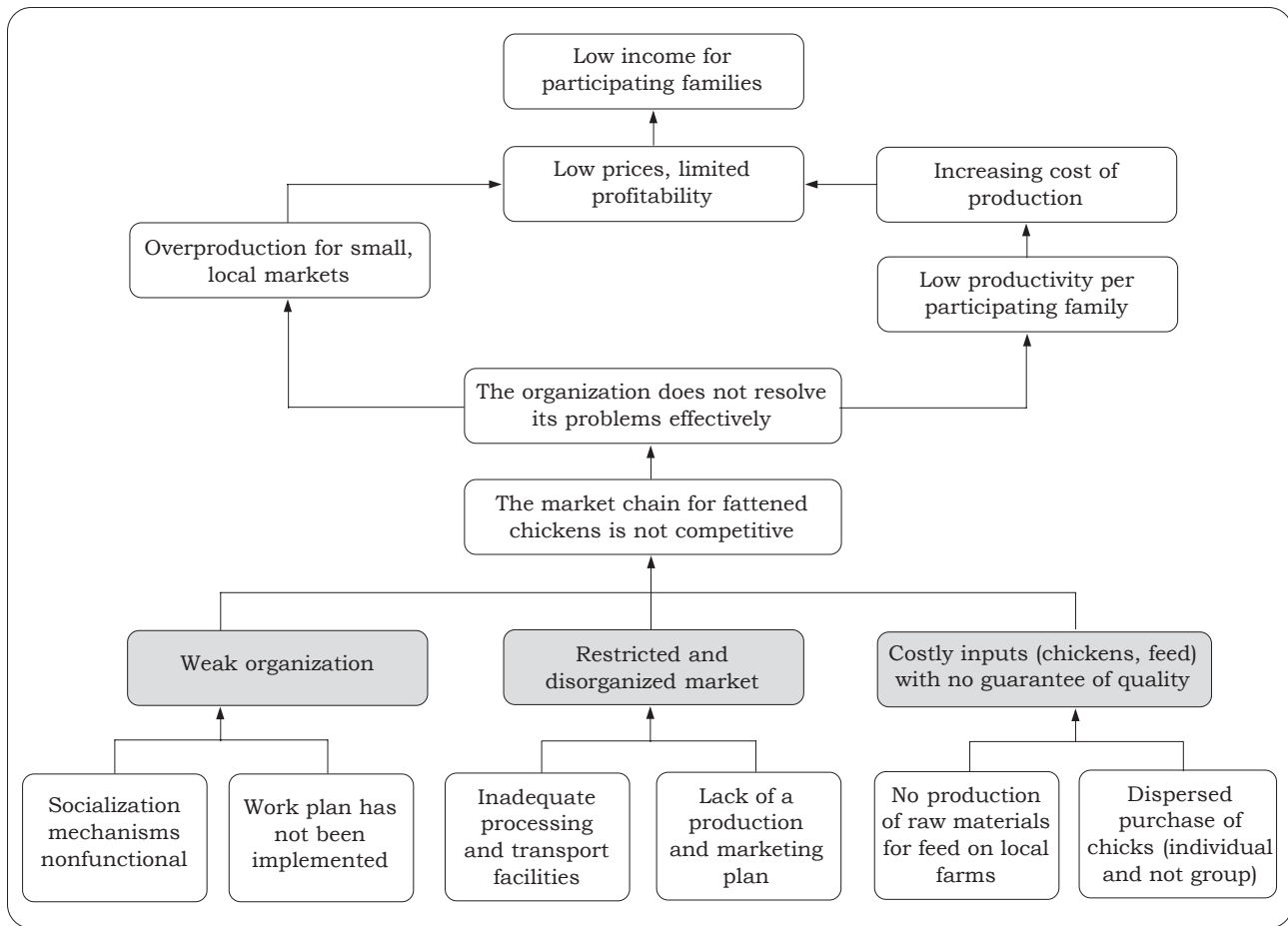


Figure 15. Simple example of a general problem tree for a market chain.

SOURCE: Authors' adaptation from the Proyecto Productivo Integrado (PPI) for chicken rearing, Asociación de Productores y Expendidores de Pollos del Norte de Cauca (ASOPROEX), and Corporación para Estudios Interdisciplinarios y Asesoría Técnica (CETEC), Colombia, 2001.

From limitations to solutions

In addition to providing a more profound understanding of the challenges within a market chain, problem trees can be useful for identifying possible solutions. Causes can be translated into objectives or activities of a project with the central limitation as the general objective, while effects become either indicators of progress or impact. Figure 17 explains this process.

If the problem tree has been carefully constructed—with clear logical links between the different levels—this process should be relatively simple. If it is difficult to translate problems into objectives, the tree's logic should be revised to find gaps or inconsistencies.

To facilitate this exercise, the participants should work to transform the negative points from the problem tree into a positive expression that is placed in the solution tree (Figure 18). It

is easier to begin with the central limitation and move downwards (that is to say, change the causes into specific objectives or into activities), and then repeat the process upwards translating direct effects into progress and impact indicators. Given that most market chains contribute to economic aspects of livelihoods, it is difficult to maintain total causality at this step. If we need to know specifically how much a market chain contributes to a particular livelihood strategy, this requires further analysis with market chain participants and the use of complementary livelihood analysis tools.

Comparing the Market Chain to the Competition—“Benchmarking”

Before moving to the design of a strategy to increase competitiveness, it is useful at this stage to compare key competitive aspects of our market chain with other similar market chains. This process is known as benchmarking. The

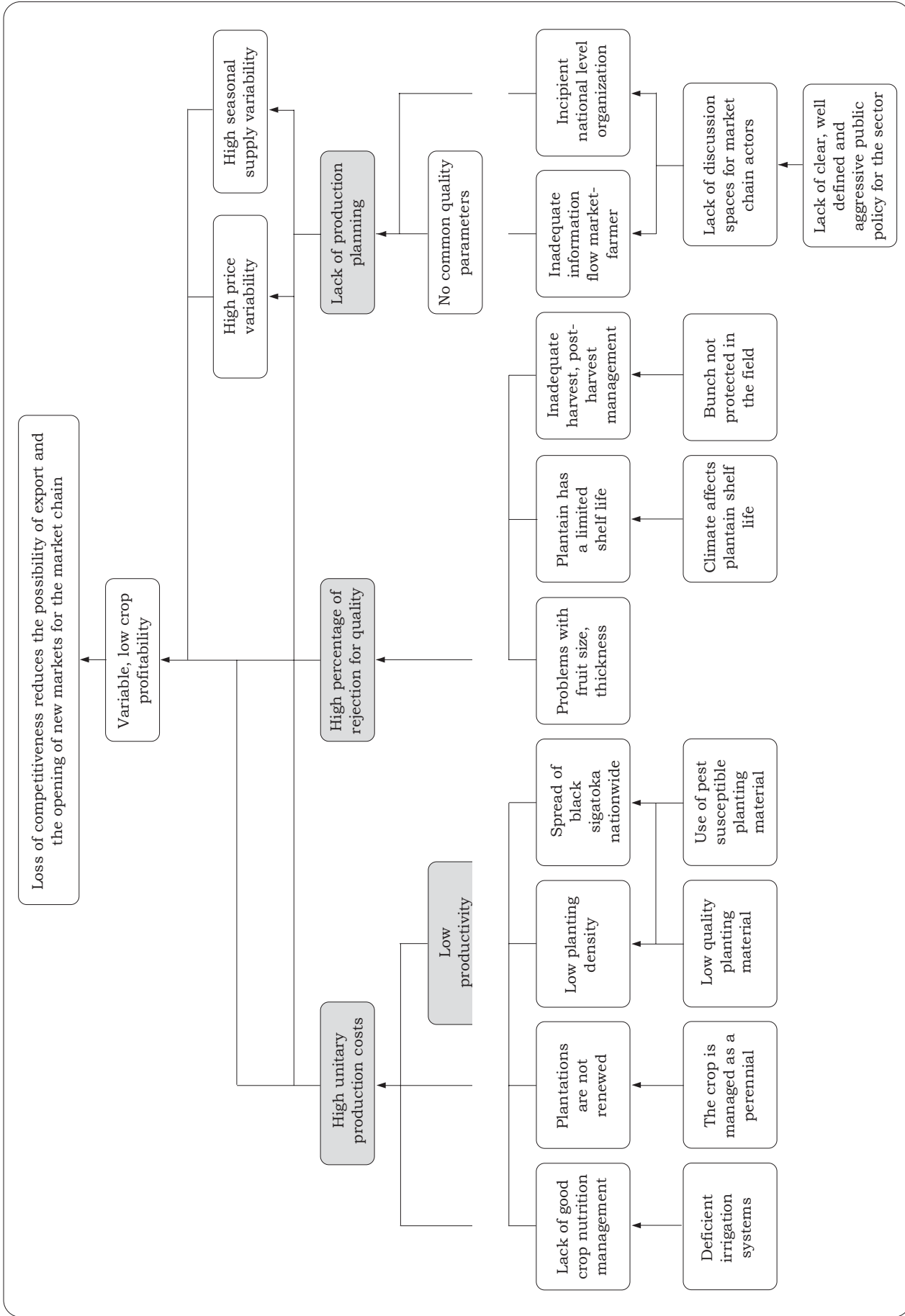


Figure 16. Complete example of a general problem tree for a market chain.

SOURCE: Authors' adaptation from field work in the Dominican Republic by the Public Private Partnerships for Agroindustrial Research Project implemented by ISNAR and CIAT and supported by BMZ, Germany.

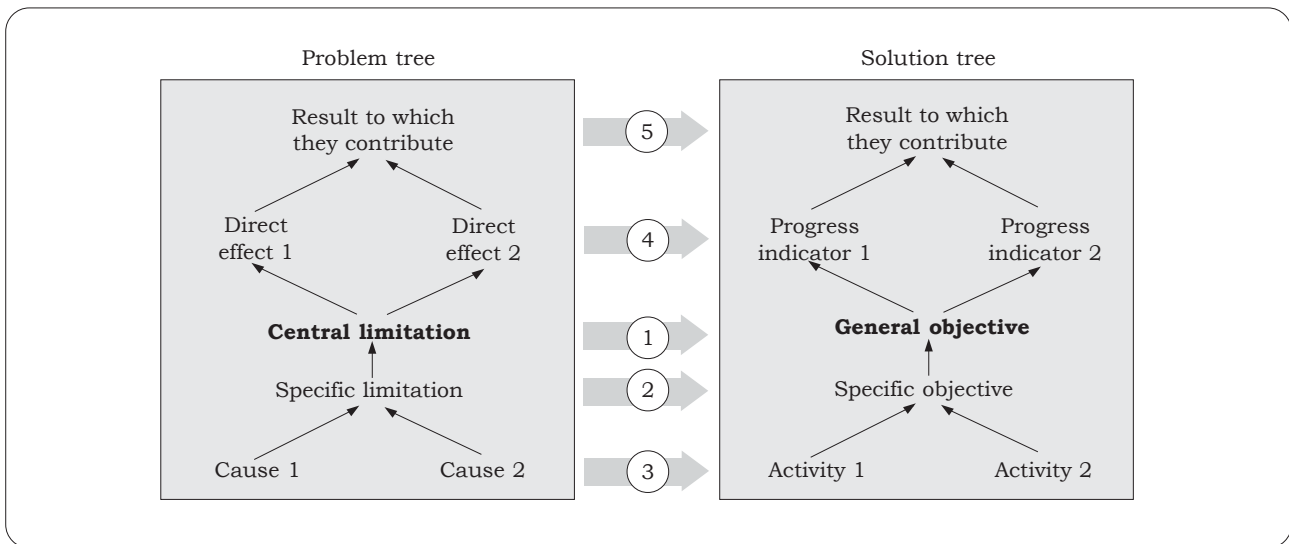


Figure 17. Using a problem tree to identify solutions.

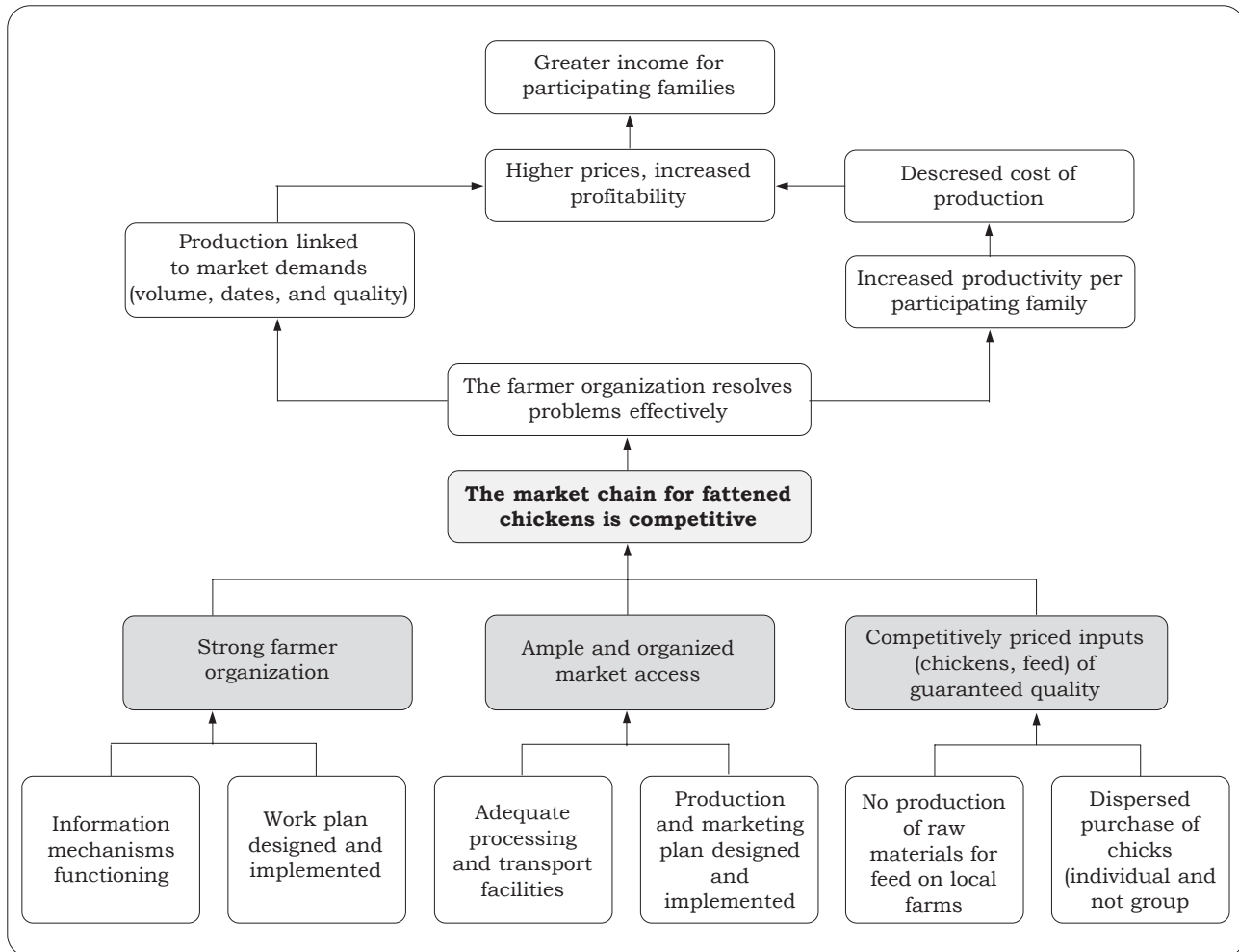


Figure 18. Example of a solution tree.

SOURCE: Authors' adaptation from the Proyecto Productivo Integrado (PPI) of rural chickens, Asociación de Productores y Expendidores de Pollos del Norte de Cauca (ASOPROEX), and Corporación para Estudios Interdisciplinarios y Asesoría Técnica (CETEC), Colombia, 2001.

market chains selected for comparison may be direct competitors—i.e., in the same markets or market segments—or indirect competitors—i.e., in other markets or market segments. If a similar market chain serving a more attractive market segment can be found, this is a good point of reference, as it can show market chain actors how close or far they are from being able to enter a potentially more lucrative market segment. If no such market chain exists, comparing key competitive variables with the direct competition is useful.

Key competitive variables to keep in mind for this analysis include³⁰:

- Access to key markets (distance, road links, communication).
- Product quality.
- Product quantity.
- Productivity and technology employed.
- Production costs or sales price.
- Product presentation or packaging.
- Distribution channels.
- Production peaks and shortages throughout the year.
- Brand or product image.
- Associated services.

Information for this exercise is best gathered by organizing cross-visits to competing market chains by the market chain actors. Prior to these visits, the market chain actors should develop simple questionnaires that allow them to quickly gather impressions on key

30. Adapted from Van der Heyden and Camacho (2004), p. 57.

competitive variables in a systematic fashion. At the end of the visit, a short meeting to document and share the findings should be held. Information obtained can be organized in a simple table (Table 24).

Prospective Market Tendencies and Defining a Simple Marketing Strategy³¹

Prior to designing a strategy to increase the competitiveness of our market chain, it is important to analyze the competitive potential of our chain. This process is known as a prospective market analysis. Such a process helps clarify the marketing strategy or strategies most suited to our chain as well as identify the need for specific strategic activities to increase our chance of success. A useful starting point for this analysis is the identification and characterization of existing markets for existing products from our market chain. Much relevant information has already been gathered in the rapid market survey (see Section 6) and can be reviewed here. In addition to existing products and markets, we should also examine potential new markets, the opportunity for new product development, and the potential to diversity towards new products and markets. The Ansoff matrix presented in Section 5 is a useful to organize this analysis.

While this tool was initially developed to classify the diverse growth alternatives for individual firms, it can also be used to facilitate an analysis of a combination of actors linked along a market chain. In this sense, the market chain replaces the product or individual firm in the

31. Adapted from the Public Private Partnerships for Agroindustrial Research Project implemented by ISNAR and CIAT and supported by BMZ, Germany.

Table 24. Simple benchmarking tool.

Competitive variables	Current situation in our market chain	Competing market chain 1	Competing market chain 2
Market access			
Product quality			
Product quantity			
Productivity and technology employed			
Production costs/sales price			
Product presentation			
Distribution channels			
Production peaks or valleys			
Brand or product image			
Associated services			

original analysis. For our purposes, the strategies contained in matrix may be defined in the following way:

1. Market penetration

Assess if, in the medium term, we can increase sales of products from our market chain to existing market segments, without changing the product we offer.

2. Market development

Identify new market segments for existing products from the market chain. Examples include expanding into new geographical areas (from provincial markets to the capital city) or selling to new segments of the population who do not currently consume products from our market chain but could potentially do so in the future.

3. Product development

Detect opportunities for new or modified products from the market chain for existing clients and market segments. Examples include product differentiation through new packaging, brands, or additional processing, among others.

4. Diversification

Detect opportunities for new products for new clients or markets.

In a prospective market analysis we should consider alternatives in all four quadrants of the matrix, while bearing in mind that the relative risk increases as we move from a relatively simple strategy of market penetration to a complex one of diversification. The level of risk that the chain actors are willing and able to assume should guide the final selection of marketing strategies.

To develop this analysis, the service provider, in collaboration with chain actors, identifies the level of risk that the market chain can assume over the next 5 years. Based on this risk assessment, a basket of potential strategies (quadrants) can be selected and compared. It is likely that the market chain actors will opt for a mixed approach, including more than one strategy to reduce risk while leaving the door open for greater returns.

To facilitate this exercise the following questions are useful:

- What is the growth potential of the existing markets, products and sub-products from the

market chain? What do we need to take full advantage of this potential?

- What new markets, products, or sub-products from the market chain show the greatest potential for growth? What are the requirements (quality, packaging, minimum volumes, etc.) for these new markets? Can the products or sub-products from our market chain compete in these markets? What are the technical and financial implications of competing in these markets?
- In what markets, products, or sub-products is there unmet demand?
- In which markets, products, or sub-products does the area have competitive advantages? How can we capitalize on these advantages?

The output from this analysis is a list of possible future opportunities in new and potential markets and products for the market chain with their respective requirements. Table 25 shows an example for the mango market chain in Ecuador.

Once all the potential opportunities for market penetration, market development, new product development and, if applicable, diversification are listed, the service provider and the chain actors select those that are of most interest to them. For these opportunities, care should be taken to characterize in greater detail both the market potential as well as the technical and financial requirements necessary to take advantage of this potential. In some cases, it may be necessary to enlist the support of external market experts to provide additional information about these issues, especially if the markets in question are global.

The final result of this exercise is a table listing the products, markets, and requirements for each opportunity selected. A partial example is shown in Table 26. Once this exercise is completed, the service provider and chain actors are ready to design a local path to increase the competitiveness of the market chain.

Designing a Logical Path to Increase Competitiveness

With a general solution tree, a simple benchmarking exercise to review competitive or alternative options, and an initial marketing strategy for the market chain the group is ready to design a strategy to increase competitiveness.

Table 25. Market strategy opportunities for mango market chain of Ecuador.

	Existing products	New markets
Existing markets	<ul style="list-style-type: none"> • Fresh mango without hydrothermal treatment in Europe, Canada, Colombia, and the national market. • Fresh mango with hydrothermal treatment in Chile, Mexico, and USA. • Mango pulps and juices. 	<ul style="list-style-type: none"> • Fresh mango with hydrothermal treatment in Japan and China. • Mango pulps and juices.
New products	<ul style="list-style-type: none"> • 100% natural mango juices with no water added and less viscosity. • Clarified or carbonated 100% natural mango juice. • Mango pulp with antioxidant properties and increased carotene content. • Dried mango, mango chips, pickled mango. • Mango slices in clarified juices. • Carotene extracts. 	

Table 26. Market opportunities and requirements for broccoli in Ecuador.

Product	Existing market(s)	Potential market(s)	Requirements
Frozen broccoli	<ul style="list-style-type: none"> • USA. • Canada (low export volume, good potential for growth). • European Union (Germany, Italy, United Kingdom most important). • Japan. 	<ul style="list-style-type: none"> • France. • Southern zone countries (e.g., Brazil imports from Belgium). • Asia (non-producing countries like Malaysia). • Eastern Europe (especially Russia). 	<ul style="list-style-type: none"> • To enter other European countries, new presentations, and additional value adding is needed. • The difficulty with Brazil is the need for exclusive containers for broccoli. One option is via Manaus. • Entering Asia may be difficult with China and India, although China has pest and pesticide residue problems.
Fresh broccoli	<ul style="list-style-type: none"> • National market 	<ul style="list-style-type: none"> • USA. • Europe. • Andean Region (specifically Colombia and Venezuela). 	<ul style="list-style-type: none"> • The national market is small and requires promotional strategies. • Additional work is needed on conservation techniques in containers. • Changes needed in harvest and post-harvest practices (bacteriological control, rapid temperature reduction).

A useful first step at this stage is the design of a logical path. A logical path is nothing more than the organization of the specific objectives in chronological order, plus the definition of a common vision of the future for the market chain. Why is this step important? Principally because one or more of the specific objectives facilitates, drives or is a prerequisite for other more complex changes planned for the market chain. A logical path helps build consensus focus limited resources to achieve the greatest possible impact in the shortest amount of time.

The facilitation of this process is an exercise in logic. Based on the general solution tree, the

general objective is defined and the specific objectives are placed on cards and read out to remind participants. Next, the central limitation is placed at the left end of the workspace and the general objective at the right, thus showing both where we are and where we hope to end up. The participants are then asked to define in few words both extremes bearing in mind the results of the benchmarking study.

Visioning—Where Do We Want to Go and How Do We Get There?

How can we describe our current situation?
 How can we describe where we hope to arrive?

These ideas are noted on cards and placed below each extreme. At this point, it is recommended to focus more on the right-hand extreme—commonly known as the **vision**—to clearly define a desired future for the market chain. The vision can be a few lines or a paragraph, what is important is to pick up the feelings of the participants, place them in a concrete timeframe (within 5 years, for example), and define measurable or verifiable changes. Depending on the size of the group, it can be useful to work initially in subgroups, with each subgroup responsible for generating some words or short key phrases for the market chain’s future. Then the facilitators collect all the contributions and construct a shared future vision.

Once the two extremes are clear, the specific objectives from the objective tree are reviewed to identify a logical order for their implementation. Facilitators can use phrases such as “starting from where we are now we hope to reach our desired future in 5 years by achieving the following objectives...”

The following questions tend to generate debate amongst the participants.

- Which one or ones come first?
- Is there one or several objectives whose achievement would leverage important changes in the others?
- Are there objectives that depend on others?
- Where do we begin, and why?

In our experience, at the end of the debate, one or two objectives with the potential to catalyze change tend to emerge. These specific objectives are placed a little to the right of the central limitation previously identified.

The process continues with the placement of other specific objectives in a logical pattern flowing from right to left until all the specific objectives have been placed between the two ends (see Figure 19).

Once the objectives are logically organized, activities and results are defined for each objective. At this stage, the logical path clearly identifies the key entry point or points followed by additional linked objectives to guide the market chain to the desired future (Figure 20).

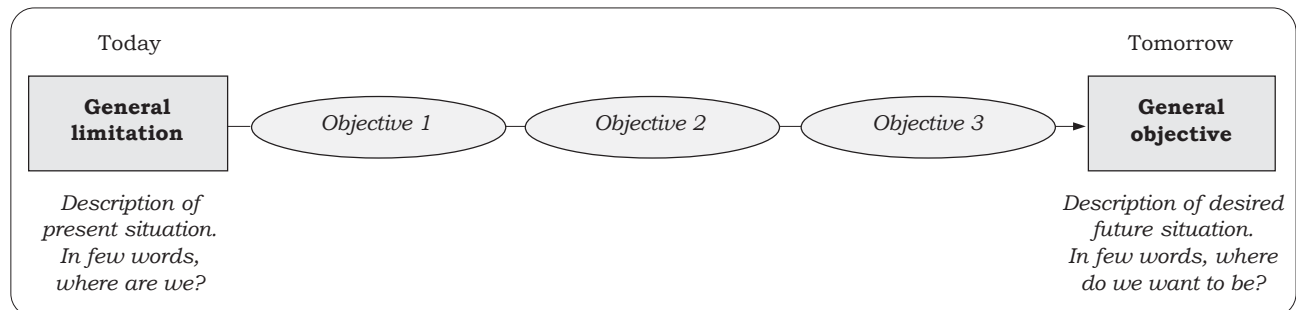


Figure 19. Definition of a logical path.

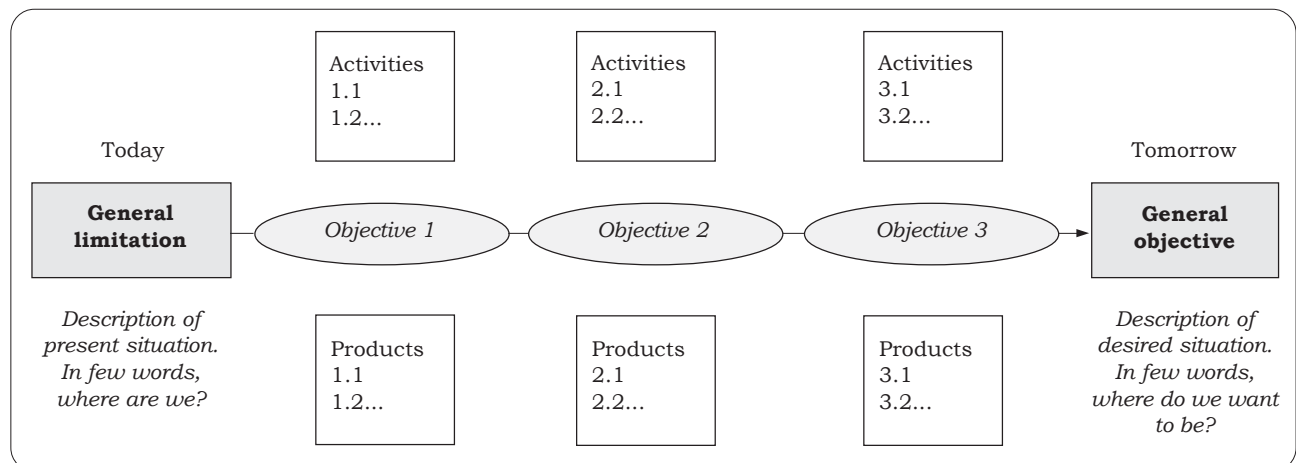


Figure 20. Complete simple logical path with actions and results.

In most cases, reality is much less logical and linear than Figure 15. In these cases, the logical path can be represented with diverse parallel objectives that are necessary prerequisites for others further ahead. The objective of this exercise is to visually chart a future course that is understood by all participants in the strategy to increase competitiveness. An example of a more complete version of a logical path appears in Figure 21.

An example of a logical path is shown in Figure 22.

Preparation of Business Plans

To facilitate the implementation of the logical path, the development of simple investment plans for each objective is recommended. These plans should, for each objective: (a) clearly state the projected activities and expected outcomes in this area; (b) provide a solid estimate of the financial requirements and expected returns on this investment; (c) outline an assessment of the risks entailed in work on this topic; and

(d) contain a timeframe for implementation. The final investment plan should be concise—about 5 pages is a good rule of thumb—and include sufficient information to assess the relative costs and benefits of intervening or not in this area of the market chain.

Inputs for this investment plan come from the logical path (each objective becomes the center of an investment plan) as well as from other information gathered during the analysis of the market chain. In addition to this information, the preparation of short investment plans requires that the service provider and market chain actors review the cost and expected benefits of intervening in the chain at the selected point, assess the potential risks of this intervention, and develop a timeframe for this work. The following steps can facilitate this process:

1. Service provider and market chain actors review each objective of the logical path and their respective activities and products. If

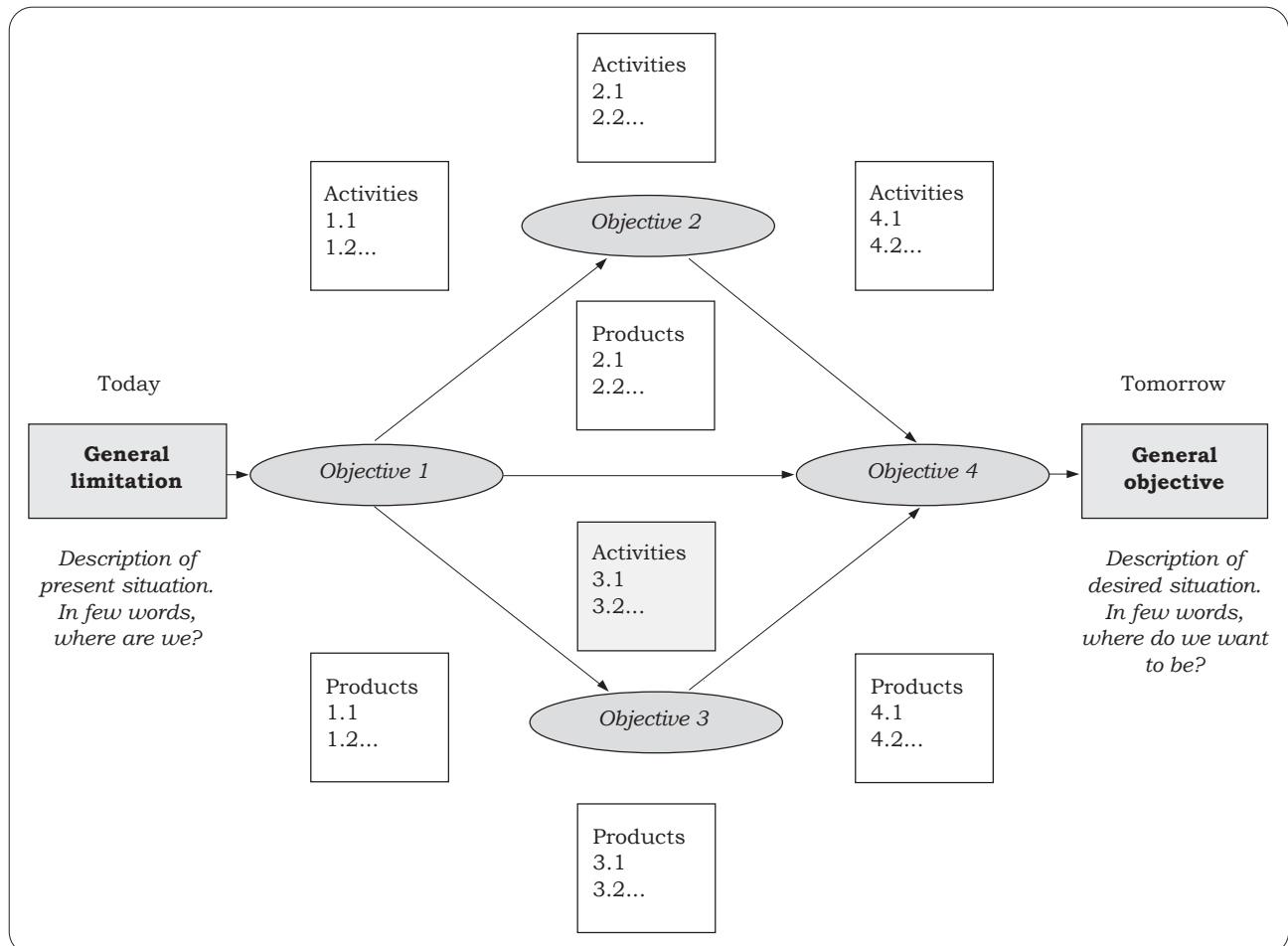


Figure 21. Complete logical path with parallel actions and results.

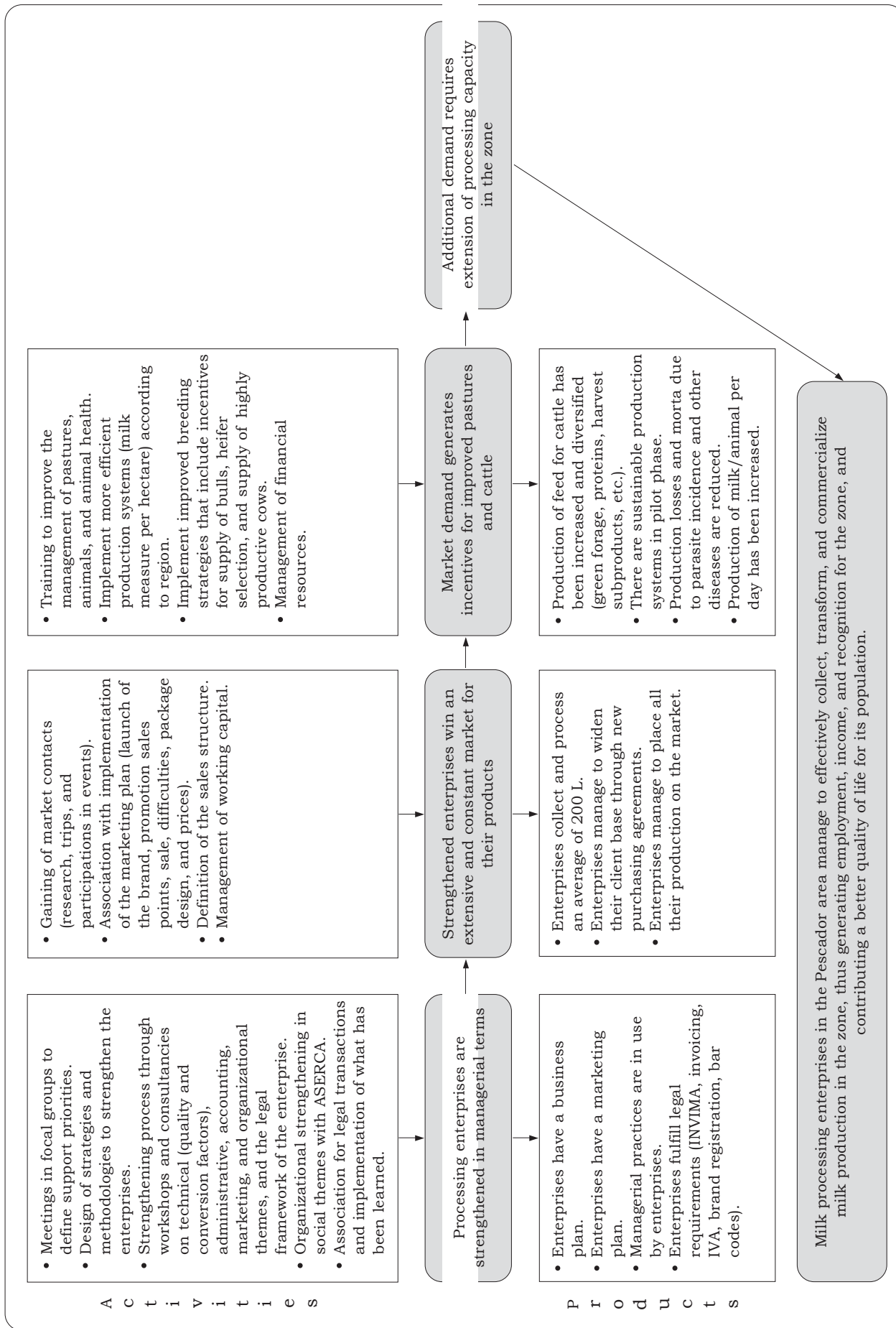


Figure 22. Example of a logical path for a strategy to increase competitiveness.

these are judged appropriate they are adopted as the projected activities and outcomes for the objective.

2. Activities are listed in chronological fashion—what comes first and what comes later—and costs assigned to each. Assigned costs should be as accurate and honest as possible with the information available, as they will provide an important point of analysis once outcomes and expected benefits are included.
3. Expected outcomes and benefits are reviewed for each objective to assure that they can be met with the proposed activities and financial resources. For each objective, the service provider should estimate the return on investment by quantifying the proposed outcomes or benefits and comparing that figure with the sum of the required investments. The return on investment usually has a longer timeframe than the investment plan but, as a rule of thumb, should not exceed 5 years³².
4. Costs and benefits are compared to assess the relative return for the planned investments in each objective.
5. Information generated in this exercise is documented and the short investment plans prepared as inputs for the final strategy.

32. The participation of an accountant or someone versed in simple financial analysis using Excel is recommended at this stage, especially if no one in the support organization of chain actors has experience in this kind of calculations.

In our experience, the development of specific investment plans can be assigned to groups of market chain actors and staff from the service provider as an activity to develop between the end of the workshop on the logical path and prior to the final negotiation session with all chain actors. In this case, a space of 2 weeks should be sufficient to develop a business plan for each objective of the logical path. These plans may be shared as soon as available but, in any case, will be presented and discussed at the final session with all market chain actors. For an example of the format for a business plan, see Appendix 3.

In this section we have explained how to carry out an analysis of critical points, from their identification to their translation into objectives, and their inclusion in a logical path to increase the market chain's competitiveness. In addition we have presented simple exercises to assess the competitive position of the market chain with regard to similar market chains and select marketing positions to build on or strengthen the competitive position of the market chain. With the logical path and investment plans in hand, the facilitating organization is ready to systematize all the information generated up to now and share it with the market chain actors. Based on this information, discussions will be facilitated, decisions made, and resources committed to strengthen the market chain. The next section explains how to facilitate the negotiating process between the actors and design the final strategy.

SECTION 10

Negotiating a Strategy to Increase Competitiveness



Guiding questions

1. Which of the inputs generated in the previous steps are important for facilitating negotiations between market chain actors?
2. How can we use the previous analysis to clarify the interdependence between market chain actors? Does this information identify areas where collective action by one or more actors could collaborate to improve their situation?
3. Does the existence of complete and shared information along the market chain permit decision making and facilitate agreements between actors to increase market chain competitiveness? Why or why not?
4. What kinds of agreements can we expect from a negotiation workshop? For whom is this space useful?

Introduction

This section focuses on the negotiation and design of the strategy to increase competitiveness among representatives of the market chain. Before arriving at this point, the service provider must have systematized the results of the market chain diagnostic workshops in a technical document as well as a suite of investment plans. These documents are an input for the negotiation workshop and the discussion about how to increase the competitiveness of the market chain. The list of participants for the negotiation workshop comes from previous work with care taken to ensure the representation of key actors either directly or indirectly. If additional actors

have been identified—for examples key buyers—they may be invited to this session, even if they have not actively participated in previous work.

The technical report communicating the results of the market chain diagnostic as well as a suite of investment plans should be available to all workshop participants prior to the event, and serve as a starting point for the process of negotiation. Based on these documents, the workshop reviews the results of the diagnosis, the proposed investment plans, and establishes possible alliances for short-, medium-, and long-term activities focused on increasing market chain competitiveness. Finally, the

logical path and investment plans are improved or accepted and action plans developed for their implementation.

Below, we revise step by step how to facilitate the design of a strategy to increase competitiveness.

Systematization of Results: Technical Document

Before the negotiation workshop, we recommend providing a technical document to participants, if this has not already been done, with the results from previous workshops. The contents of this document may follow the model below or another identified by the facilitating organization.

Suggested contents

- 1. Market chain selection:** A brief description of how and why the market chain was selected.
- 2. Market survey, by select team:** Key results of the market survey with special emphasis on demand aspects including retail prices, price trends, product qualities, market trends, and opportunities for new markets or new products.
- 3. Identification of actors:** Using the information from the summary interviews sheets and based on meetings, this section should outline who are the actors convened for the design of the strategy to increase competitiveness. Why were they selected? Who was excluded and why?
- 4. Participatory analysis of the market chain by selected actors:**

a. Market chain map

- Presentation of the final market chain map where product flows, actors' relationships and business development services identified.
- A report on price formation, including production costs for producers (if possible for the intermediaries and wholesalers), as well as the purchase and sales prices for each player.
- A report on income distribution along the market chain focused on gross margin (inputs-outputs) and what percentage of the final price reaches each actor.

b. Characterization of the market chain's actors

- Geographic location (where they are located).
- Role within the market chain (what function is carried out: production, processing, support, accounting, marketing, transport, etc.).
- Level of organization (what grade of business organization each player has) and type of organization (farmer organization, community development organization, business firm, etc.).
- Managerial capacity (what managerial practices are used such as administration, accounting, management capacity, marketing, etc.).
- Disposition to participate in market chain improvement (your perception of each player's desire to participate in activities to improve the market chain).
- Possible alliances identified between actors and their motivations. What possible alliances are visualized, between whom, what are the factors that make the alliance possible? (For example, motivations such as income gains, increased volume, improvement of product quality, opening new markets, etc.).

This last question is important since the necessary details will be worked on in the negotiation workshop with all market chain actors.

c. Business development services

Includes the business development services demanded and supplied along the market chain. The analysis of these data can be based on the following questions:

- Who supplies business development services to the market chain in the different links?
- How is the quality and effectiveness of the services perceived both by the clients and suppliers?
- Are there gaps between available services and those needed for increasing market chain competitiveness? What are they?
- Are there services that have many suppliers and few clients?
- Which services are paid for, and which require subsidies to function? Is there a

relationship between the quality of the service and whether it is paid for or subsidized?

d. The timeline and past interventions

Share the table of market chain history with the actors.

- Analyze the types of support offered to whom and on what themes.
- If people have catalogued this support as negative, analyze why.
- Share the outcome of previous interventions and identified local capacity to effect positive change.

5. Analysis of critical points: Include copies of the general limitation tree and the general solution tree with ranked limitations and their analysis. If discussions are anticipated, it may be useful to have all the problems trees generated available.

6. Logical path for the market chain: Include a copy of the logical path generated for the market chain with its respective activities and results.

7. Options for investment plans to be presented by group members: Present the short investment plans with the following information for each objective in the logical path:

- The projected activities and expected outcomes in this area.
- A solid estimate of the financial requirements and expected returns on this investment.
- An assessment of the risks entailed in work on this topic.
- A timeframe for implementation.

In addition, give credit for data collection and analysis to participants and facilitators in the workshops in the summary document.

We recommend providing this technical document with participants in the negotiation workshop ahead of time so that they can review the contents. It is also useful to kick off the workshop with a brief presentation highlighting the most important results from the diagnostic process. This aspect is important as some of the actors present in the negotiation workshop may have been absent from the previous workshops,

but are key to taking advantage of the business opportunities open to the market chain.

Negotiation Workshop

Objectives

1. Share and discuss the market chain diagnosis with a representative group of market chain actors.
2. Identify key points of common interest among the different actors.
3. Negotiate possible alliances and collective actions (between more than one actor) to take advantage of market opportunities.

Participants

The participation of key actors along the market chain—especially those necessary to take advantage of specific business opportunities—is vital for this workshop. In this case, the service provider should make every effort to involve key actors who may have not participated actively in other parts of the analysis but are key to chain development. This is often the case with major clients or traders with whom useful discussions are more feasible, based on the information contained in the market chain analysis.

Other types of actors can also be invited, such as specialist service providers who already provide or may provide business development services to the market chain, as well as NGO managers to evaluate the results depending on the needs of the market chain. In addition, a banker/accountant may be useful to assist in the revision of the investment plans.

Development of the workshop

The following steps are recommended for the negotiation workshop. The service provider and market chain actors should revise their applicability, and adapt or change them according to their best criteria. Combining the following list with less formal activities—i.e., coffee breaks, lunch, mixers, or round-table discussions—is useful as well as serving to reinforce the informal relations between diverse actors along the market chain.

Presentation of limitations and opportunities by actors

At the start, the problems found in the market chain can be shared by each group of actors. An easy way of communicating this information is by means of a matrix where the functional

categories of the market chain appear with the points of view of the different actors as shown in Table 27.

This matrix should be adapted to the market chain’s needs since the problem is unlikely to be as general as post-harvest management, but rather something more specific such as “lack of adequate packaging material”.

Once this information has been shared, the service provider and the market chain actors should present the results of the business opportunities identified for the chain and their respective investment plans (Table 28).

Facilitating notes

1. The information needs to be presented to the actors in an easily understandable and comparable way according to the rank that each group has given the limitation or the

investment plan. If different actors have used different terms to refer to the same problem or opportunity, it is important that either all the terms appear (so that everyone can clearly see their point of view represented), or else a short phrase that attempts to pick up the essence of the problem/opportunity. If the second option is selected, the facilitator of the meeting must explain where the phrase comes from, and that this intends to reflect the terms used by the participants.

2. It is a good idea to leave a space for the participants to provide feedback on the diagnostic by giving their opinions and clarify points that are confusing.
3. It is important to emphasize not so much the diversity of viewpoints, which will certainly occur, but rather to emphasize common issues where a collective solution to the limitation may be found.

Table 27. Example of a matrix of problems per activity and actor.

Activity	Actors ^a				
	Producers	Processors	Traders	Buyers	Support service providers
Production	☹☹		-	-	☹
Post-harvest management	☹☹		☹☹☹☹	☹☹☹	☹
Processing	☹		-	☹☹☹	☹☹
Marketing	☹☹☹☹		☹☹	☹☹☹☹	☹☹☹
Business organization	☹		-	☹	☹☹☹☹

a. More ☹ indicates a more important problem.

Table 28. Example of business opportunities matrix and investment plans.

Investment plans	Actors ^a				
	Producers	Processors	Traders	Buyers	Support service providers
Organization of farmer collective marketing group	☺☺	☺☺☺	☺☺	☺☺	☺☺
Introduction of new varieties	☺☺	☺☺☺☺	☺☺	☺☺	☺☺☺☺
Introduction of a market information system among market chain actors	☺☺☺☺	☺☺☺	☹☹☹☹	☹☺	☺☺☺
Introduction of common product standards and grades along the chain	☺☺	☹☺	☺☺☺	☺☺☺	☹☺
Development of new, value added products for the urban market	☺☺	☺☺☺☺	☺☺	☺☺☺☺	☺☺

a. More ☺ indicates support to a particular investment plan.

4. The objective of this space is to show the participants that their problems are intimately interrelated. The links between actors and their difficulties serve as inputs to identify common causes and as a way of visualizing possible gains for various actors from changes made in one part of the market chain.

Negotiation between market chain actors and service providers

The second stage of the workshop seeks to facilitate discussion among participants, market chain actors, and specialist service providers to identify the best way to improve market chain functionality. This process should flow from the problem and opportunity analysis included in the first part of the workshop. The objective is to identify joint activities or areas in which joint activities could be generated, in the short-, medium-, and long-term that can improve the market chain. Ideally, these activities will represent some type of gain for most market chain actors or, at least, for more than one of them. It is important to avoid focusing on solving one problem that principally affects one actor as the other participants will misinterpret this as favoritism.

In this stage, the real interest of the participants in supporting collective action in the market chain is put to the test.

Facilitating notes

- The role of the workshop facilitators is critical at this stage since equilibrium must be found among the distinct actors. The

- focus should be on how to generate positive solutions for most if not all participants, not gains for some at the expense of others.
- It is better to identify relatively simple activities in the short term and increase the level of complexity and difficulty over time even though complete solutions represent more gains than partial ones. We recommend this approach as most of the actors in the market chain do not know one another well, and many have histories of adversarial relationships. To achieve complex objectives, therefore, requires a process of incremental positive experiences through which actors can build trust in each other and confidence in the process of market chain improvement.

Identification of possible alliances for generating and implementing solutions

In the third step of the workshop, potential opportunities for collaboration are identified. This starts by listing investment plans and the actors who wish to participate, and what they are willing and able to contribute (Table 29).

A good method at this stage is to divide the investment plans by timeframe (short-, medium-, and long-term) and by resources (local, mixed and external resources). It is important to note that the concept of short-, medium-, and long-term varies by market chain. One of the tasks of the negotiation workshop is to identify a feasible timeframe with market chain actors for a given task. We recommend starting with pilot actions that show quick, tangible results—in a few months—

Table 29. Identification of alliances by each stage of the market chain.

Stage	Activities	Participants	Contributions
Production	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Post-harvest	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Processing	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Marketing ^a	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.
Business organization	<ul style="list-style-type: none"> • Investment plan 1 • Investment plan 2 	Organizations and names of people directly responsible	People, knowledge, time, funds, etc.

a. Marketing in this context can refer to either trade or retail. These are general categories and should be adapted or changed based on the needs of the market chain.

to generate a positive dynamic around the strategy to increase competitiveness. In this sense, a reading of the participants' degree of patience is important. More patient groups can opt for more ambitious initial results, while groups with pressing needs or low levels of trust need rapid results to achieve simple, but important, achievements (Table 30).

This is similar to the idea of developing one or two pilot activities along the chain as a jumping off point for more ambitious processes of market chain improvement. A good pilot activity should:

1. Be feasible to achieve in a reasonable amount of time—6 months—and generate tangible, measurable results for more than one actor in the market chain.
2. Lay the groundwork for more ambitious activities by showing the utility of working together.
3. Include a simple monitoring system that allows market chain members to assess the advances of the activity and make changes in a timely fashion if needed.
4. Be relatively low-cost and, where possible, draw principally on locally available resources, people, and knowledge.
5. Focus on building positive relationships among market chain actors.

Facilitating notes

- At this stage the goal is for market chain actors to commit to collaborate. Details can be worked out in the final strategy to increase competitiveness, and further revised and improved upon in additional workshops as the necessary confidence between the actors grows.
- The workshop facilitator should try to emphasize solutions that focus principally

on the use of local resources since the attainment of external resources is a long, risky process. By choosing this path, solutions may take more time, but they will not be subject to external decision-making processes divorced from local realities.

Revision of the logical path

Based on the above discussion, the logical path prepared previously is presented to the workshop participants for discussion and improvement.

At the end of the negotiation workshop, the following products should be available to serve as input to the preparation of the final strategy:

- Identification of possible alliances to solve market chain problems and clear commitments in this respect.
- Anticipated investment plans, with times and external resource needs.
- Revised and improved logical path for a strategy to increase competitiveness.

Design of the Final Strategy to Increase Competitiveness

Based on the corrected technical document, the systemized results of the negotiation workshop, and the agreements achieved between the actors, a final version of the strategy to increase competitiveness can be designed. Staff from the service provider can carry out the actual write-up of the document; however, the final version should be shared with and reviewed by the market chain actors to ensure validity.

This document can be a more extensive version of the technical document, adding the results and agreements of the negotiation workshop, or can be a new document with more details.

Table 30. Time and resources required to implement a marketing strategy.

Resources	Timeframe		
	Short < 6 months	Medium 6 to 12 months	Long > 12 months
Own	What can we do in the next 6 months using principally our own resources?	What can we do in the next 6 to 12 months by mixing local resources with targeted external help?	What can we do in 1 year or more based on local capacity and a judicious use of external support?
External	If there is no sure source of funds in the short term, it is best focus on solutions that use local resources and knowledge.	What key activities in the next 6 to 12 months should be prioritized for limited external support?	What key activities require external support over the long-term (i.e., targeted research) to help promote market chain competitiveness?

Generally, various details from the negotiation workshop remain open for discussion, such as responsibilities, costs, and dates. These details should be developed and put in the final document either by the service provider or by a working group of market chain actors. In this sense, the final strategy is an on-going process. Two short case studies of final strategies and their implementation are shown in Boxes 6 and 7.

CIAT does not recommend a specific format for the final strategy, as its use for planning joint

actions and for developing funding proposals precludes a set structure. We do recommend, however, that the market chain have a logical general framework for the market chain improvement that all actors can agree upon and collectively seek to implement. This is especially true in big market chains where the total cost for implementing the complete strategy at once is prohibitive. In almost all cases, it is recommended to divide the strategy into specific sub-projects focused on specific funding opportunities while, as the same time, not losing sight of the relationships between each sub-project.

Box 6

Black pepper in Pucallpa, Peru

Black pepper was identified as having a substantial market demand in Peru with Pucallpa is the only producing area in the country. The application of the method to increase market chain competitiveness substantiated this opportunity and showed farmers that the prices they received for their products was only a small part of the value that this same product received in Lima. Price differences of between 600% and 1000% were found in this chain. Based on this information, 45 small producers formed a private business (Piper S.A.) and decided to implement the strategy for chain improvement. In the first 6 months, they improved and homogenized their local post-harvest practices through a horizontal (farmer to farmer) process and entered into negotiations with an industrial buyer in the city of Huancayo. As a result of the first process, participating producers differentiated their product, achieving 20% more for each kilo of pepper than non-participants in the local market. In addition, Piper S.A. sold 1.5 MT (approximately 10% of the local harvest) to the buyer in Huancayo in two lots. The price paid for the first lot was 58% above local market price while for the second lot, a 30% increase was achieved. After the second sale, imports from Ecuador decreased prices limiting further sales. Piper S.A. has purchased technical and marketing assistance from CRESE S.A., a private for-profit organization applying CIAT's area approach.

In addition to the short-term gains achieved in 2001, local producers have developed a clear business vision of where they hope to go in the mid- and long-term. During fieldwork in October 2001 (after prices collapsed), farmers said things like, "now that we understand the market better, we realize that we can achieve better prices by improving quality and linking to buyers. But this is only the beginning. This year (2001) we sold pepper in Huancayo for more than 10 soles per kilo when local prices were, at best, 5 soles. But if we grind our pepper and package it for the local market, that same kilo is worth 22 soles. We are now looking for funds for a grinder and later on will see if we can grow and process for a large Lima company".

Box 7

Cut flowers in Cauca, Colombia

The production of cut flowers—Anthurium—has traditionally been a women's concern in the Department of Cauca, Colombia. When good market opportunities appeared for this product, a market chain analysis was facilitated by CORPOTUNÍA, a local NGO, with three groups of women. The analysis of the farm to market chain revealed that profit was largely captured by flower shops in the departmental capital of Popayán 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 who, in return, 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 that involves the establishment of a direct sales point in the city and, in the long run, the sale not of cut flowers, but of floral arrangements.

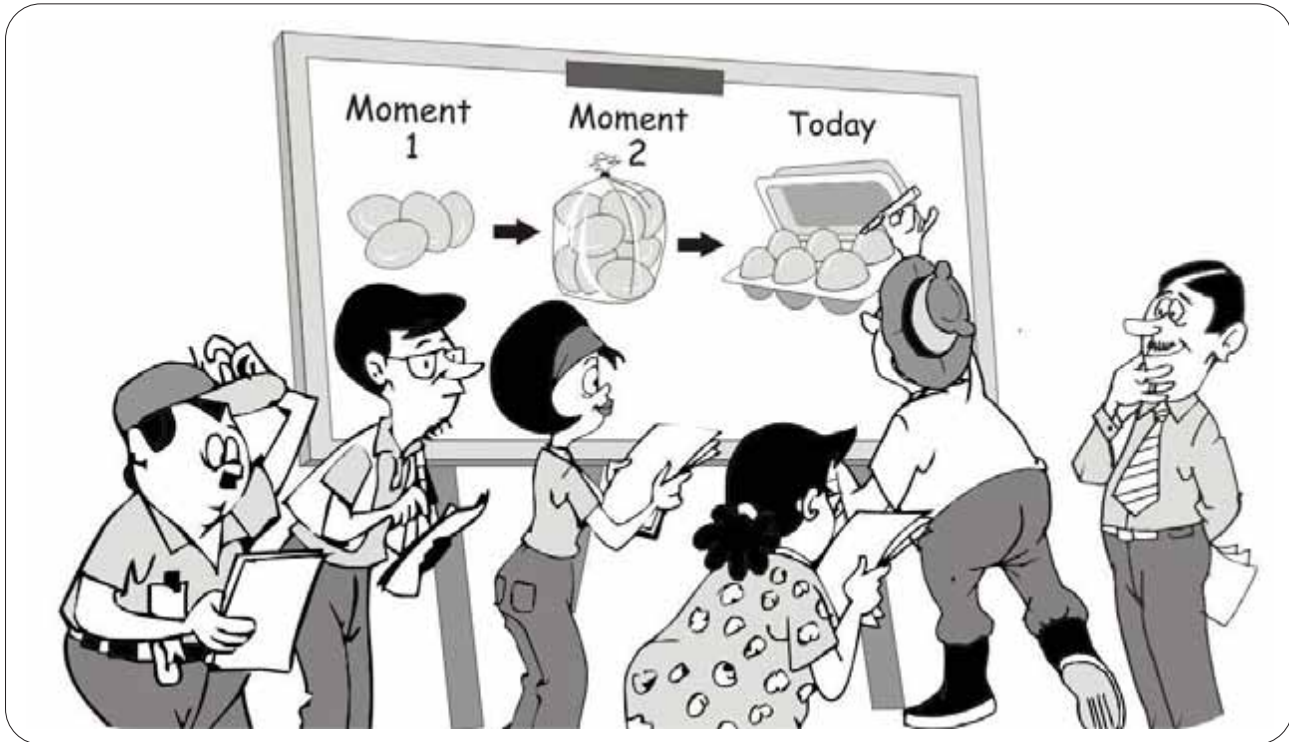
In general terms, the strategy can be understood as a road map that defines a path for increasing the competitiveness of a market chain. The way in which the strategy is implemented depends on the actors themselves. There are examples of strategies of competitiveness that are implemented by local actors (formal and informal) with a minimum of external help, and others that have managed to obtain significant funding. It is important, therefore, not to view the strategy as a

document, but rather as the first step in a process of discussion, collaboration, and support between actors focused on changing their relationships in a substantial way, and therefore the functioning of the market chain.

In the following and final section, some general guidelines for the monitoring and evaluation of strategies to increase competitiveness are presented.

SECTION 11

Monitoring of Strategies to Increase Competitiveness: General Guidelines



Guiding questions

1. What are some key factors for the design of a monitoring and evaluation system that can be used by the market chain actors?
2. What factors are key to measure changes that increase competitiveness along a market chain?
3. What factors can we use to compare the market chain we are supporting with others that compete with it?
4. What are the indicators that permit us to measure the competitive performance of the market chain in selected markets?
5. What are the livelihood impacts on market chain actors over time?

Introduction

The implementation of a strategy to increase competitiveness can take many forms ranging from tacit agreements between groups of actors to form value chains, to the financing of important development projects whose aim is to improve one or various market chains in a rural area. Facing this diversity, it is difficult to design a single system for monitoring and evaluation. This section intends rather to present some key parameters at different levels that can be useful for measuring the changes

achieved by these strategies. They should be taken as guidelines rather than as fixed rules. Naturally, each facilitating organization should revise, adapt, eliminate, or add to this list to develop a system that is most useful for their needs.

Monitoring and Evaluation

Before beginning the design of a monitoring and evaluation system for a strategy to increase competitiveness, it is useful to reflect upon several questions. First, who are the intended

users of the data generated by the proposed monitoring and evaluation system? Will the users be technicians, donors, or managers of the facilitating organizations, market chain actors, the government, or a mixture of these? How will the data be used by different groups? Depending on the users, a system or various systems should be designed in response to their needs, desires, and capacities. If a particular group is expected to help collect or analyze data in the process, it is important to ascertain if the group's interests are clearly represented in the proposed system.

Second, the proposed system should be sufficiently simple or complex to respond to the needs of its users. If the monitoring and evaluation of the strategy will be implemented with market chain actors, the system should be designed with their participation so that it responds to their needs by generating information useful for their decision-making processes.

Third, what are the objectives of the monitoring and evaluation system? Is it a system to help respond to the donor's demands for information? Is it a system that intends to show the actors how near or far they are from the levels of competitiveness of other similar market chains? Does it capture stories of positive changes for publicity reports? Does it collectively learn about what works in improving a market chain and share it with others? Having clarity about the rationale behind the system is important so that it is designed correctly.

Finally, a monitoring and evaluation system to be effective must continue to function over time. Who will manage the system? Who will take charge of collecting, processing, and feeding data into the system? How often? Will local persons or external experts carry out these activities? How will the management of the system be paid for? The system should be designed to be feasible to manage, maintain, and use.

Possible Factors for a Monitoring and Evaluation System

Some possible factors to take into account for a monitoring and evaluation system are set out below with their respective sources of information. Again, this list does not intend to be either complete or unique; it should be used as input for the design of a system that responds to users' needs.

Within the market chain

- **Production costs:** Evolution of production costs in the market chain's different links. Are the costs stable, increasing, or declining?
- **Yields per unit:** Evolution of the yields, or productivity per unit, invested or employed in the market chain. For example, production per hectare planted or quantity of cheese produced per liter of milk.
- **Value of final product:** Evolution of the commercial value (in constant currency) of the final product or products of the market chain. Is the value of the product increasing, stable, or declining?
- **Profitability:** Evolution of the product's gross or net profit for the market chain. Profit can be calculated in each link as an easy way to identify which actors capture a greater percentage of the benefits. Are overall profits increasing, stable, or declining?
- **Distribution of benefits:** How does the distribution of final product or products value along the market chain and amongst diverse actors evolve over time? Who retains the most value, and how does this distribution change over time? This indicator is of special interest in projects focused towards poverty reduction.
- **Improvement of the market chain products and efficiencies:** There are various ways of improving a market chain. Kaplinsky and Morris (2001) identified four key trajectories.
- **Process improvement:** Increases in the efficiency in internal processes both in individual enterprises, and between enterprises in a market chain. Examples in a market chain are the frequent and timely delivery of products with the required quality as well as the ability of service providers to support market led/enterprise innovations.
- **Product improvement:** Introduction of new products or improvements in existing products more quickly than by rivals. This implies changes in the processes of developing new products within and between enterprises.
- **Functional improvement:** Increases in the added value by means of changes in the activities managed within an enterprise (for example, taking responsibility for quality within the market chain) or moving the focus of activities to different links of the

market chain (for example, from production to marketing).

- **Market chain improvement:** The market chain passes from a basic product to a processed one of greater value.

Benchmarking

Based on the first five indicators used to measure changes within the market chain, comparisons can be made between similar market chains. This process is useful if a similar, more advanced, market chain can be identified and data of the two market chains shared with the actors so that they can see what can be achieved. In the same way, if there is access to data of other similar market chains, existing good management practices could be identified and adapted to local needs. Table 31 lists some possible indicators and sources of verification.

In the market

- **Market penetration:** How is the market position of products from the market chain evolving? Is the participation of the products increasing, stable, or declining? In the same way, the segment of the market where the product is sold can be researched. Does the

product reach a segment that is highly profitable, profitable, or only slightly profitable? Has this changed as a result of the strategy?

- **Sales volume:** Evolution of total volume of sales measured in kilograms.
- **Sales value:** Value of sales of the market chain measured in constant currency.
- **Product differentiation:** Results from strategies to differentiate the market chain’s products in a specific market and thus gain a competitive advantage.

Table 32 lists some possible indicators and sources of verification.

Results on Livelihoods (by Gender, Population Groups, and Economic Status)

Participation of market chain income in the overall livelihood strategies of the target populations

Evolution of the percentage of the target population’s income originating from activities related to the market chain. This measurement can include the sale of products, employment, or reduction of purchases as a result of the

Table 31. Indicators and sources of verification within the market chain.

Indicators	Source of verification
Production costs	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Yields per unit	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Value of final product	Survey of final value of product in the market.
Profitability	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Distribution of benefits	Interviews or periodic workshops with strategic differentiated actors of the market chain.
Improvement (processes, products, functions, market chain)	Direct observations, interviews, or periodic workshops with strategic differentiated actors of the market chain.

Table 32. Indicators and sources of verification of the market.

Indicators	Source of verification
Market penetration	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.
Sales volume (in kg)	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.
Sales value	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain, revision of secondary data on market prices.
Product differentiation	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.

Table 33. Indicators and sources of verification of livelihoods.

Indicators	Source of verification
Income generated by the market chain as a percentage of local livelihood strategies	Periodic interviews or workshops with differentiated strategic actors of the market chain
Diversification and security of income sources	Periodic interviews or workshops with differentiated strategic actors of the market chain
Use of the market chain's added income	Periodic interviews or workshops with differentiated strategic actors of the market chain
Employment generation	Periodic interviews, secondary government data
Participation in the local economy	Government data (if they exist)

strategy to increase competitiveness. How do the activities supported by the strategy contribute in the generation of livelihoods, and how do these contributions evolve? Are those who benefit from the market chain women or men? What population or income groups benefit the most or the least from improvements in the market chain? Why?

Diversification of income sources and income stability during the year

How market chain activities affect the income diversity and security of the target population during the year?

Use of added income of the market chain

How does the target population use added income generated by the market chain? Who

decides upon the use of the added income generated by the market chain?

Employment generation

How does the market chain contribute to temporary or permanent employment generation disaggregated by gender, ethnicity, or age. Who from within the community gains most from these opportunities?

Participation in the local economy

How does the relative importance of the market chain change over time in relation to other economic activities in the local economy?

Table 33 lists possible indicators and sources of verification.

APPENDIX 1

Marketing Checklist to Evaluate Key Points in the Market Chain for a Commodity

Topic	Sub-topics	Questions/Comments
Personal information	Name Physical address Telephone	For established firms try to get a business card, or mobile phone number for purposes of future reference
Type of business	Value addition Physical functions Experience	How does the respondent add value along the market chain? Does he change the form of product (processor) or just move the product (transporter) or just store the product (wholesaler) or is he a retailer or consumer . Is there any vertical integration ?
Demand	Quantity Type of buyer Seasonality Variety Consumer Preferences Price data	Quantity sold normally, e.g., per day, week. To whom do you sell? Are there changes in volume of sale over time? Are there different varieties? If so, what is their respective demand/preference? What is the price variation as per variety differences? Are there changes in prices over time? If so, what are the reasons? Do you find problems selling your products? If so, which ones?
Supply	Source by area Source by type of person Price Quality	Which are your supply areas (geographically)? From whom do you buy? From where do you buy? (Meeting pt.) At what price do you buy the variety? Does the price change over time? If so, why? and how? Do you have problems getting products? If so, which are they?
Quality	Perishability Post-harvest issues	What is the quality of products along the chain? What is the shelf-life of the products?
Storage	Quantity Time Storage problems	How much do you usually store? For how long? Do you have any storage problems? Do you experience storage losses?
Transaction costs	Forms Proportions	What are your transaction costs? What is their proportion?
Grading and sorting	Grading incentive	Do you grade or sort? Do better grades fetch higher prices?
Market information	Sources Spatial arbitrage	Do you get market info? (e.g., on prices?) If so from whom and how? Is there a relationship between prices in different areas at a given time?
Price formation	Market power	Who determines the price? How is the price determined? If firm/individual is a price taker, find out why?
Institutional and legal framework	Associations	Do you belong to an association? Are there any market regulations? If so, which are they and how do they affect your business?
Market structure	Competition	No. of sellers Is there price competition? Is there non-price competition? If so, how (interlocking markets)?
Credit availability	Sources and type	Are there any credit institutions? Do you use them? What are their rates of interest?

APPENDIX 2

Summary Information Sheet: Example from Banana Market Survey

Organization and key person	Basic information	Relation to product	Current situation	Potential links to Research and Development	Next steps and follow up	General remarks
<p>Organo Farms P.O. Box 29078 Kampala, Uganda</p> <p>Yicrav Smit Managing Director Tel.: 077 501144 E-mail: Yicrav@yahoo.com</p> <p>Kevin Plattz Consultant Tel.: 1077 502330 E-mail: Kevin@yahoo.com</p>	<p>Organic fruit and vegetable exporters</p> <p>Own farm in Kanero and 62 Out growers in Rakai and Bugurari</p>	<p>Export fresh and solar dried banana cultivar to Germany and UK</p> <p>Solar dried fruits used in breakfast cereal, ice cream, and snacks</p>	<p>Exports: Fresh—approximately 1-2 tons/month</p> <p>Solar Dried—About 400 kg/month. Banana. Volume is growing</p> <p>(Problem is irregular insufficient sunshine)</p> <p>Suggest could double volume if overcome drying problem</p>	<p>Collaboration on <i>Fusarium</i> wilt (Panama disease)</p> <p>Research a cure/prevention of spread</p> <p>Need to know how to control ripening. How to start, stop, and restart ripening</p> <p>Suggest research into temperature control and packaging</p> <p>Interest in exploring EU tastes</p>	<p>Return visit to explore interest in research into control of fresh banana cultivar fruit ripening and packaging of dried products</p>	<p>Interested in attending a meeting with farmer groups but would only like to come when they are ready to discuss costs and volumes of supply</p> <p>Would be interested to make links with new groups and would like to work with research on pests and solar drying methods</p>

Outline of a Business/Investment Plan

Sections of a business plan		Essential information	Comments
1	Cover	Title, date, company name	Think about branding
2	Small print	Confidentiality clause	This clause indicates that the information should not be shared beyond the interested parties.
3	Contact page	Name, physical address, email, phone number	
4	List of contents		
6	Executive summary		
7	Basis data	Company/group name, capital value, office address, vision, mission, company values, brief history of the company/group, latest financial statement	Paragraphs should be clear, concise, and easily understood. Values can focus on ecological, ethical, and fair trade aspects.
8	Business organization	Organization, organizational diagram; can include short description of who does what	This section should be brief, any detail should be annexed. Information for this section will come from your analysis of the target market chain.
9	Infrastructure and products	Description of your site, assets, and product(s)	This section needs to be upbeat, highlighting the good points of your business unit and the value of the products.
10	Market and competitive analysis	Product type, target market locations, segments, area of sales, competitors	This information will be summarized from your market chain studies.
11	Business strategy and operating plan	<ul style="list-style-type: none"> • Overview • Describe your strategy, i.e., how you will get to your goal • Describe the stepwise activities that will make up your operational plan • Objectives • Results 	This section is the core of the plan, you should focus attention here so that the plan is well structured, concise, and that each stage is logically linked.
12	Sales records and projections	<ul style="list-style-type: none"> • Introduction • Sales volumes • Production costs • Selling price of product 	What will attract customers?
13	Financial analysis	<ul style="list-style-type: none"> • Profit and loss account • Costs, income, balance sheet • Cash flow • Break even • Loan requirements • Return to investment 	This can be very simple if you plan for one product over one season which needs little investment and you have full knowledge of the product. However, financial planning can rapidly become more complicated as planning includes cash flow, loan costs, multiple years, multiple products, and sales outlets. Seek assistance from persons with experience if you have any difficulties.

(Continued)

Appendix 3. (Continued.)

	Sections of a business plan	Essential information	Comments
14	Risks	Risk assessment, test results based on risk studies, assumptions related to raw material costs and production feasibility, sensitivity analysis based on most critical cost factors	This section should outline the key risks you have considered with some analysis of what would happen if there are changes in the marketplace. This section will be more easily tackled if you have attempted a pilot project.
15	Sales forecast	Production and sales forecast over a 6-12 month period	The type of sales forecast will depend upon the product you are selling and the timeframe of production, i.e., sub-annual, annual, perennial.
16	Capital outlays	Costs of being able to produce the intended product	The timeframe should match the sales forecast.
17	Employee costs	Full and part time staff, including details of direct costs and other costs such as benefit packages if applicable (including in kind benefits, meals, transport, bonus payments, etc.)	
18	Operating costs	Utilities, rent, furniture, depreciation, communications, computers, sales costs, legal fees, consultancy fees, insurance, local administration fees, extraordinary fees, etc.	
19	Expenditure	Summary of payments over the period of the business plan	Budget notes, to explain the costs outlined in the budget.
20	Profit and loss account	Summary of all costs, incomes, and resulting profit	
21	Balance sheet	Detailed overview of how you calculated your asset and liabilities	The figures need to be supported with a written text to explain how you arrived at your results.
22	Cash flow	Monthly analysis of your costs and incomes, to show how your cash flow will develop during the forecasted initial planning period	The figures need to be supported with a written text to explain how you arrived at your results.

Glossary

Actor

Person or business that plays an active role within a market chain.

Advertising

Any form of marketing communication in the paid media.

Agent

A channel institution which represents one or more suppliers for a fee.

Agribusiness

Involves the manufacture and distribution of farm supplies, production operation on the farm and the storage, processing, and distribution of farm commodities and items made from them.

Agricultural extensification

Using more land or animals to increase agricultural output.

Agricultural intensification

Increased agricultural output from increased productivity or yield per unit of land.

Agroenterprise

A business or firm, typically small-scale in nature, often based in a rural location that produces and sells agriculturally-based products or services.

Appellation

System by which a product is legally protected to support marketplace differentiation based on its place or origin or method of processing.

Arbitrage

The simultaneous purchase and sale of a commodity in two different markets to take advantage of differences in prices of that commodity in the markets.

Assets

Items of money value owned by a business or person, including such items as land, buildings, machinery, tools, etc.

Barrier to entry

Costs or conditions that must be met in order to gain access to a particular type of market.

Barter

The direct exchange of goods and services between two parties, often without cash considerations.

Benchmarking

The process of comparing the company's products and processes to those of a competitor or leading firm in other industries to find ways to improve quality and performance.

Biodegradable products

Products made from biological materials that break down within a relatively short period of time when disposed of or left to degrade under natural conditions. These products are not considered harmful to the environment as they break down into non-noxious products.

Biotechnology

New area of biological science pertaining to propagation, transformation, and the recombination of genetic materials that is conducted in controlled, sterile conditions. This technology often uses sophisticated non-traditional methods for enabling genetic propagation and genetic manipulation. It is used to produce genetically modified organisms (GMO's).

Brand

A name, term, sign, symbol, logo, phrase intended to identify the goods or services of one seller to differentiate them from those of competitors. A recognized brand is one which has strong customer loyalty.

Broker

A channel institution which puts a specific buyer(s) and seller(s) in contact with one another in one or more commodity(ies) or service(s) with a view to achieving a sale or benefit.

Budget

An amount of money set aside to cover the total cost of a communication campaign or other marketing activity.

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.

Capital

Productive resources (goods) that are available, as a result of past human decisions, to produce other want-satisfying goods.

C.I.F.

A contract of sale “cost, insurance freight” of the documents of title, not the goods, whereby the buyer is under an obligation to pay against the shipping documents irrespective of the arrival of the goods.

Collective action

Term used to describe group activities, used to increase economies of scale.

Collusion

Process through which traders artificially fix prices above the price they would achieve in a situation of perfect competition.

Commodity

Product for sale in the marketplace. Term originally coined to differentiate products that were essential, termed *utilities*, with new products such as coffee and cocoa that was considered to be exotic and desirable. Nowadays, commodities tend to be used for products in high volume trading.

Comparative advantage

One country enjoying a lower production ratio (input to outputs) than another country under total specialization, due to resource endowments.

Comparative analysis

Comparing the same set of statistics within a category of one country with another for the purpose of estimating potential demand.

Competition

A product, organization, or individual, in either the same or another category which can be directly substituted one for the other in fulfilling the same needs or wants.

Competitive advantage

The ability of a firm to complement traditional comparative advantage with additional attributes related to its cost structure and core competencies, such as the business strategy, quality of the business environment, and demand conditions that gives market superiority for one firm or cluster of firms relative to competing firms.

Competitive strategy

The adoption of a specific target market and marketing mix stance in the marketplace.

Cooperative

A collection of organizations or individuals, pooling their resources in order to gain commercial or non-commercial advantage in buying, selling, or processing goods and/or services.

Customer satisfaction

The extent to which a product’s perceived performance matches a buyer’s expectation. If the product’s performance falls short of expectations, the buyer is dissatisfied. If performance matches or exceeds expectations, the buyer is satisfied or delighted.

Demand

The quantity of products that the consumers can buy.

Discount

A reduction in price on purchases during a stated period of time.

Distribution channel

An institution through which goods or services are marketed giving time and place utilities to users.

Dumping

The selling of goods or services in a buying country at less than the production unit price in the selling country, or the difference between normal domestic price and the price at which the product leaves the exporting country.

Duty

The actual custom duty based on an imported good either on an *ad valorem*, or specification amount per unit or combination of these two.

Economic rent

Return in excess of opportunity cost, often enabled through political protection.

Effective market demand

When needs and desires are supported by the ability to pay.

Elastic supply

A supply elasticity coefficient of more than one indicates an elastic supply, the percentage increase in supply being greater than the percentage increase in price.

Entrepreneur

Person who organizes resources to produce and market goods and services.

Exchange

The act of obtaining a desired object by offering something in return.

Exchange rate

The ratio of exchange of one currency to another.

Exporting

The marketing of surplus goods produced in one country into another country.

Fair trade

Marketing strategy used to differentiate products produced by smallholder farmers and sold through equitable and transparent trading systems. This system is used as an alternative to less equitable trading systems being used by some larger corporate agencies in commodity trading.

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.

Fixed costs

Those costs incurred for resources that do not change as output is increased or decreased.

F.O.B.

A contract of sale “free on board” whereby the seller undertakes to place the goods on board a named ship at a named port and berth and carry all charges up to delivery over the ships rail.

Focus group

A small sample of typical consumers (or interest group) under the direction of group leader, who elicits their reaction to stimulus such as an advertisement, an idea, a question, or concept.

Foreign exchange

Facilities business across national boundaries, usually expressed in foreign currency bought or sold on the foreign exchange market.

Futures option

A legally binding contract to deliver/take delivery on a specified date of a given quality and quantity of a commodity at an agreed price.

Gatekeepers

People in the organizations buying center, or point in a market chain, who control the flow of information to others.

Global products

Products designed to meet global market segments.

Globalization

The integration of international transport, finance, and communications systems and services to enable transnational trading of goods and services.

Gross domestic product (GDP)

The value of all goods and services produced by a country’s domestic economy in one year.

Gross marketing margin

Is the sum of all marketing costs plus profits.

Gross national product (GNP)

The market value of all goods and services outputted by residents of a country in one year including income from aboard.

Hedging

A mechanism to avoid the risk of a decline in the future market of a commodity, usually by entering into futures markets.

Horizontal integration

The combination of two or more enterprises or firms operating at the same point in the market chain.

Human capital

The educational investment that improves the knowledge and productivity of people.

Human need

A state of deprivation that can be addressed or reduced by a product.

Human wants

The form that a human needs takes as shaped by culture and individual personality.

Income elasticity measurements

A description of the relationship between the demand for goods and changes in income.

Income elasticity of demand

The responsiveness of quantity purchased to a 1 percent change in income, *ceteris paribus*.

Income per capita

The market value of all goods and services outputted by a country divided by the total number of residents of that country.

Inelastic supply

Products that have a supply elasticity between zero and one the supply elasticity is considered to be inelastic. The percentage change in supply is less than the percentage change in price.

Inflation

A condition where demand outstrips supply or costs escalate, affecting an upward change in prices.

Information system

A system for gathering, analyzing, and reporting data aimed at reducing uncertainty in business decision making.

Innovation

An idea, service, product, or technology that has been developed and marketed to a consumer who perceives it as novel. It is a process of identifying, creating, and delivering new product or service values that did not exist before in the marketplace.

Input markets

Markets focused on products that supply production-based activities; in agriculture this typically means market actors that supply seeds, tools, finance, and agrochemicals.

Interest

The charge made for borrowed money. The rate at which we discount future economic goods.

Interest rate

The price of borrowed money.

Intermediaries

Distribution channel firms or persons that help to find the customer or make sales to them, including bulking agents, wholesaling, retailers that buy and resell goods.

International products

Goods or services seen as having extended potential into other markets.

Joint ventures

An enterprise in which two or more investors share ownership and control over property rights and operations.

Key informants

Active and leading members of the market chain.

Key observers

People who are knowledgeable about a market chain but are not directly involved in the business operations of the market chain.

Letter of credit

A method of international payment whereby the buyer instructs his own country bank to open a credit with the seller's own country bank specifying the documents which the seller has to deliver to the bank for him/her to receive payment.

Levy

A tax imposed by government to meet a specific objective.

Licensing

A method of foreign operation cooperation whereby an organization in one country agrees to permit a firm in another country to use the manufacturing, processing, trademark, know-how, or some other skill provided by the licensor.

Local products

Goods or services seen only suitable in one single market.

Logo

Symbol or emblem used to identify a specific product and for marketing purposes to differentiate a specific product from similar items.

Mark of origin (appellation)

System by which producers and processors can legally register their products so that no other producers or processors can use this name, title or logo, unless they produce the product within a legally recognized area or territory and use specifically laid down methods of production and/or processing.

Market

The set of all actual and potential buyers of a product or service.

Market chain

Term used to describe the multiple market channels through which a product or service moves until reaching the consumer.

Market efficiency

A comparison of the value of output to the value of inputs used in the marketing process.

Market entry

The way in which an organization enters foreign markets either by direct or indirect export or production in a foreign country.

Market information services (MIS)

People, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.

Market mix

The set of controllable tactical marketing tools—product, price, place, and promotion—that a firm blends to produce the response it wants in the target marketplace.

Market positioning

The adoption of a specific market stance, leader, challenger, follower, flanker, or adopter, vis à vis competition.

Market research

The function that links the consumer, customer, and public to the marketer through information—information used to identify and define market opportunities and problems to generate, refine, and evaluate marketing actions; to monitor marketing performance and to improve the understanding of the marketing process.

Market segment

A group of consumers who respond in a similar way to a given set of marketing stimuli.

Market segmentation

Dividing a market into distinct groups of buyers with different needs, characteristics, or behavior, who might require separate products or marketing mixes.

Market speculation

A marketing strategy whereby buyers hold stocks of a product in the hope that prices will increase, so that they can maximize profits when they decide to sell. Physical speculation requires that a lot or amount of produce is purchased and stored. There are costs associated with storage and for a speculation to be profitable the final sales value must be more than the costs of storage.

Market supply

The quantity of products that is offered for sale.

Marketing

Planning, executing, and controlling the conception, pricing, promotion and distribution of ideas, goods and services in order to build lasting, mutually profitable exchange relationships satisfying individual and organizational objectives.

Marketing costs

Agricultural marketing refers to the activities involved in taking a product from the farm gate and delivering it in the form, at the time and to the place that the buyer requires. Such costs are therefore incurred through handling, transport, storage, processing, packaging, market fees, risk management, brokerage, export handling, and others.

Marketing process

The process of analyzing market opportunities, selecting target markets, developing a marketing mix, and managing the marketing effort.

Marketing strategy

The marketing logic by which the business unit hopes to achieve its marketing objectives.

Media

Any paid for communication channel including television, radio, posters, etc.

Middleman

Person who trades in goods, a buyer and seller of goods and services.

Net marketing margin

Excludes normal marketing costs, thereby providing a measure of the profit realized. Net marketing margins may however also include the remuneration of the trader or processor's labor, in which case it is not an exact profit indicator.

Niche marketing

Adapting a company's offerings and products to more closely match the needs of one or more sub-segments where there is often little competition.

Non-tariff barriers

Measures, public or private, that cause intentionally traded goods or services to be allocated in such a way as to reduce potential real world income.

Opportunity cost

The value of other opportunities given up in order to produce or consume any good.

Option

A bilateral contract giving its holder the right, but not the obligation to buy or sell a specified asset at a specific price, at or up to, a specific date. Type of financial instrument that gives the holder the right to buy or sell futures contracts.

Output markets

Markets where harvested products are sold—these are the more traditional assembly, wholesale, and retail markets.

Packaging

Activities involved designing and producing the container or wrapper for a product.

Patenting

Legal mechanism used to protect products from being copied by other entrepreneurs. The patent scheme usually lasts for a designated period of time, 10 years, after which time the scheme either elapses or the inventor or owner provides evidence of innovation to renew the patent to protect the value of the given intellectual property.

Penetration price

The charging of a low price in order to gain volume sales conducted under conditions of little product uniqueness and elastic demand patterns.

Physical distribution

The act and functions of physically distributing goods and services including the elements of transport, warehousing, and order processing.

Place

All the company/firm activities that make the product or service available to the target customer.

Price

The amount of money charged for a product or service or the sum of the values that consumers exchange for the benefits of having or using a product or service.

Price ceiling

The maximum price which can be charged bearing in mind competition and what the market can bear.

Price elasticity of supply

Defined as a measure of the percentage change in quantity supplied in response to a percent change in price. A supply elasticity of 0.4 for cotton in the short run means that the quantity supplied increases 0.4% for a 1% increase in the price of cotton.

Price escalation

The difference between the domestic price and the target price in foreign markets due to the application of duties, dealer margins, and/or other transaction costs.

Price floor

The minimum price which can be charged bounded by product cost.

Primary data

That data which is collected and generated as part of a survey. Unpublished data from individuals or organizations.

Product

Anything that can be offered to a market for attention, acquisition, use of consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations, and ideas.

Product strategy

A set of decisions regarding alternatives to the target market and the marketing mix given a set of market conditions.

Promotion

Activities that communicate the product of service and its merits to target consumers and persuade them to buy. The offer of an inducement to purchase, over and above the intrinsic value or price of a good service.

Quality

The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

Quota

A specific imported amount imposed by one country on another, when once filled cannot be exceeded within a given time. When a quota is in force the price mechanism is not allowed to operate.

Relationship marketing

The process of creating, maintaining, and enhancing strong value laden relationships with customers and other stakeholders.

Rent

Return in excess of opportunity cost, often enabled through political protection or advantaged access to commercial information.

Retailer

A channel institution which acts as an intermediary between other channel institutions and the end user and who usually breaks bulk, charging a margin for its services.

Secondary data

That data which already exists in other texts.

Sector

Relates to the all activities under the mandate of one government ministry, such agriculture, health, education, justice.

Services

Activities, benefits, or satisfactions that are offered for sale.

SMS

Short message service, text used to transfer information via mobile phones.

Speculation

The purchase or sale of title to goods or financial obligations in the expectation of favorable price movements.

Standardization

Same goods or services marketed in either product, distribution, or advertising form, unchanged in any country.

Strategic business unit

A self-contained grouping of organizations, products, or technologies which serve an identified market and competes with identified competitors.

Strategic plan

A plan that describes how a firm will adapt to take advantage of opportunities in its constantly changing environment, thereby maintaining a strategic fit between the firm's goals and capabilities and its changing market opportunities.

Sub-sector

A part of a sector. In agriculture, a sub-sector focuses on one area, such as grains, fish, livestock, etc., or can be more detailed to all that relates to one particular commodity only, such as the maize, rice, cassava, beef sub-sectors.

Substitutes

Two different goods or resources between which a choice is made to satisfy human wants (or to produce a product).

Super brand

A product that has world renowned reputation, for providing customer satisfaction and delight, e.g., the soft drink Coca-Cola, the NIKE sports shoe.

Tariff

An instrument of terms of access normally the imposition of a single or multiple excise rates on an imported good.

Traceability

System by which a product is tagged, such that it can be traced from source of origin to final user. This process may become mandatory in formalized food markets.

Trade Mark

Legally recognized name, symbol, or title, which can only be used for marketing purposes by the originating or owning company.

Transaction

A trade between two parties that involves at least two things of value, agreed upon conditions, a time agreement, and a place of agreement.

Transaction costs

Transaction costs relate to the non-price costs of making a commercial exchange. These are expenses incurred in finding someone to trade with, time spent negotiating a deal and the costs involved in ensuring that contracts are honoured, all fall under the general category of transaction cost.

Value

The consumer's assessment of the product's overall capacity to satisfy his or her needs.

Value added

The contribution to final produce value by each stage in the production, delivery, and marketing process. Also, includes transformation processing of goods from primary to final state offered to a consumer.

Vertical integration

The linkage of firms (enterprises) in different stages of producing and/or marketing under the ownership of a single firm.

Wholesaler

A channel institution which purchases and sells in bulk from either original suppliers and/or other channel intermediaries, charging a margin for its services.

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About the Partners

ASARECA FOODNET (Association for Strengthening Agricultural Research in Eastern and Central Africa)

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.

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 (CRS) 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 community representatives. Cipasla's agenda encompasses community organization, environmental education, soil and water conservation, integrated crop management, marketing and agro-industry. Several CIAT projects have been implemented research activities in this region which is considered as a 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 organizations, environmental education, soil and water conservation, integrated crop management, marketing and agro-industry. Several CIAT projects have implemented research activities in this region, which is considered as a pilot or reference site in Central America.

Corpotunia

Corpotunia, 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. Corpotunia 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.

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.

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. 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.



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