A MARKET FACILITATOR'S GUIDE TO

Participatory Agroenterprise Development

Shaun Ferris, Elly Kaganzi, Rupert Best, Carlos Ostertag, Mark Lundy, and Tiago Wandschneider

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Participatory Agroenterprise Development

Shaun Ferris, Elly Kaganzi, Rupert Best, Carlos Ostertag, Mark Lundy, and Tiago Wandschneider

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AGROVOC descriptors in English:
1. Agroindustrial sector. 2. Development projects. 3 Small farms. 4. Planning.
5. Partnerships. 6. Community involvement. 7. Marketing. 8. Market research.
9. Supply balance. 10. Teaching materials. 11. Latin America. 12. Africa. 13. Asia.

Local descriptors in English:
1. Agroindustry. 2. Participatory research.

AGROVOC descriptors in Spanish:
1. Sector agroindustrial. 2. Proyectos de dessarrollo. 3 Explotación en pequeña escala.
4. Planificación. 5. Coparticipación. 6. Participación comunitaria. 7. Mercadeo.
8. Investigación de mercados. 9. Oferta y demanda. 10. Materiales de enseñanza.
11. América Latina. 12. África. 13. Asia.

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1. Agroindustria. 2. Investigación participativa.

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Preface

This *Market Facilitator's Guide* is a product of the experiences and lessons learned while implementing agroenterprise projects in eastern and southern Africa. The *Guide* is based on a resource-to-consumption framework, which is the central theme of the "enabling rural innovation" (ERI) approach for rural development. This approach seeks to empower farmer groups with the necessary skills to make informed decisions for their economic development, based on an analysis of their surroundings, assets and skills. The methodology also aims for outcomes that are equitable, gender focused and participatory.

The central figure in this *Guide* is the "market facilitator", whose role is to identify market opportunities with representatives from farmer groups and guide the groups through a process of market analysis and business planning to develop a new agroenterprise. The *Guide* advises on issues such as project site selection, partnership development, community involvement, participatory tools for market opportunity identification, enterprise selection, and methods for agroenterprise design and development.

This *Guide* is one of a series of agroenterprise publications developed by CIAT's Rural Agroenterprise Development project. The aim of this set of methods and tools is to enable service providers to empower rural communities to engage more effectively in the marketplace so as to increase their income, their capacity to innovate and ultimately improve their livelihood options. To date, the titles in the CIAT Agroenterprise "good practice guide" series include:

- Strategy Paper: A Participatory and Area-based Approach to Rural Agroenterprise Development.
- A Guide to Developing Partnerships, Area-based Resource Assessment and Planning Together.
- A Guide to Identifying Market Opportunities for Smallholder Producers.
- Strategies to Improve the Competitiveness of Market Chains for Smallholder Producers.
- Evaluating and Strengthening Rural Business Development Services.
- **A Market Facilitator's Guide to Participatory Agroenterprise Development.**
- Collective Marketing for Smallholder Producers.
- A Guide to Rapid Market Appraisals to Support Smallholder Agroenterprise Development.
- A Guide to Policy Analysis for Smallholder Agroenterprise Development and Advocacy.

Note to users

Service providers should read the guides in their entirety, to absorb the ideas and concepts prior to starting the fieldwork. 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

The CIAT team would like to thank the many partner institutions, farmer groups, traders and particularly the market facilitators that worked alongside CIAT's Enabling Rural Innovation team since 1998 and contributed towards developing this guide to the agroenterprise development approach.

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

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Technical and language editing of this document was done by Libby Finney and Elizabeth McAdam.

A special word of thanks goes to Joel Opio in Uganda for his pencil drawings. These simple illustrations faithfully depict the different stages of participatory agroenterprise development and capture the cultural background of the farmer groups with whom we worked.

Introduction and Background to the *Guide*

Working with smallholder farmers to design and set up new income-generating enterprise opportunities is complex, taking time and dedication to be successful. However, it can also be highly rewarding, as it touches on crucial social issues such as building trust, learning new skills and, when done well, produces many benefits for the community.

For service providers, the agroenterprise approach offers not only a method for addressing rural poverty, but also the opportunity of finding ways of stimulating demand for technical and social innovations. It helps identify areas that require support from research, finance, and local policy. As such, this agroenterprise approach can provide the tantalising "win–win" situation for service providers and their beneficiaries.`

Purpose

Traditionally, agricultural support from service providers has focused on increasing production. This approach works well if the primary concern is food security and if a ready buyer is available for any surpluses. Unfortunately, increasing supply often only works for a limited period, with local markets becoming quickly oversupplied as production increases. Following the laws of supply and demand, rapid oversupply in the market leads to rapidly falling prices and, in the long run, reduced income for farmers.

In other words, instead of producing what the market wants, farmers and their facilitators often expend energy on finding markets for what is produced. Lack of attention to markets frequently results in farmers being "stuck" with unwanted produce that they are forced to sell at very low prices because of the market's lack of interest.

This *Guide* seeks to promote a simple methodology that service providers can use to help farmer groups and local entrepreneurs to produce goods and services based on market demand. It deals specifically with methods for identifying and evaluating market opportunities and for selecting the most attractive business options a given community may have.

Objectives

This manual's overall objective is to guide market facilitators and other service providers through a participatory process for identifying market opportunities and developing viable agroenterprises that are sustainable and which

improve the incomes of rural farmers, processors, and traders. Specifically, the manual aims to:

- Provide facilitators with skills in articipatory methods that will enable them to help farmers engage with markets.
- Guide in market identification and selection of attractive enterprise options, based on information gathered from the market and market chain.
- Build agroenterprise skills within the community so that groups can continue to effectively engage with the marketplace in the future.

Who Should Use the Guide?

The *Guide* is intended for use by any institution interested in building staff capacity in market facilitation. The manual focuses on how a market facilitator can help development agents within a rural community and farmer groups assess market opportunities and develop new agroenterprises. The market facilitator may be an extension officer in agriculture, animal husbandry, and fisheries; a community development officer; or a staff member of a non-governmental organisation (NGO) or other private establishments, including farmer groups, co-operatives, and businesses.

How to Use the Guide

The *Guide* is divided into sections that correspond to key stages of agroenterprise development. The order of tasks is planned so that results obtained from one section are used as the starting point for the next section. The sections are:

1. Overview of the participatory agroenterprise development approach.
2. Marketing basics.
3. Institutional preparation and planning.
4. Tools for working with a community.
5. Management, and partner selection.
6. Project site selection and evaluation.
7. Product screening and market opportunity identification.
8. Selecting the best product or enterprise option with the clients.
9. Market chain analysis.
10. Developing an enterprise or intervention action plan.
11. Evaluating progress and scaling up.

Although the *Guide* describes a systematic process for agroenterprise development and is designed to be followed from start to finish, the method should not be considered as "fail-safe". Any type of business is inherently risky and the user should therefore adapt and apply the methods according to the needs, skills, and resources of local farmer groups and their service providers.

THE THEORY

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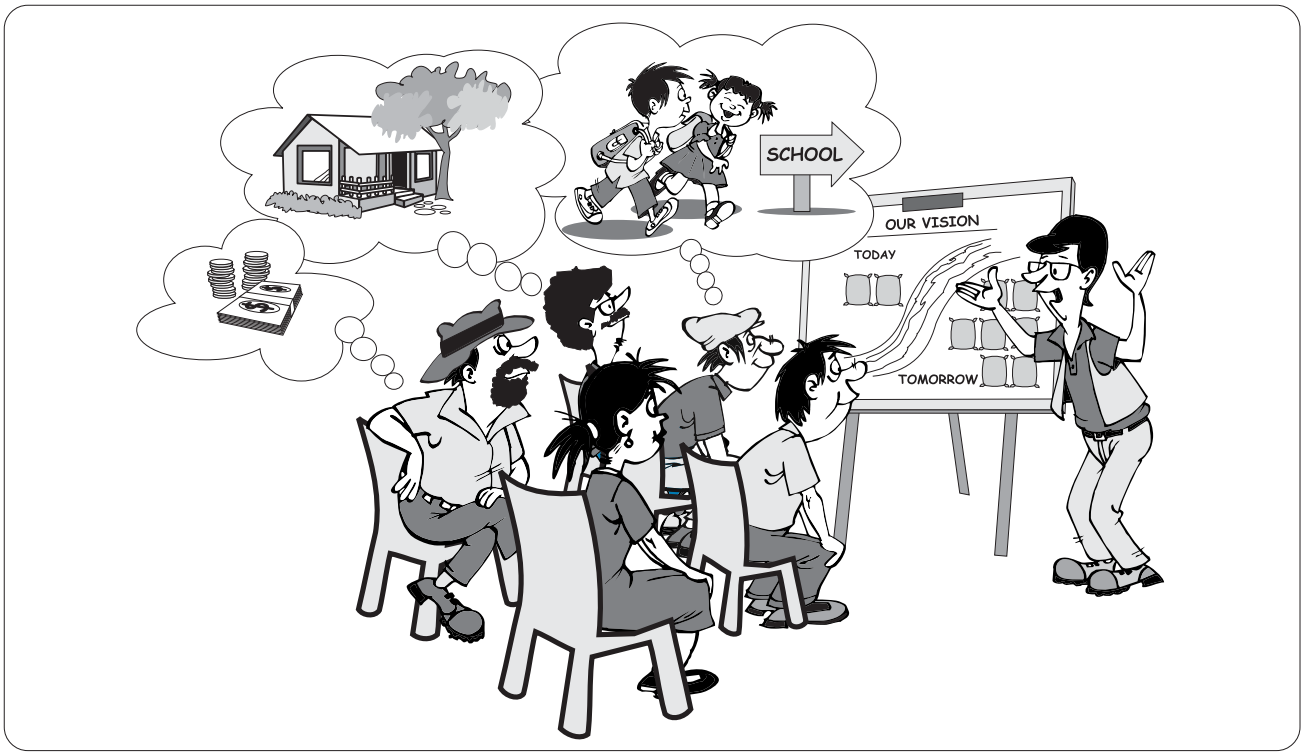
Section 1

Overview of the Participatory Agroenterprise Development Approach



By the end of this section, the reader should have a basic understanding of the:

- *Sequence of tasks in the participatory agroenterprise development approach.*
- *Reasons for using such an approach.*
- *Entry points for different types of service providers and clients.*

Introduction

The *Guide* describes a strategy developed by CIAT's Rural Agroenterprise Development (RAeD) project to address the entrepreneurial development needs of institutions that support rural communities. The methods, tools, and learning approaches described here are the result of many collaborative projects undertaken over the last 10 years in Latin America, Africa, and Asia. The implementation draws heavily on experiences with partners in Africa and highlights methods that can assist a facilitating institute to focus on realising new business opportunities for rural communities. The basic steps in the strategy are shown in Figure 1.

Together, these methods make up the component parts of what is termed "an area-based, participatory approach to rural agroenterprise development". This approach was developed in response to demand from partners in agricultural development who wanted a systematic method for shifting from a food security strategy that focused on production to a market-oriented approach that emphasises income generation and market demand.

In this *Guide*, the term *agroenterprise* refers to a business venture, typically small-scale, that can be undertaken either on-farm, or a service that can be used to support other businesses. The agroenterprise is generally focused on groups of actors at the producer level and individual actors that provide services within the market chain.

Examples of agroenterprises include a crop or livestock product which is produced by a farmer group and sold into an identified market; a product which is processed in some fashion to

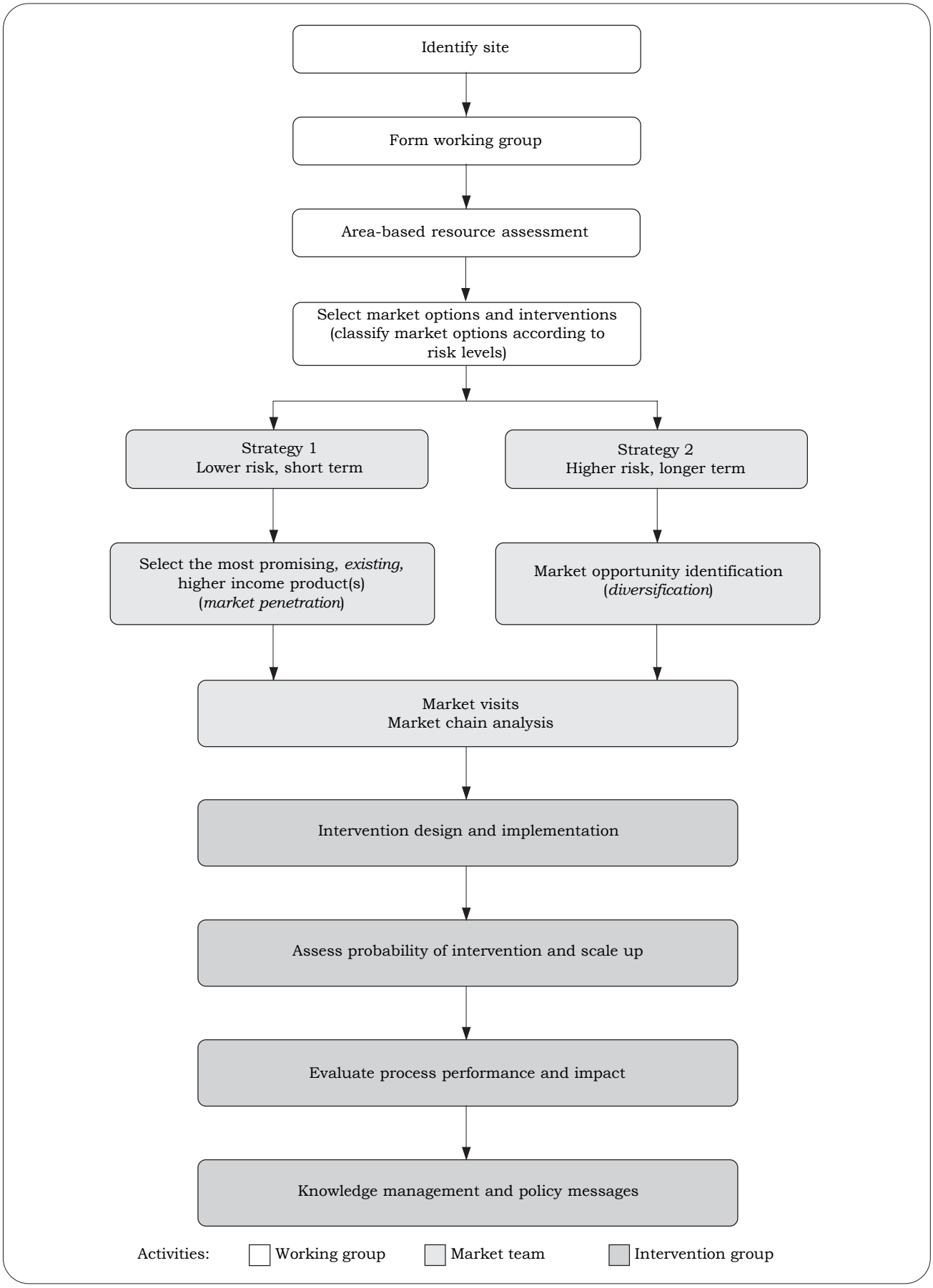


Figure 1. Flow chart of key stages in the participatory agroenterprise development approach.

add value to a primary product, such as cereal products that are bulked and graded, cassava that has been processed into dried chips, or milk processed into cheese for sale into an identified market. In the service area examples include, providing a service such as the provision of inputs, processing (such as a shelling service to groundnut producers) and advisory services such as supporting the marketing of farmer group produce.

The participatory agroenterprise development approach provides the user with a stepwise procedure for introducing new marketing techniques to a rural community. (Criteria for selecting communities are given in Appendix 1). We fully appreciate the challenges in changing the habits of farming communities, particularly poor communities. Therefore, any agency considering this approach should carefully consider the time and resources required. The problems associated with marketing and setting up new organisational structures pose serious challenges to poor farming communities, particularly those who have been accustomed to producing only basic food staples for food security.

Why Use this Approach?

The economic prospects of many rural communities in many parts of the developing world, particularly in Africa, are not improving. Despite considerable gains in productivity of food crops, the income of farm households is, in most cases, falling over time because of a combination of weak local economic growth and increasing competition from global markets.

Unfortunately, the real price or value of most agricultural commodities has declined over the last 2 to 3 decades. Smallholder farmers are facing increasing competition from medium-sized to large-scale farmers. As such, most small-farming families are stuck on a production "treadmill", whereby many millions of individual farmers produce the same undifferentiated commodities, using traditional, low-input systems. Inevitably, these farmers are price takers in the market and their food-security approach, which focuses on always increasing production, can depress the market situation even further. The options small farmers have to confront this adverse market situation are to:

1. Improve the competitiveness of their products in local, national, and regional markets.
2. Achieve economies of scale through collective action for production and marketing.
3. Gain access to business development services that improve access to higher value and/or more competitive markets and provide employment opportunities.
4. Diversify into higher value crops and/or livestock that are linked to growth markets.
5. Add value to products by changing farming practices to access higher income markets, enhance product quality, and incorporate processing activities.
6. Enter new types of business agreements based on forward sales (contract farming) or "appellation[1]" that "lock in" buyers over longer time periods at advantageous rates.
7. Find off-farm work options or migrate to more lucrative employment areas such as urban centres.

The agroenterprise methods developed by RAeD have incorporated these basic marketing and business principles in a stepwise process that facilitates market engagement. The approach is (1) non-commodity specific, (2) supports a balance between on- and off-farm interventions, and (3) supports collective action, diversification, and "added value" as viable pathways out of poverty.

Key Features of the Participatory Agroenterprise Development Approach

Defined geographical area

The approach focuses on improving the livelihoods of beneficiaries within a defined geographical area[2]. Product selection and intervention design are based on expected employment and income impact in a targeted region or area. While the approach aims to have the greatest impact on community-based agroenterprises, it also takes into account the development of business services and changes in local policy and regulatory frameworks. The geographical focus of this approach also aims to

1. Appellation is a system by which a product is differentiated on the market based on its place or origin, specific method of production or a combination of product qualities such as variety, year, production method and place of origin. Wine is a good example of a product that uses appellation to distinguish products and thereby add value based on a specific variety of grape, year of production and location of vineyard.
2. Geographical area or territory.

enhance monitoring, and to facilitate institutionalising and scaling up the process with local partners.

Participatory

The approach is participatory. At the project level, this approach aims to establish a "working group" of stakeholders who share a common goal in improving business activities. This informal group comprises development agencies, public and private service providers, traders, and entrepreneurs. At the community level, the approach aims to empower farmer groups and local service providers in developing new agroenterprise options. These stakeholders can participate at different stages of the approach but all influence the decisions that are made in planning, experimenting, implementing, and scaling up the interventions.

Growth market focus

This approach is market-led, not production-led. The objective is to enable enterprises and entrepreneurs in a given area to identify and access remunerative opportunities for existing or new products in existing or new markets. The approach focuses on interventions with products having growth potential or on consumer groups with increasing income.

"Thinking outside the farm"

The approach encourages partners and stakeholders to "think outside the farm". This concept underlies the approach's focus on the market chain, thus supporting interventions that address critical constraints at different points along the market chain or address market chain efficiency through better access to business support services. The agroenterprise approach therefore aims to implement interventions that achieve the greatest impact for a given investment. Market-based interventions include collective action, facilitating market linkages, strengthening local business services, and disseminating improved production approaches and other innovations.

Fostering business links

Many development approaches focus entirely on one type of market chain actor: the resource-poor smallholders. While farmers are important business partners, market linkage may be more effective when undertaken alongside or in partnership with larger farmers or by linking with larger traders or processors. Such links will give buyers greater confidence and will also provide a learning ground for farmers with fewer resources to see practical ways of improving their farming and marketing practices.

A stepwise approach

The agroenterprise method comprises several steps, which can be aggregated into activities implemented by groups of actors. Three key areas of activity are (1) developing project site partnerships and resource assessment, (2) market analysis, and (3) intervention design, implementation, and scaling up. These activities are led by members of the working group, market survey team, and enterprise groups, respectively.

Scaleable

A major feature of this method is the ability to scale up from successful pilot work with support from partners. Interventions should be biased towards those that can reach larger numbers of beneficiaries at the outset, as it is easier to scale up from a larger starting point such as many farmer groups than from a limited pool of beneficiaries.

Encouraging continuous innovation

Market engagement is a continuous process rather than a one-off exercise. Markets are dynamic and agroenterprises will be constantly confronted by new challenges and opportunities. The agroenterprise approach can enable local stakeholders to follow up on new developments and identify appropriate strategies and interventions. Mainstreaming the approach within local planning and policy processes is a useful way of enabling local development agencies to assist agroenterprises in tackling emerging challenges, when direct project work is phased out.

Builds skills and empowering communities

The approach builds on the existing skills and resources of local communities, including farmers, processors, and traders. The goal is to build capacity in local service providers, farmer groups and local entrepreneurs so that the community can benefit from being involved in the approach over the long-term. The approach does not promote the supply of services from development agencies, but the facilitation and strengthening of local actors in the private sector.

Accommodating minority issues

Agroenterprise is gender neutral in the sense that markets, in most cases, accommodate everyone. However, this approach can be

adapted to support the specific needs of women's groups and address the needs of vulnerable groups such as the youth, the old, and people living with HIV/AIDS.

Flexible but rigorous

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

A long-term framework

Our experience shows that for this approach to be effective, service providers and farmer groups need to acquire new skills and different ways of doing business. This change requires time and finances, which is why we recommend the approach is first introduced with a long-term capacity-building programme, typically for at least 2 to 4 years, depending on local capacities and market access. However, successfully integrating all the components of an agroenterprise development process in a shocked society may take 8 to 10 years. Such time is needed to establish numerous farmer groups and then link them into second-order associations and strengthen local business support services so that they have sufficient economies of scale to compete on a long-term commercial basis in the marketplace.

Cautionary note

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

Entry Points for Starting an Agroenterprise Development Process

The entry point for the agroenterprise development approach is flexible, depending on factors such as:

1. The in-house agroenterprise development capacity of the lead organisation involved in a new project.
2. Skills, asset base, and level of organisation of the intended client or beneficiary group.
3. The level of participation.
4. Whether decisions have been made at a project's outset on the products and/or market chains to be supported throughout the project.
5. Level of intervention at the outset, that is, will the project start by supporting a few (1–10) or many (20–50+) farmer groups?
6. Financial resources, manpower, and time available to undertake the task.

These issues need to be fully discussed at the outset of an agroenterprise development process, so that partners are clear about their roles and responsibilities and the targeted communities also have clear expectations. Development agents have different capacities and skills, and rural communities are also highly heterogeneous in terms of social classes, asset base, level of organisation, agroenterprise capacity, and access to both markets and support services. This mix of skills and opportunities means that agroenterprise activities must be tailored to local conditions and that a project can start at various entry points in the process. The following section describes a range of different entry points that apply to different types of client groups and appropriate strategies.

Entry point 1: Starting out

This may be the entry point for market facilitators who are using an agroenterprise development approach for the first time, or who are working with farmers that are not well organised. Farmers in this category tend to operate as individuals, occasionally selling small amounts of surplus produce to the market. Key issues to take into consideration are (1) sensitising partners in the selected area that a project will be piloting an agroenterprise development approach, (2) organising farmers into functional groups, and (3) initiating the approach through a pilot project, using existing income-oriented products grown by most farmers in the targeted community or area.

The main task for the approach is to conduct a pilot enterprise so that both the market facilitator and farmer groups can better understand how marketing works and how farmers can work together. The focus of this entry point is to (1) improve the farmers' organisational skills and enable them to market existing products more effectively, (2) find development partners who will work towards a common goal, and (3) gain in-house competence in agroenterprise activities.

Entry point 2: More organised farmers

This entry point is for farmer groups who are more organised, working in groups that sell products collectively and/or on a regular basis. For this type of farmers or groups, the intervention should focus on diversification or finding ways to add value to their produce. If the group has a strong opinion on a new product in which to invest next, then the marketing process should proceed to a market study of that product. If the group wants to evaluate new products, it should proceed with a participatory market opportunities identification (MOI) study. The MOI will provide a list of new opportunities to assess in more detail through market-chain analysis and enterprise design. At the same time, the market facilitator should also work to strengthen business and market linkage skills. The group should also initiate savings schemes and maintain regular record keeping in preparation for linking with financial services.

Entry point 3: Well-organised farmers

In this case, farmers are working in groups and adding value to a range of low and higher value products. The focus of this entry point is to (1) improve competitiveness of existing higher value options; (2) increase scale of operations, including linking with other larger organisations or farmer groups; (3) evaluate new opportunities for higher value options; (4) strengthen the groups' business skills; and (5) increase links with more specialised service providers or higher order market-chain entrepreneurs. The process should begin with a business plan of the existing product portfolio and a review of its financial management. The market facilitator in this case advises on ways to optimise existing activities, seeks out new higher value options, and then proceeds to strengthen financial skills and improve links to financial and marketing and/or business services.

Entry point 4: Pre-selected commodity

Development projects often start with a plan to invest in a particular commodity or product. The selection of a product is often part of a pre-project design phase that reviews macroeconomic data to prioritise products, or select products based on stakeholder workshops. Whatever the process, if a product has been pre-selected, then the starting point will be a more detailed market chain study of that product. This will enable the market facilitator and farmer group to focus on a particular market chain, to supply a local, district, national or specialised market option. The market facilitator may also need to work on improving farmer group organisation to supply a given market and also initiating links with other service providers.

Entry point 5: Existing buyer or contract farming

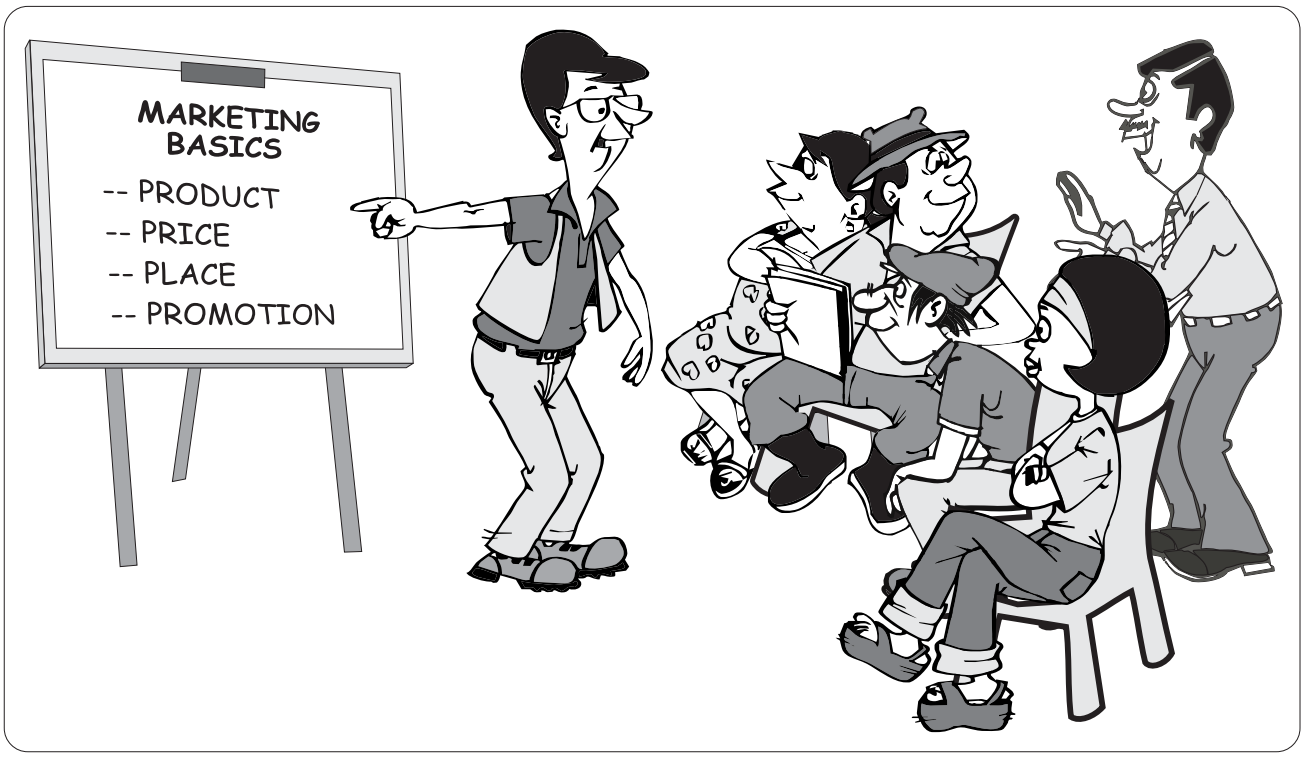
Sometimes, an entrepreneur, trading company, or new type of "market linkage" NGO will approach a service provider and ask for support in supplying a particular product or commodity. In such a case, higher order market actors will drive the marketing process. The service provider's role will then be to work with farmer groups to design enterprise plans for the competitive supply of the identified product. This process will rapidly move from design to implementation. The service provider will focus on building farmer organisation and seeking support from specialised service providers to evaluate new technical innovations to increase the competitiveness of the supply.

Entry point 6: Support for business development services

Sometimes, discussions with farmer groups and traders, or findings from the marketing studies will reveal that the most important constraint for improving a marketing chain is to acquire access to a particular business support service. This service may be related to inputs, value addition, storage, or market linkage. In this case, the market facilitator should work with other players in the market chain or local entrepreneurs to develop or access the service that will address the key constraint. By working at a higher level in the market chain, this type of intervention aims to have greater benefit for many lower order chain actors such as farmers for a limited investment. The market facilitator will need to determine the most cost-effective way of enhancing specific service provision and work to strengthen the business unit at this level.

SECTION 2

Marketing Basics



In this section, the reader is taken through a review of basic marketing principles.

The information within this section is essential for service providers who have limited knowledge of market economics and business strategies.

For market facilitators who do have a good grounding, this section provides a reference for discussion with client groups and other partners.

Why Is Marketing Important?

In today's commercial world, success in the marketplace is becoming increasingly important for livelihood development. Rural communities can no longer rely on governments to provide subsidies for agricultural goods and services. Increasing competition across the world means that farmers are not just competing with their neighbours for local markets, but also with farmers from other countries. Within this environment, understanding how markets function and how to engage in the marketplace is a vital skill. Such skill comprises an ability to identify, quantify, and meet the needs, wants, and desires of consumers, that is, of those people who create market demand.

To be successful in the marketplace, rural communities need to adopt new technologies, access new types of information, and gain new enterprise skills so that they are in a position to evaluate and invest in new opportunities as they arise. In the future, successful smallholder farmers will be those who can produce quality products and find ways of adding value to these primary goods. In most cases, smallholders will not be able to compete as individuals, and will need to bulk their commodities with other farmers through group marketing. As farmer groups gain new marketing skills, they will also need to take on new contractual arrangements to ensure a more consistent supply of goods to a known buyer at a pre-arranged quality, volume, and price.

To enable rural communities achieve these goals, the next generation of service providers also need to acquire marketing and agroenterprise skills.

What Is Marketing?

Marketing can be described as the "delivery of customer satisfaction at a profit". However, the marketing process has many elements, and as consumers become more discerning, marketing

develops into a more sophisticated area of research and social interaction. For the last 50 years, attitudes towards marketing have changed dramatically, as the business community changed from focusing on production to product quality, to sales, to marketing and, most recently, to social marketing. This rapid evolution has been driven by the need for companies to remain competitive in the marketplace. Being competitive is based on the ability to attract new customers with the promise of better value and retain existing customers by delivering satisfaction. The role of the marketing group is therefore not only to capture today "our hearts and minds", but also to identify what we will need tomorrow.

Because of the increasing exposure to marketing and its concerted effort to sell things to people, widely differing views exist on marketing. Some people view marketing as "an essential component of sound business practice", whereas others consider marketing as "a fraudulent activity used to persuade people to buy goods they don't need at inflated prices". Like it or not, marketing is an evermore pervasive element of our daily lives and being successful at marketing products is crucial to developing a sustainable business or agroenterprise.

According to Kotler et al. (2002), marketing can be defined as "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others". The process of marketing is therefore finding ways to provide people with products and services that they either need to function normally or desire to improve their well being.

Marketing aims to service three distinct categories of need. The first refers to basic physical needs such as food, clothing, shelter, and safety; the second to social needs, which relate to belonging and affection; and the third to individual needs, which relate to satisfying yearnings for knowledge and self-expression. The last category includes wants or desires, which go beyond the immediate needs for basic human operations and social interaction. Desires are an unlimited set of perceived needs that people seek to satisfy through ideas, products, and services.

Whichever category, the consequences are similar in the marketplace, in that, when wants are supported by the ability to pay, these wants can be translated into **market demand**.

If we consider products and services as benefits, consumers will choose those products and services that provide them with the best value for money. Value is based on an individual's estimation of satisfaction; many degrees of fulfilment exist when making a purchase. Decisions to buy a given product are based on a multitude of cultural, ethical, moral, weather, and wealth-related reasons. Aiming to make our choices easier, producers and marketing agents have developed a mesmerising range of quality, price, and emotionally loaded options.

For example, when buying what seems to be an innocuous pair of sports shoes, consumers face an incredible range of options in the marketplace. Some consumers may buy a simple pair of shoes that will enable them to play sports at low cost, let's say $10. Others will select the latest fashion of a world brand in sports shoes, endorsed by a world-renowned sports star for $150. The brand shoes apparently offer more than the cheap shoes such as ultimate levels of technical protection for the heel, instep, and toes, foot comfort, luxurious materials, and other less tangible features that reflect highly valued aspects of style, glamour, and status. Marketing is therefore based around the idea of providing a range of products with different value-to-price levels that match consumers' needs, desires, and ability to pay.

Given this modern and globalised view of marketing, how does this relate to smallholder farmers located in remote rural settings? At first glance, not much, but when we analyse the situation of smallholder farmers, we can recognise that they have all the same elements of a commercial company. Farmers have valuable assets such as land and location. They know what is grown or produced in their locality and can access labour, albeit their own and their family's. They produce a range of goods and services for others in the community and know what community members like in general and what they can afford.

However difficult their situation in regard to infrastructure, social organisation, remoteness from markets, and income levels, *all* farmers sell a proportion of their produce and many offer services to others. Therefore, all farmers have a sales and marketing challenge and as such can benefit from increasing their knowledge about marketing and how to engage the marketplace.

As many of these ideas may be abstract to the farmers on first hearing about them, the service

provider needs to adapt the marketing approach so that selected farmer groups can, with practice, gain marketing skills to sell their goods and services more profitably and on a more sustainable basis.

Given this introduction, the first rule of marketing for small-scale farmers is to:

> *Produce what you can sell, instead of trying to sell what you have produced*

This is a simple rule, but to achieve this in the agricultural context means that farmer groups and service providers need to know what consumers are demanding in the marketplace; how the laws of demand and supply affect prices, price trends, and volumes being sold; and how to interpret these laws in terms of their own market opportunities.

Supply and Demand

- *Supply:* the quantity of products that producers can offer for sale.
- *Demand:* the quantity of products that consumers can buy.

The marketplace generally operates on the laws of demand and supply. In simple terms, this can be interpreted as "when supply increases, prices fall and vice versa". To make informed decisions, clients (farmers, processors, and traders) need to know how their production fits within this law in the marketplace.

Although, the law of supply and demand appears simple, in reality, the dynamics of the marketplace are complicated. Many factors and trends (see "Market Drivers and Trends" on page 18) affect the workings of the market and, consequently, influence supply and demand. Factors affecting supply in agriculture include weather, seasonality, access to inputs, roads, and transport to market. Factors that affect demand are consumer driven and include price, quality, availability, and awareness of the product.

The Marketing Mix

To address these market issues, producers and sellers develop marketing and business strategies to improve product sales. The basic components that sellers use in developing a marketing plan are referred to as "marketing variables", "marketing mix", or simply as "the four Ps"—Product, Price, Place, and Promotion (Table 1).

In the participatory agroenterprise development approach, the market facilitator will guide farmer groups through a series of activities that will collect information from the market that is related to market demand, market supply, and how the four marketing variables can be used to increase sales and revenue. Readers who are interested in more detailed information on this marketing topic should consult marketing textbooks such as those by Kotler et al. (2002).

Market Participants and Intermediaries

As part of work, the market facilitator will be exposed to a number of new terms used to describe market actors, types of markets and the different roles and functions that people perform in a market chain. Many different types of participants or market actors are involved in producing, buying, processing, selling and receiving agriculture produce. There are also people involved in providing services to support the sales of a given product. Market intermediaries or "traders" are the people who handle a product from the time it leaves the farm until it reaches the hands of the final consumer. The links between the producer and the consumer are often referred to as the market chain, shown in Figure 2. The following section provides a list of some of the most important market intermediaries, where they work and types of functions that they are involved with in agricultural marketing.

Important market chain actors

Collectors: These are small, mobile traders who visit villages and rural markets. They buy from village bulking agents and directly from farmers. Collectors operate over short distances; they trade small volumes at a time, using limited amounts of money and use simple means of transport, such as donkeys, bicycles, motorbikes and carts. They are most common in areas where farmers are poorly organised.

Assembly traders: These traders normally buy from farmers and collectors, and sell to larger wholesalers. Their main function is to gather produce for sale to large traders who do not have the time to carry out small purchases from scattered producers and collectors. Assembly traders are normally based in rural markets or towns. They may own or rent small, motorised transport vehicles and small storage facilities.

Table 1. The marketing mix: product, price, place, and promotion.

Marketing variable	Definition	Aspects of this variable include:
Product	Everything that we sell that satisfies a need or a want; includes material objects, services, persons, places, organisations, and ideas	Variety, quality, design, characteristics, brand, packaging, sizes, services, guarantees
Price	The monetary value that a seller seeks from a buyer for a product or service	Price lists, discounts, price margins, credit conditions
Place	• Distribution and marketing channels • A series of independent organisations involved in the process whereby the consumer or industrial user can use or consume the product or service	Market sales points, spatial coverage of market sales points, locations within markets, inventories of products, transportation channels
Promotion	The means for convincing or persuading potential users of the quality or features of the products or services being offered	Advertising, personal sales, trade and consumer promotions, public relations

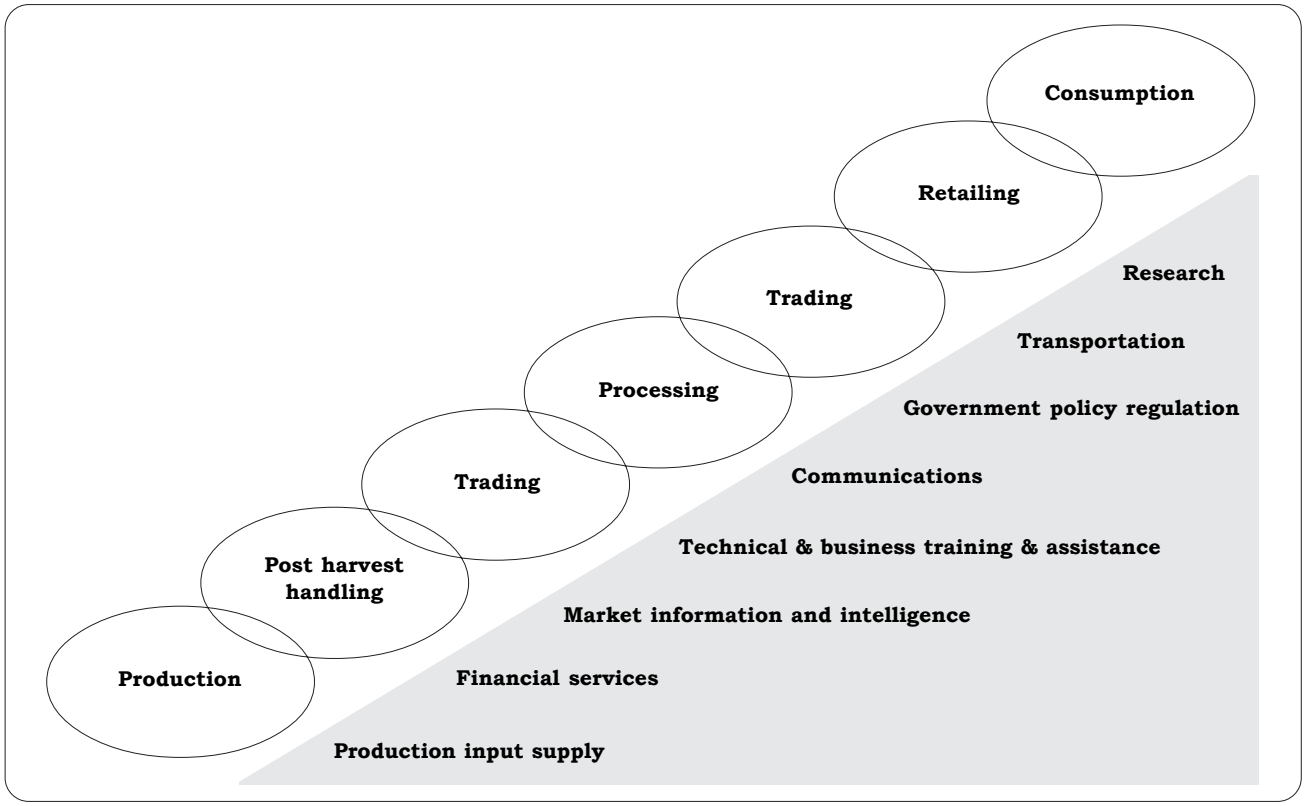


Figure 2. Market chain showing actors, functions and services.

Wholesalers: Wholesalers vary in size, but deal with larger volumes than collectors and assemblers and often store goods. They normally own or rent medium to large vehicles for transporting agricultural products, and own or rent medium to large size storage premises which allows them to postpone sales in anticipation of price rises, i.e., to ***speculate*** on the market. These traders cater for the needs of larger markets with many other wholesalers, retailers and consumers, i.e. large towns and cities. They sometimes buy produce from farmers and collectors, but tend to rely on assembly traders and other wholesalers as the

main source of supplies. Wholesalers sell in bulk to other wholesalers, processors, industries, institutional buyers and retailers.

Retailers: The main role of retailers is the distribution of products to consumers. Their function is to obtain supplies and display them in forms and at times convenient to consumers. Retailers are very diverse in size and operation from small kiosks and hawkers or roadside sellers that sell small volumes of a limited number of goods, to shops, and supermarket chains that deal with a vast range of agricultural products. Some retailers specialise in specific products, whereas others sell a range of fresh, processed and frozen products.

Processors/commercial buyers: Processors are individuals and firms involved in the transformation of agricultural commodities. Rice and maize millers, bakeries, fruit juice makers and cassava starch manufacturers are examples. Processors can be small household enterprises or fairly large formal firms. Large processors tend to have significant stocks of raw material to ensure continuous processing activity and high utilisation of installed equipment during the off-season.

Types of Market

The market intermediaries operate for the most part in a range of different market locations, as illustrated below:

Assembly markets

These are markets where produce is sold by farmers and small local traders before being taken to wholesale markets. Assembly markets play an important role because it is more efficient for traders to be able to purchase from farmers at a few places, at a particular time, rather than visit individual producers on an ad-hoc basis. Assembly markets are normally located in rural areas, but can often be found in small towns close to farming areas.

Wholesale markets

Wholesale markets are generally found in larger towns and cities. These are markets where retailers and businesses buy their supplies. Farmers can deliver produce to wholesale markets; however, the main suppliers are usually traders who have bought from farmers and small traders. In most cases, a wholesaler in the market will buy agricultural produce for sale to retailers or wholesalers from other markets. Wholesale markets offer the advantage of trading large quantities of produce in one place which enables prices to be based on the level of supply and demand of produce to the market.

Retail markets

These are markets where consumers and small businesses, such as restaurants and street food vendors, buy their supplies. Retail markets can be found in rural as well as urban areas. Many villages have their own retail market. They may open daily or at certain days during the week. Formal retail markets account for only a small share of sales as consumers can also buy from small retail shops and supermarkets, as well as from traders and entrepreneurs selling from trucks, bicycles, and roadside stalls.

Supermarkets

As urbanisation has created ever larger market centres with higher levels of market demand, supermarkets have emerged as a convenient, safe, well managed marketplace for the mid to higher income urban consumer. Supermarkets are rapidly becoming a feature of large towns in virtually all countries including developing countries. Farmers can sell to supermarkets but the buying conditions are more stringent than the wholesale markets, in terms of food quality, but also in terms of supply frequency and financial regulation.

Marketing Functions and Services

Marketing functions are the roles performed by market participants as the produce moves from the farm to the consumer. Each function is associated with the provision of one or more services and each of these services add value to the produce. Below some important market functions are explained.

Bulking

One of the most basic marketing functions that can be performed by farmer groups or local traders is to bulk produce from several farmers. This enables the farmers to sell larger amounts of product at one time which enables, for example a farmers group to negotiate for more favourable prices with traders. Farmers who bulk 2 to 3 100 kg sacks of produce can only sell to a local trader. If farmers wish to negotiate with a larger trader, they may need to bulk, 2 to 10 metric tonnes of produce to fill a pick up or lorry. For the traders this is attractive as it reduces the costs of collecting small amounts of variable quality product from many sources.

Therefore the trader is willing to pay a higher price per kg for the bulked commodity.

Cleaning

Harvested produce needs to be cleaned before processing and/or consumption. Through this activity, foreign matter such as sand, straw and stones are removed. Agricultural produce can be cleaned by hand or through the use of manual and motorised equipment.

Drying

Moisture content (m.c.) influences the perishability (or shelf life) of a product and the efficiency of processing. For many products, moisture content is the most critical quality criteria, especially those products that are likely to be stored for a considerable period of time, i.e., from 1 to 6 months. Consequently, buyers often have maximum moisture content specifications. For crops such as maize, they are often harvested with a moisture content of perhaps 20% to 23%. Field drying, if conditions are sunny, can dry this down to the optimal moisture content of 11% to 13% m.c. If the crop is sold with a moisture content above 14%, it is likely to suffer from serious storage problems associated with pests and diseases. In this case a higher price is paid for grain which is in the optimal storage range of 11% to 13%.

Sorting or grading

Harvested produce usually requires some form of sorting to meet the grades required by processors, exporters, and consumers. Sorting differentiates produce according to certain attributes or characteristics, including variety, size, colour, shape, degree of impurity, and ripeness. Because the sorting of produce is labour-intensive and time-consuming, market participants will only be willing to sort their produce if buyers are prepared to pay a higher price for differentiated and higher quality products.

Standard weights and measures

Another aspect of grading is to sell produce in standard unit measures of length, weight or volume. Standard weights and measures were introduced to make trading both more efficient and also so that buyers and sellers who were unable to meet to negotiate a transaction would still know how much they were buying for a given price. As with sorting and grading, the use of standard units provides an opportunity to either reduce the number of intermediaries, who need to physically see a product as it flows through the market chain, or provides a means for very distant buyers to buy without seeing the product.

Standard weights and measures include the use of national, imperial or metric units, all of which can be understood and verified throughout the region of trade. For international trade, the standard units normally refer to centimetres and metres for length, weight as measured by grams, kilograms and metric tonnes and volume as measured by litres, and cubic metres. Produce that is sold in sacks are generally sold in standard 20, 50 or 100 kg units. These are easily recognised and allow for rapid transfer of goods upon agreement of sale.

Processing

Some agricultural products require processing in order to meet consumers' needs and tastes. For example, in urban areas people have more sophisticated demands and are prepared to pay for processed foods, including prepared foods, canned and frozen products. In some cases, agricultural commodities cannot be consumed without processing. This is the case, for example, of rice and livestock. Paddy rice must be milled into rice and animals must be slaughtered, dressed, and divided into conveniently sized pieces before they can be consumed. Finally, processing may prolong the shelf life of a product, as in the case of maize flour and dried or canned fish.

Storage

To avoid price slumps and reduce post harvest losses, storage facilities are needed at various stages of the marketing chain. For some products storage is not feasible due to product perishability, as in the case of tomatoes, whereas more durable agricultural commodities may be kept for very long periods. Sometimes storage is required for just a few days, while the product is awaiting transport or the seller is searching for buyers.

Storage involves costs and risks. For storage to be profitable, the actors involved must receive a future price that is higher than the present price plus storage costs, including rent, labour, pest control, product losses, and interest rates on the capital borrowed. In practice, the costs of storage depend on the commodity stored, the type of storage system, and unpredictable and variable factors, such as the incidence of pests

and climatic conditions. Considerable amounts of money can be gained or lost by storing produce at one time of the year and selling at a later time. Typically traders who store produce, buy when prices are low, at the peak of the harvest season and sell the stored grains as prices start to increase.

However, speculative storage is fraught with risks, prices vary for many reasons and stored goods are often lost due to losses from pests and diseases, adverse weather and other factors. There are considerable skills needed to be able to speculate on markets and this is why most storage is undertaken by traders who understand the finer details of marketing compared with farmers, who are more specialised in production.

Packaging, labelling and branding

Many products need to be packaged in some way if they are to be marketed widely and efficiently. Packaging reduces physical deterioration, theft and adulteration of produce. It may also ensure product cleanliness and facilitate standardisation of weights and measures.

Packaging also provides producers with the opportunity to differentiate their product by labelling with product attributes including a logo to identify the source, product descriptions, ingredients and/or sales instructions. This information can be used for promotion and advertising purposes, making the product more attractive to the consumer. In time, a well recognised label with strong consumer loyalty can become a "***brand***", which many consumers recognise as a product with strong consumer support.

Business Development Services (BDS)

In addition to the market intermediaries who directly handle the transfer of produce through the market chain are a number of business development services (BDS) that are critical for effective marketing performance. To improve market efficiency participants in agricultural supply chains require a number of support services to develop their business activities. There are many support services, here we will focus on: supply of inputs, research, advisory/development services, transport, communications, market information, and finance.

The role of BDS in marketing and agroenterprise development cannot be underestimated as these are the services that not only enable the market to perform efficiently, but they are also responsible for a large part of the new innovations that can occur in a market and provide for increased competitiveness and therefore sustainability.

Supply of inputs

Access to good quality and affordable inputs, in the right form and volume, is critical to the activity of different actors in a market chain. Key inputs for farming include seed, agro-chemicals, irrigation water, agricultural implements, and post harvest equipment. Processing often requires access to water and electric power, equipment, and spare parts.

Research

Research is essential for the development of appropriate technologies and methods that enhance production, post harvest, storage, processing and marketing. The development and release of improved varieties can lower production costs, increase produce supply and quality, reduce product perishability, and/or enable off-season production. The development of agro-processing technology can reduce waste and costs, increase production capacity, and improve product quality. It is often new technologies that make the difference between subsistence and more competitive production.

Advisory services (extension/ development)

To be successful market participants can benefit considerably from specialised information and advice on their area of action. This may cover a wide range of areas, including production, natural resource management, post harvest, processing, marketing, management, and business planning. Such services are provided by agricultural and market extension officers, government agencies and information services, non-governmental development organisations (NGOs) and consultancy firms are common sources of specialised advice and information.

Transport

A major cause of marketing problems often lies in the limited availability and high cost of transport services, especially in remote areas that are difficult to reach. Transport of produce from such areas is only justified when the selling price in destination markets is well above the purchasing price in those areas. The transport

market, like any market however, offers a range of different modes, and prices. Farmers should find the most cost effective means of transporting their goods and constantly review this market in order to find the most cost efficient means.

Communications

Post, telephone, SMS, e-mail, Internet services and word of mouth are critical for smooth information flow and low-cost transactions along the market chain. The increasing availability of mobile phone networks, e-mail and Internet services in the developing world has had a major impact on the efficiency of marketing systems and for many market actors, the mobile phone is the most effective means of communication. In areas where mobile phones have become ubiquitous, many buyers will only now operate with suppliers that have a phone, to ease and reduce the costs of transaction.

Market information

Market information is essential for decision making, reducing ***transaction costs*** and risks, enabling efficient storage, and facilitating the flow of goods from production to consumption areas. Access to information reduces business risk and allows market participants to explore profitable opportunities and meet consumer needs. The scope for cheating and unfair pricing practices is also significantly reduced when information is available to all market participants. Although, most developing countries have national policies to provide market information to farmers, in a timely and accurate manner, this is rarely the case.

Farmers should have an idea of input sources and prices, current product prices in local markets, the degree of price volatility in these markets, the best time of the day to sell, and price trends and seasonality. They should also have information about the number and type of buyers operating in different local markets, their volume and quality requirements, and selling arrangements.

Finance

Finance is necessary for goods to move along the marketing system. Farmers need to purchase inputs and may want to hold on to their crops after harvest to benefit from higher prices. Traders and processors need to finance investments as well as marketing and processing activities.

In most developing countries it is difficult to access formal bank loans. As a result, farmers, traders and processors tend to rely on savings and informal sources. Farmers may receive inputs from traders or commercial buyers on credit, repaying the loan at a later date with produce or cash. They may also sell their crops on credit, thereby helping to fund the activity of buyers. Wholesalers and processors may advance funds to collectors and assembly traders for the purchase of agricultural products.

Marketing chains

All of these marketing actors, functions business services and policy frameworks, provide the operational environment in which marketing chains operate[3]. Market chain being the term used to describe the multiple market channels through which a product or service moves until reaching the consumer. Farmers rarely sell an agricultural product directly to the consumer. Instead, agricultural products tend to change hands several times and go through different stages before being consumed, as shown in Figure 3.

Market Drivers and Trends

Several key factors drive changes in the marketplace in terms of the quantity, quality, and types of products that are in demand. The following overview describes the major factors that influence market trends and how these affect markets, whether for the short, medium, or long-term.

Population growth

In Africa, the rate of population growth ranges from 2% to 3%. This means that, every year, a significantly higher number of people need to be supplied with agriculturally based goods. For many countries in sub-Saharan Africa, the populations are likely to double within the next 15 to 20 years, suggesting a significant increase in demand for basic goods.

Urbanisation

Last century, the world urbanised at an alarming rate, and about 50% of the world's population now lives in towns and cities. In developed nations, the level of urbanisation is particularly

3. In this manual, the terms marketing chain, market chain, product chain, supply chain, and value chain are used interchangeably.

high, but rates of urbanisation are, in fact, highest in developing countries, especially in Africa. The rapid movement of people from rural areas to urban centres means that more consumers want to buy, not grow, food.

Rising incomes, particularly urban

In most countries, incomes are rising. As incomes grow, people tend to spend a lower percentage of their income on food. This means that people can select either higher quality or more processed foods. The fastest rate of income growth is found in urban centres and, as a general rule, the larger the urban centre, the wider the range of products that are in demand in terms of type, quality, and quantity. In Africa, the emerging middle class is demanding more sophisticated goods, a demand that is being promoted by the rise of supermarkets.

Market liberalisation

This term refers to the process by which control of the marketplace is released or "liberated" from the strict regulation or control of Governments. In many cases, State-led marketing led to massive internal debts, as Government regulated markets to meet their budgetary needs. Lack of competition, weak business/marketing skills and low efficiency led to a distortion of incentives, often producing low prices for farmer's goods and high prices for consumer's goods. In some cases this problem was coupled with high levels of corruption. When Governments required international support to offset serious debt, they were asked to relinquish control of the market by financial institutions such as the International Monetary Fund. The Government, in all cases, still provides a regulatory framework but the mechanics of the market is organised and implemented by a host of private sector actors and companies. This has in most cases led to the emergence of a more competitive marketing system, although in poor countries a truly competitive entrepreneurial sector is yet to emerge.

Globalisation

This term is 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 free up their economies and increase their volume of trade, including agricultural products. Although increased economic liberalisation and openness has been proved to lead to growth, for many developing countries, liberalisation can cause serious economic difficulties. Globalisation is considered by many to be the most influential trend on market forces, having both a positive and negative effect for producers.

Declining commodity prices

One devastating effect of globalisation has been the steady fall in global prices of major agricultural commodities traded on the world market. For virtually all of the top 20 traded agricultural commodities, their value has fallen to its lowest level in more than 40 years. This effect is caused by the declining value of primary goods relative to manufactured goods over time and a general oversupply to major markets.

Market concentration

For the last 20 years, the number of buyers trading on the international market has radically shifted from very many local business traders to a few large international trading houses. For major commodities such as wheat, maize, soybean, coffee, maize, and vegetable oil, the number of traders per commodity has fallen dramatically to 5–10 major international trading houses, such as ADM, Cargill, and Louis Drefuss in the grain markets, or Sara Lee and Nestlé in the coffee markets. This loss in competition at the trader level in the market chain has meant a significant shift in market power away from farmers to buyers. This loss of negotiating power for farmers means they are increasingly locked into a price structure dominated by multinational buyers. The danger of this situation is that the few buyers have the market power to maintain low prices and establish cartels.

Retailing and vertical integration

The fall in the number of international buyers is reflected in a similar effect for the retailer sector. In developed nations, for the last 20 years, many hundreds of village shops have been superseded by a few national or now multi-national supermarkets. For many sectors, supermarkets are the dominant buyers and farmers are required to meet their stringent quality controls and price structures. Sometimes, companies along the supply chain merge so that they become integrated or "interlocked" organisations that can grow, transport, process, package, and retail goods. This type of operation is efficient and can effectively lock out smaller growers from the market.

Consumer concern for food safety

Increasing supplies of food into urban centres has led to situations of mass poisoning. In Kenya in 2004, more than 100 people died of aflatoxin poisoning after eating poorly stored maize. Beef carrying mad cow disease, white wine mixed with glycols, peanuts contaminated with alflatoxins, coffee containing mycotoxins, and numerous other cases have either caused mass illness or deaths and have led to major new campaigns and legal regulations to make food as safe as possible for the public. Such problems mean that consumers want to be sure of the quality of the goods they consume.

Industrialised nations have introduced stringent food safety laws that enforce adherence to specific quality standards. Companies that fail to meet such standards are fined and the defective products destroyed. To sell food products in industrialised countries, suppliers must meet food safety requirements, and products are tested on departure and on arrival. Failure to meet standards leads to termination of contracts. The stringency of food safety laws, often described under sanitary and phytosanitary (SPS) requirements, is rapidly becoming a major trade barrier for goods into developed nations. Food products are now required to carry traceability tags to further ensure food safety. In most developing countries, food laws are seldom enforced but they are being developed and will eventually become an important issue for farmers selling goods on the market.

The growing importance of sustainability issues

Increased productivity can severely affect natural resources. In the agricultural context, this can mean overuse of inorganic chemicals and pesticides. For farmers, this can mean that their land becomes less productive and they need to move onto virgin or more marginal land, thereby accelerating environmental degradation. Consumers have reacted against this with a shift towards demanding products that are produced organically or at least using "clean" production systems. Consumers will also pay a considerable premium for products that can show they were produced under environmentally friendly conditions. In the future, the use of sustainable and environmentally friendly production systems is likely to become a more important issue. Already, the "organic" market is growing by 20% per annum.

Information and communication technology

The advent of computers and, particularly, mobile phones is rapidly changing the ability of communities in rural areas to communicate and gain new information. The mobile phone is considered to be the most applicable information and communication product and, in the future, as phones become more widely available they will become an essential trading tool. Already, in many countries, buyers insist on their suppliers being contactable and, for sales of higher value goods, access to phone technology is fast becoming an essential element of the marketing toolkit.

Niche markets and fair trade

As consumers become more sophisticated they can afford to pay a premium for exotic, novel, or specialty products. These new types of "lifestyle" products, that is, products that fulfil the needs of a very select consumer interest group, have created a new market segment related to "niche" products. Specialty coffee, produced from a limited number of farms is an example of a product that is in such scarce supply that it can command a price many times higher than the mainstream coffee product. Similarly, some consumers will only buy goods that are fairly traded, and the charity organisation Oxfam has championed the idea of "fair trade" products, which pay farmers a fair price for a quality product.

Biotechnology, new crops, and new markets for biofuels, biodegradables, biomedicines, and nutracueticals

Another emerging market is being created around new types of organic products. These include genetically modified organisms (GMOs), plant-based biomedicines, biofuels, plant products with high vitamin or mineral content, such as vitamin-A-rich sweet potatoes and iron-rich beans. Although GMOs suffer from some consumer rejection, their high production performance will probably mean that they will find buyers and that the GMO market will grow.

The Marketing Context for Small Farmers

Despite their production potential, smallholder farmers confront serious constraints in profiting from their resources. Communities need to devise evermore innovative ways of using their

labour, resources, and skills to take advantage of new business opportunities. In many cases, current trends will continue to marginalise increasing numbers of small-scale rural farmers, with particularly negative effects on those that are least organised and distant from markets. To address these changes, rural communities need to adopt strategies, including agricultural extensification, intensification, diversification, and mixed on- and off-farm income streams. They need to find ways to make their production more competitive, add value to primary goods, and target higher value products into growth and higher value markets.

For a more detailed discussion of the changes that have taken place in Africa as a result of agricultural marketing liberalisation and the implications of this for farmers who now have to produce for the market rather than supplying marketing boards, see also FAO's Marketing Extension Guide No. 1 "A Guide to Maize Marketing for Extension Officers"[4] No. 2 in the Marketing Extension Guide series, "Understanding and Using Market Information" this includes a discussion of factors affecting supply and demand.

Preparing for risk

One of the more difficult tasks, when developing marketing strategies is to assess the level of risk associated with a new business option. When working with poor smallholder farmers it is important to find a simple means of assessing an appropriate level of risk that a farmer or farmer' group should take on when developing a new enterprise.

Tools such as the Ansoff matrix (Figure 3) are used to categorise risk options, by comparing types of products and markets. In this matrix, risk increases from 1 (low risk) to 4 (highest risk). Market analysis based on demand and profitability often highlights higher risk options and enterprise groups need to be aware of the risks and benefits from high profit options.

The market facilitator can use the Ansoff matrix to guide groups towards a sensible level of risk based on their experience and financial options. In this case, facilitators may advise newly formed farmer groups to select options that are based on market penetration with the view that farmers should test new markets in a stepwise manner starting with test plots and market trials before engaging in larger scale supply.

For groups with more experience in marketing, higher risk, higher return strategies are likely to be more attractive. To facilitate the identification of market opportunities and evaluate prospects for diversification, CIAT developed a guide: *Identifying and assessing market opportunities for small rural producers* (Ostertag, 2006).

4. (for free copies e-mail AGS-Registry@fao.org). (www.fao.org/ag/ags/subjects/en/agmarket/understanding html)

	Existing products	New products
Existing markets	1. Market penetration (*lowest risk*)	3. Product development
New markets	2. Market development	4. Diversification (*highest risk*)

Figure 3. Using the Ansoff matrix for risk assessment.

Section 3

Institutional Preparation and Planning

By the end of this section, the lead organisation should have:

- *Made an initial survey of the area and potential partners.*
- *Identified a site for intervention, that is, a "project area".*

Time frame: *2 to 3 weeks.*

Rapid Reconnaissance Survey

As part of the planning process, the lead organisation, that is, the organisation that will support a market facilitator, should start out by undertaking a rapid reconnaissance survey of the area in which they intend to work. This information will provide a better understanding of where to start activities and how to link with potential partners. The survey, which should not take more than a week, should gather general information on the following areas:

Social context

General information on the targeted area, including its history, climate, population, social groups, and outlook.

Natural resources

Basic soils, water, specialisation in any crop, livestock, natural resources, areas of outstanding beauty, specialist skills.

Local production resources

Transport system, market infrastructure, farm sizes.

Social capital

Inventory of institutions and development agencies working in the area and of what they do; determination of their interest in learning more or participating in the market-oriented work being planned; interviews with community groups to evaluate levels of social networking, existence of groups for political organisation,

savings, production, etc., with information on group size, numbers, age, strength, etc.

Business organisation

Interviews with larger traders to gain a basic understanding of the major goods, products, and services traded in the area. Major challenges and opportunities, as viewed from the private sector. Interviews with entrepreneurs who process goods, especially the larger entrepreneurs and traders who often have a broader view of the market. Interviews with leading service providers from the input supplies, micro-finance and banking sectors to assess investment processes and potential.

Growth commercial market

In addition to the project site survey, the lead agency should also consider the wider marketing situation of the cluster of districts or country in which the project is being established. This study should only take 3 to 5 days, start with a review of national business statistics of the country to determine key areas of income from the agricultural sector. Meeting with the agricultural managers of large agricultural development projects, agricultural banks and if possible holding short lunch type meetings with leading industrial processors and traders. These rapid interviews will enable the agency to gain an understanding of the principle agro-industries in the country or major demand centres near to the intended project site and to evaluate if these industries offer an potential market options. Linking into growing industrial markets can be a highly effective way of linking farmers to market and mature industrial markets offer the possibility of access to stable growth market opportunities and in some cases contractual arrangements.

In undertaking these areas of analysis, much of this information is likely to be available from secondary data sources and other development organisations and can be used as the basis on which to identify like-minded partners to initiate a "working group". At this stage, the service provider should define the criteria for selecting enterprise groups (i.e., farmer groups who will develop new businesses) and for selecting a defined area in which to implement the project.

Assessing Levels of "In-House" Skills for Agroenterprise and Market Facilitation

As agroenterprise is often a new area of work, the lead organisation may benefit from first evaluating its own "in-house" skills and capacity for marketing and agroenterprise development. This information will be useful for assessing current status and for making decisions on the level of capacity building required to achieve a desired output, and provide an idea of expected performance in the field. Clearly, an organisation with strengths in economics and marketing is more likely to achieve more rapid results in agroenterprise development than organisations with staff who are skilled in agronomy and health.

In evaluating in-house capacity, the lead service provider should consider the following aspects:

- The number of staff with time committed to agroenterprise activities.
- Qualifications of staff, experience, and institutional rating, that is, management days, agricultural advisor days, field staff days.
- Level of training in participatory skills, including (1) community mobilisation, (2) formation of farmer groups, (3) market visits, (4) market analysis, (5) business planning, (6) savings and loans and/or micro-finance, (7) agroenterprise development, and (8) business development services.
- Experience in the skills listed above, that is, have these skills been put into practice? If so, what were the results?
- Access to training materials to assist in a market facilitation activity.

Staff members should discuss these ideas and perhaps complete the capacity analysis box given in Appendix 2. A similar exercise can also be undertaken to evaluate other partners in an objective manner. If the group being analysed scores highly (e.g., more than 30), then they will have strong marketing and enterprise skills that are well suited to rural business development. However, if the score is less than 10, then the team may benefit from training.

Selecting Partner Organisations

Agroenterprise development is a complex task. To link activities and actors along a market chain in an effective manner requires careful

gathering of relevant information as well as skills in building relationships. It is unusual to have all the skills required within one organisation. Hence, success in agroenterprise development usually requires that organisations find like-minded partners from the public and private sectors to support the process at specific points. Partners are also essential in scaling up activities.

When selecting partners, the initiating team, which may include partners from research, education, or development, should address some basic questions: (1) whether a prospective organisation has the resources and interest to support a "market facilitator", (2) if the organisation's management is fully committed to supporting the exercise, (3) whether partners are aware that agroenterprise development is a long-term process linked to seasonal cycles, meaning that the process takes a minimum of 6 months to implement, but usually requiring at least three seasons—which can take up to 36 months—to complete, and, finally, (4) if this time frame is agreeable, then does the institute selected to support a market facilitator meet the following criteria:

- What new skills does this partner offer the group?
- What are its objectives?
- What activities does the organisation undertake to achieve these objectives?
- Does it have the financial and technical skills and/or resources required?
- Does it work in the same or desired geographical area?
- Does it have experience in agroenterprise activities?
- Is it interested in or capable of a long-term commitment to agroenterprise?
- Can it mobilise funds for activities in agroenterprise development?
- Does it work with other agencies such as research or micro-finance?
- Does it have staff trained in using participatory techniques?

Other more specific issues include:

- Does the organisation work on a time-bound project (e.g., 1 to 3 years) or on a longer-term basis?
- Is its goal to empower a community with skills, or to provide services to enable it to better access markets?
- Does it provide communities with assets such as seeds, tools, loans, or livestock, or does it take a more facilitatory role in support of other tertiary partners?
- What are its entry and exit strategies?

In many cases, agroenterprise development will be a new area of activity for at least one of the organisations and therefore the selection of partners may not be based on their current level of skills. The decision to set up a partnership may be based on their performance in the field, their ability to resource new activities, the interest of their staff in this new area, and also their vision of how agroenterprises will support their client communities.

In some cases, a relationship may need to be strengthened so that performance can be monitored more effectively. For example, a formal or informal "Memorandum of Understanding" should be prepared on how the relationship will operate, with information on shared roles and responsibilities and any financial arrangements that are tied to fieldwork.

Partners should discuss these are issues as the answers may influence how an agroenterprise development approach is planned and implemented. Future plans will be particularly influenced by the level of investment available to conduct surveys and initiate new agroenterprise projects with farmer groups. Likewise, a project needs to know if, in the future, funds will be available for partners to scale up from pilot projects.

Once the partners are selected, they then need to select candidates for the role of "market facilitator". This person should be interested in the new role, be dynamic, have strong participatory skills and, if possible, have some background in business. In some cases, this may require hiring a new type of person to the organisation.

Example of Partners

In three African reference sites, institutions that have undertaken this activity in Africa with CIAT's Enabling Rural Innovation group include:

Uganda

Catholic Relief Services, Gulu District; Africa2000 Network, Tororo District; Africare,

Box 1

An example partnership between CIAT and Africare, Kabale, Uganda

Why and how was the NGO Africare chosen to carry out agroenterprise development activities with CIAT?

CIAT's research group has worked with Africare's field and management staff for many years in Kabale District on participatory research on bean production. Over this long-term relationship, the two institutions had built trust, strong lines of communication, and a common vision of what they would like to see happen in their areas of operation.

The partnership began with limited interaction, with the two institutes operating small field trials. CIAT needed a development agency in the highlands of southwestern Uganda that could finance and provide logistic resources field staff, and could scale up successful ideas with other communities. The Africare team was seen as a potentially strong partner as they had well-trained staff on long-term contracts.

The two institutes have since built a good track record of working on common issues related to food security and farmer field experimentation. Linking Africare into a more market-oriented arrangement was a case of natural progression, with no need for additional memorandums.

The institutions work well on marketing and see this new area of intervention as building on previous activities and as supporting their vision of promoting food security and income-generating activities.

Kabale District (Box 1); National Agricultural Research Organisation (NARO), Bulundi District; from the private sector; Uganda Grain Traders Ltd.; Radioworks; and mobile phone companies.

Tanzania

Traditional Irrigation and Environmental Development Organisation (TIP), Loshoto District; Faida MaLi and Hai District Council and the Catholic Relief Services in Mwanza.

Malawi

Plan International, Kasungu District; District Agricultural Research System.

On a larger scale, the Catholic Relief Services have undertaken a regional shift towards agroenterprise development, with 9 countries participating in an East African Learning Alliance. The countries involved include: Burundi, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, South Sudan, Tanzania, and Uganda, as part of the agroenterprise learning alliance.

Host institutions may be governmental or non-governmental, agriculturally-based or more broadly development-oriented, or focus on production or business development services.

Evaluating Farmer Group Organisations

Although the focus of the agroenterprise approach is the market chain, in many situations considerable market facilitation will be required to support producers or farmer groups. This is because farmers are often the weakest link in the supply chain. In our view it is unlikely that effective enterprises will be developed by working with individual poor farmers, clearly individuals who have resources can and do establish successful enterprises. For smallholder farmers, there is considerable evidence to show that organising farmers into groups is an effective way of learning new ideas and becoming more competitive through for example gaining from economies of scale.

The market facilitator should however always verify that group work will be of benefit to the farmers, as there are no absolute rules that farmers must be in groups.

As with all communities there are many social segments within any given society and farmer have different levels of assets, skills and competence. It is important that a market facilitator understands the capacity of farmers working within a group to match appropriate levels of risk with the farmer abilities. To assist

the market facilitator in assessing farmer group capacity, we have developed a short checklist of criteria that will help in determining competency and experience (Appendix 3).

The competency checklist is something that can be used by the market facilitator in a focus group discussion with farmers. Or the checklist can be adapted and given to the farmer group themselves for means of self evaluation.

Matching risk with farmer group competency

The idea of matching the risk of certain agroenterprises with farmer group competency aims to avoid a situation whereby farmers take on inappropriately high levels of risk from the outset. The market facilitator can use simple tools such as the Ansoff matrix (Section 2, Page 21) to alert the group to the level of risk. The group members should also be aware of their exposure to risk based on specific aspects of a business plan such as level of investment required, labour required, the types of buyer and the time to first payment or break even. The market facilitator should also ask the farmer groups to select which products they want to invest in based on their decisions of an acceptable level of exposure to risk.

Giving the final choice of which product to invest in, the farmers group enables certain segments of a community to come together and take on a particular market chain, the poorer group perhaps opting for a lower risk options whereas farmers with more assets or greater levels of marketing skills may want to work together on a more specialised, higher risk options.

This self selecting approach to risk management is attractive as it provides the opportunity to take the agroenterprise approach to a community, but then promotes the idea of the agroenterprise groups being formed on a self-selection process.

In this way the approach remains inclusive, flexible and offers a democratic way of working with different segments of the poor within a less advantaged community, without attempting to evaluate wealth and herd people into class-based groups.

Networking and Establishing Ground Rules

Having identified partners, the next stage is to make clear agreements on how the process will be conducted with particular respect to inputs, assets, and messages given to the beneficiaries.

Level of intervention

To maximise the benefits of agroenterprise interventions, market facilitation should not be confined to one group of farmers, one processor or one trader for several years before being expanded into new areas. Instead, the goal should be to work within a market chain at a network level, testing the process with many farmer groups, several processors and/or traders. In Uganda, CIAT is developing Africa2000 Network's capacity for market facilitation, with facilitators operating in eight districts with more than 50 farmer groups and many types of traders.

Scale can only be achieved from a reasonable starting number and therefore the initial level of intervention must not be a restricting element of a strategy which aims to introduce marketing into the farming system. The market facilitator should operate at a level where impact is considered to be the most effective, while providing tangible and concrete support to farmer groups. For a selected market chain, the market facilitator should start with a minimum of five farmer groups and also focus on potential service providers, and aim to scale up the number of farmer groups after one season. At the end of 2 years, the facilitator should be servicing at least 20 farmer groups, each comprising 20 to 30 farmers.

Planning for scale

Scaling up is an issue that the support organisation and market facilitator need to consider from the outset. A major reason for establishing a working group is to prepare for scaling up, and the lead organisation should identify partners who can disseminate successful interventions through their networks. However, scaling up should start only from an initial point of success. The lead organisation can therefore realistically begin replicating the process more widely only when the market facilitator has undergone at least one effective enterprise cycle (i.e., from identifying a market to selling the product or service). At the end of this first enterprise cycle, the facilitator should then assess the interest

and commitment of other like-minded service providers in the project area to take up the approach. Hence, the lead institution needs to appreciate that, in the early stages of the agroenterprise process; many partners may only play an observer role.

Given that the pilot project is successful, the next stage in scaling up will be for the lead service provider to apply the approach to more farmer groups within the project's area. The scaling up process should either (1) encourage more groups to sell a selected product into an identified market, thus achieving economies of scale; or (2) empower many groups to diversify into a wider range of products and markets.

Whatever the aim for scaling up, the lead organisation should investigate opportunities for networking so that other service providers may gain skills in agroenterprise development and apply the methodology more widely. If the pilot project and initial learning occurs over 1 or 2 farming seasons in a year, then scaling up should be implemented in the next 2 or 3 years. With many successful projects, scaling up is often not achieved because the implementing group spends too long on the pilot stage. A proactive approach to scaling up must therefore be adopted.

Our experience suggests that if the pilot study works well, then the lead institution should aim to rapidly increase the number of farmer groups by the second, and certainly the third enterprise cycle, or farming season. Scaling up requires considerable effort and resources invested in capacity building, which may mean training partners for 12 to 24 months. Training is also best applied with incremental sessions on each skill in the agroenterprise process, starting with pilot sites on existing products and then progressing to full market-opportunity studies, to developing new enterprise options, and strengthening local business support services.

Client Support and Provision of Physical and Financial Assets

Rural development inevitably involves the investment of resources into a specific community through direct investment, credit schemes, or skills and/or technology transfer. We hope that such investments will have long-term benefits for the community and certainly hope to avoid any negative interventions. Some development agencies have considerable resources that must be spent within a limited period. Under such conditions, service providers are greatly tempted to force-feed local communities with new assets and "pump up" their ability to increase production and supply local markets. This, however, can be counterproductive, unless sufficient funds are also invested in developing adequate market options.

In today's less interventionist environment, development organisations are increasingly investing fewer resources in direct inputs (e.g., seeds and tools) and emphasising facilitation. The aim is to empower the local community to take a more proactive approach to their income-earning abilities.

However, the ability of farmer groups to respond to market signals will depend on the targeted community's position within the livelihood or "wellbeing" (wealth) spectrum. Some communities, for example, are in extreme poverty and/or shock because of:

- Food scarcity through weather.
- Calamity such as war, drought, or floods.
- Chronic political insecurity.
- Lack of income opportunities by virtue of remoteness from markets.
- Traditional lifestyles that are only intermittently cash-based.

In such cases, service providers should work with the local community and donor organisation to decide on asset building approaches before embarking on a transition towards a marketing approach. However, the service provider should clearly maintain that the work's goal is to build up sufficient local assets and then quickly move into a more market-led approach to avoid laying the foundation for continued dependency. Even in situations where farmers are food insecure, markets can be highly resilient, usually recovering effectiveness after most shocks. The service provider should therefore work with communities, providing only the most essential assets and looking for market options as soon as they emerge. Long-term provision of free assets leads to dependency and negative incentives for market development, thus relegating farming communities to long-term poverty.

No handouts

In most situations the best advice for a market facilitation project is to adopt the strategy of **no handouts**. This makes the rules of engagement clear and although the enterprise development process may be slower compared with financially supported or subsidised methods, it is also more likely to be sustainable.

Internal savings and loans

In the past 5 years there has been a general rethink regarding the use of credit in rural development. Whereas non-governmental organisations (NGOs) were highly supportive of credit systems, problems associated with poor rates of repayment, inability of clients to overcome churning[5] and lack of sustainability of the credit institutions has encouraged several NGOs to place more emphasis on group savings schemes and also on developing group skills to internally loan their funds at profitable rates. Simple savings methods such as merry-go-rounds and crisis savings, starting with very low inputs are one way to inculcate the idea of savings. This approach is highly consistent with the agroenterprise approach as groups can start with a low investment business plan and as group savings increase, so can the ambition of the business plan. Profits from the group can be re-invested into the group business or loaned, either within the group or to other clients outside of the group to increase the income earning capacity of the savings.

Use of loans and credit

For many farmer groups, market opportunities are available but can only be accessed if "short-term" capital or material support is available. It should be remembered that farmers should not be encouraged to take free inputs if they are at all capable of entering a business arrangement. It should also be noted that many agencies that are not specialised in finance have a very poor record of loan recovery.

However, once a facilitator has identified that a critical investment is needed to access a particular market such as seed, fertilisers, pesticides, packaging materials, or transport, the service provider should develop a business plan that will enable farmers to buy those requirements through some form of payback scheme. This may include discounting the credit through cash, labour, or at least paying back the cost of seed with part of their harvest.

The principle of the agroenterprise development approach is that farmers enter a business agreement, becoming business partners, and therefore cannot consider any credit given as a soft loan or potential gift.

We emphasise this principle because farmers will adopt very different attitudes towards enterprise options when given a choice between free inputs and repayment schemes. In the free input or heavily subsidised situation, ownership or application to a business process is generally weak. The incentive or implication is to reduce responsibility and reward failure. In contrast, when incentives are placed on individual performance and assets and inputs are tied to group responsibility for repayment, the implications are that greater individual effort leads to higher reward, but that all group members are accountable to each other. Peer pressure is a powerful community force that the service provider should use to guide the group in working towards success.

Rules of engagement for credit

The use of credit requires financial skills and sound business management. Where possible, the service provider should enable farmers to access financial credit through an experienced third-party financial agency such as a micro-finance union. Service providers who are focused on production and marketing should usually avoid playing the role of credit agent because this generally means the service is poor and undermines the market for more specialised local service providers.

However, and unfortunately, in many remote rural areas, few specialised financial services exist, and financial agencies are even fewer that will lend to farmers who have no collateral assets. In this less-than-desirable situation, the lead service provider may need to provide a short-term credit facility. In such circumstances, the service provider should seek the advice of a local financial agency to establish near-market conditions for loan rates and to understand and where needed clarify the ground rules and the responsibilities of the farmer group being considered for a loan. The information in Box 2 describes the conditions stipulated for a farmer group in Uganda, where no micro-finance was available to support the group.

5. Churning is a term used to describe a situation whereby money is cycled through a business with virtually no profit. Hence money circulates but when costs of borrowing have been removed the return on the investment hardly merits the effort put in.

Box 2

How financial conditions affect planning

In Uganda, a service provider and farmer group developed a business plan to supply an identified market with 5 tonnes of beans. The initial enterprise plan, based on free inputs, included developing a group production plot, paying for all labor needs, and clearing previously unused land.

When the group was informed that the business would be supported through a loan, the farmers changed the plan entirely. Funds were borrowed only for essential capital items. The group production approach was replaced with farmers producing individually, and hired labour was replaced with family labour. The only collective action was for marketing. The simple change in incentives changed attitudes and group dynamics entirely as reality set in.

The service provider endeavored to find a finance agency to administer the loan and set an interest rate. A micro-finance agency advised that it did not loan to farmers who did not have title deeds for their land. The agency also informed the group that they only provided short-term loans, starting at US$5 (or local currency equivalent) for 1 or 2 months, with initial repayments starting after 10 days. This loan instrument was developed for petty trading. If a borrower was successful and credit worthy, then he or she could borrow up to $500, repayable within 18 months. Interest rates were 25% over 3 months, that is, 100% per annum.

On revising the implementation plan, instead of borrowing US$1500, the farmers wanted to borrow US$500 for one season, that is, 4 to 5 months. Inflation rate in the area was calculated as being about 10%. For the farmer group to understand how to calculate the rate of inflation, the calculation was based on the annual increase in price of a locally available industrial product, such as a bicycle. Loan conditions were therefore made as follows:

1. The initial capital sum would be given to the group only when they had set up a bank account.
2. The funds deposited would be the responsibility of the financial committee.
3. An interest rate of 20% was agreed on.
4. The loan would be used for one cropping cycle, that is, for a maximum of 6 months.
5. The funds would be used only for the expenditures agreed on in the business plan.
6. Group members would not conduct cash transactions.
7. Group members may apply for funds to buy inputs such as seed, fertilizers, and pesticides, or finance activities such weeding or harvesting. For physical assets, the requestor would be given the physical input to the value of the funds requested. For seed, farmers would be given seed, based on market prices. Labour would be provided through labour vouchers given to the requesting farmer, based on a daily or task-based rate. The labourer could redeem payment from the treasurer on completing the task set (e.g., preparing 0.5 acres of land for planting). The treasurer provides cash to the chairperson and/or deputy chair for purchases only in the presence of another committee member.
8. The group would meet regularly (weekly) to review payments made and compare notes on crop performance against the activities laid out in the business plan.
9. At sales, the group would sell collectively, with profits being shared according to the amount of produce the farmers contributed to the collective sale. Any costs would be subtracted from the resulting income before distribution to farmers.
10. The group requested two responsibility clauses:
    - Farmers who defaulted on the loan would be identified but costs would be covered by the group.
    - In the case of a general crop failure, the farmer group would not be obliged to sell their assets to pay for the loan.

Such conditions should be revised on a case-by-case situation. The purpose of the loan approach, albeit subsidised, is to introduce the concept of the cost of finance to farmers. Ideally, the level of the loan should be made in an incremental manner to help build financial skills within the group, encourage members to keep records, develop group responsibility, and prepare the group for future dealings with a specialised financial agency.

Information from service providers confirms that repayment levels from farmer groups, especially those who have received free inputs, are low. Where possible, therefore, loans should be administered through a third party. Many local micro-finance agencies are under funded and will discuss terms with an agricultural service provider who has funds to support farmers.

Risk or enterprise funds

Enterprise development is inherently risky. In the business environment, failure occurs and the service provider should factor this probability into the planning process and in some circumstances, may consider sharing the risks associated with it. For an enterprise group who are learning new skills in developing a business, they invest time and money into a new business without knowing if it will be profitable. To encourage more marginalised farmer groups, or groups living in extreme poverty, to embark on developing an agroenterprise, the service provider may consider sharing the cost of risk by providing "financially appropriate" grants to support "activities" such as:

1. Preparing a business plan.
2. Setting up an association of enterprise groups.
3. Experimenting with a particular product, process, or livestock.
4. Training on critical points such as quality control for products, establishing a packinghouse, and training in business skills and book keeping.
5. Pilot site development.

The idea of "financially appropriate" support can be linked to daily wages when funding the preparation of a business plan or the time to undertake a production-based experiment. Examples of how such support has been given include the following:

***In the Philippines*:** farmers were provided with specialised plastic containers and labels to pack their high-value vegetable crops and tag them for transport to the market. The tags were to determine produce sourcing for both payment and rapid source location if there were problems with the product. In this case the costs of the containers were discounted from profits, when the business was operational.

***In Tanzania*:** farmers were provided with seeds of a new variety of tomato and given fertiliser for a test plot to encourage them to compare their local varieties with the new variety from research. The farmers were not paid to do the experiment, because their labour was considered as matching the grant. The risk or enterprise fund is therefore used to share the risk of introducing or testing an innovation.

***In Uganda*:** a grant was given to a local manufacturer to build a prototype cassava-processing machine for a farmer group setting up a pilot site for cassava processing. The information gained at the pilot site was used to verify and substantiate the ideas of the initial business plan, which, if successful, could be replicated by other farmer groups.

***In Vietnam*:** farmer groups were given grants of US$3 to $5 to cover costs in preparing a business plan. The opportunity costs for local labour were set at about US$0.80 per day and the loan, therefore, would cover the farmer's time for about one week. In this case, the fund was used as an incentive for farmers to work on collecting information and developing their own business plan.

The size of grants from a risk or enterprise fund should be carefully considered in terms of cost sharing and potential profit. At the most common level, with small-scale enterprise options, the risk fund would typically operate at a level of US$10 or local currency equivalent, increasing to levels of $200 to $300 with larger business options, and more often with higher value products. Sometimes, the level of investment can increase as the scale of the enterprise increases.

When the enterprise's operations reach beyond a threshold level, for example, $500, the service provider should opt for a more sophisticated approach whereby the risk investment fund is repaid, based on the enterprise's profits. When such a risk investment arrangement is being used, then the lead service provider should hand its management to a third-party specialist financial agency, and guarantee the use of risk funds by that agency.

Exit Strategies

As with scaling up options, the lead organisation should also make plans for the time it intends to invest with a community or cluster of farmer groups. If the goal is to empower many communities with marketing

skills, then the lead organisation will need to make some decisions on the amount of time it can dedicate to a typical farmer group.

Exit strategies can be time bound, for example, 2 to 3 years of support to a given number of farmer groups before withdrawing.

Alternatively, the initial service provider will begin by spending years 1 to 2 with a select number of farmer groups to build in-house capacity, adapt the process to local conditions, and build up a group of interested partners.

In years 3 to 5, the provider will step back from frontline fieldwork and focus on market linkage and networking the agroenterprise development approach through other service providers. At this time, the provider can also shift its focus towards the capacity of local business support services, giving particular attention to links between farmer groups and market information and financial services.

In years 6 to 7, the agroenterprise approach scales up through third-party organisations working alongside their selected farmer groups. The lead service provider can then focus more on supporting local business development services that will enhance the sales capacity of selected market chains.

In years 8 to 10, several organisations, including the instigating lead provider, can work to strengthen networking across farmer groups in much the same way that micro-finance operations link groups of borrowing agencies. A final area of intervention from the service provider may at this point include local and national policy advocacy (Table 2).

The time frames suggested in this model depend on the capacity and abilities of farmer groups and the strength of markets in being able to support many farmer groups.

The service provider may also choose only to apply learning skills and then exit. This process would initially take one season to get farmers to market and then an additional year to pass on the enterprise skills, that is, it would be a 2-year process.

Table 2. Transitional exit strategy with a 5 to 10-year time frame.

	Time[a]				
	6 months	1 to 2 years	2 to 5 years	6 to 7 years	8 to 10 years
Lead service provider	• Gain in-house competence • Initiate interest group	Establish a monitoring and evaluation procedure	• Focus on scaling up through interest group partners • Provide training to other partners through a learning alliance process, i.e., incremental learning • Initiate process of working with BDS providers	• Evaluate local BDS options for strengthening • Link farmers to BDS providers • Link farmers to other higher order entrepreneurs • Initiate work on policy analysis and reform	• Focus on broad-based service provision such as finance and market information • Initiate work related to policy analysis and advocacy
Farmer groups	• Farmers organise into a marketing group • Start enterprise cycle with a pilot project	• Start savings scheme • Introduce M&E process • Expand enterprises	• Farmers focus on new products • Strengthen record keeping for finance and monitoring • Experiment within selected market chain to improve enterprise	• Link with other farmer groups for selected products • Start process of association building	• Pay for services to support growth in product sales • Link with or develop limited company associations for commercial sales
Partners	Observe first enterprise cycle	Enter learning alliance programme	• Scale up process with new farmer groups and their partners • Introduce experiments to accelerate innovation	• Work with BDS groups • Link to specialised innovation partners	Take on more specialised role within the agricultural sector
Researchers	• Work with farmer groups and SPs to identify new markets • Work on technology innovation to support selected market chains		• Work with local service providers to scale up local ability to provide successful technologies • Work with higher order traders and processors to increase prospects of scaling up and value aggregation	• Work with local SPs to scale up local ability to provide successful technologies • Specialise in certain technologies and social organisation processes	Continue process of introducing new innovations into the system

(Continued)

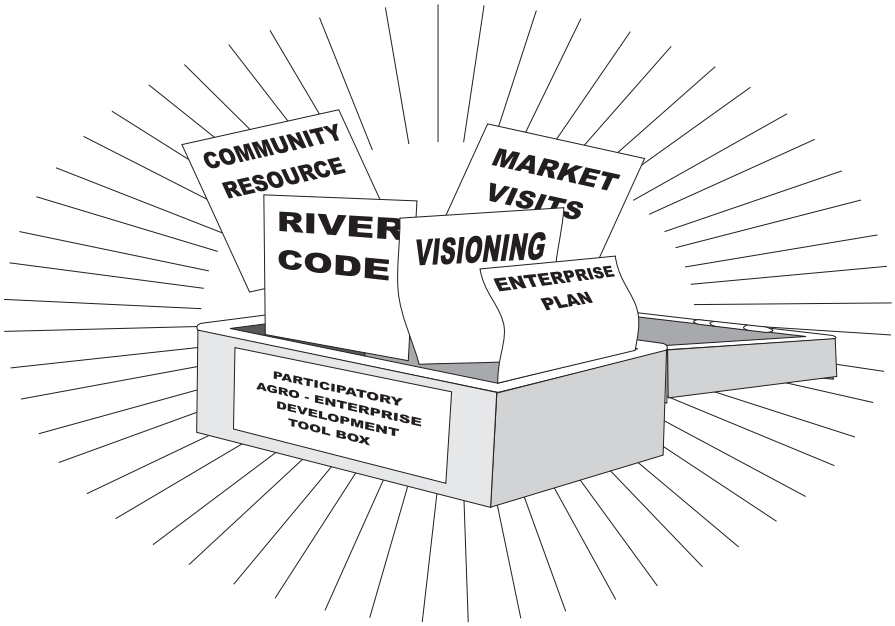
Table 2. (Continued.)

	Time[a]				
	6 months	1 to 2 years	2 to 5 years	6 to 7 years	8 to 10 years
BDS partners			Work with farmer groups to identify most critical services linked with selected and successful market chains	Develop payment processes to sustain local support services	Specialised local SPs emerge
Higher order entrepreneurs			• Link new level market-chain players with successful farmer groups to strengthen market links • Link with research to make new technologies available	• Primary processing pushed back to rural areas • Identify new processing opportunities to link with farmer-processor groups	New markets develop, based on market intelligence and technology scouting and application

a. BDS = business development services; M&E = monitoring and evaluation; SP = service provider.

Section 4

Tools for Working with a Community



By the end of this section, the market facilitator should have:

- *A good understanding of the main participatory tools required.*
- *Have trained interested partners in the use of these tools.*
- *Pilot tested unfamiliar tools.*

Working with the Community

The agroenterprise development process involves a series of steps to be undertaken in participation with farmer groups and other partners. The process of holding joint meetings and planning sessions builds trust and sets a clear code of practice. The way the local development institute works with a community is a critical part of the process. The lead institute and its partners must create a common understanding and maintain a consistent message. As shown in Figure 1 (Section 1, page 6), the first activities aim to select a project area and community groups, then analyse the participators' and community assets, BUT, these activities should be done in a participatory manner. The "market facilitator" must therefore be well prepared before starting to work with partners and the targeted community.

The Philosophy behind Community Engagement

This approach to agroenterprise development aims to empower local communities to use their own skills and resources to identify market opportunities and develop new agroenterprises. To achieve this goal, participatory tools are used in a learning-by-doing framework for learning together and for imparting knowledge to client groups.

The market facilitator should make it clear to the targeted community that the support given for agroenterprise development will operate for a limited period, *as is designed by the project team*. The market facilitator, as the name suggests, will play a catalytic function and is not a supplier of goods and services.

The following text provides an outline of the types of participatory tools used to support communities, together with examples of tool use and the types of results expected from an agroenterprise perspective.

Gender Sensitivity and Cultural Values

In developing successful business options, key social values of trust, honesty, group support,

and responsibility should be shared and agreed on. Not only should the agroenterprise development approach lead to skills in income generation through building local enterprises, it should also seek to promote core values of gender equity and social responsibility. In rural communities, women play an important role in both family affairs and working on the farm. However, their inputs are often undervalued; they are under represented in decision making, and often do not receive equity of benefits. The market facilitator should pay special attention to the values and needs of women's groups and other vulnerable groups within a community such as the youth and those living with HIV/AIDS. In many localities, gender specialists can assist in working with communities.

Getting to Know the Community

A major role of the "market facilitator" is to gain a sound understanding of the clients within the targeted area and build a trusting relationship. This can be achieved by mobilising the community and through dialogue. Typically, mobilisation starts with informing local leaders, elders, or chiefs about the intended programme. Permission is sought and leaders are tasked to inform and prepare the community for the first meetings.

In Uganda, for example, the Local Community Chairman[6] is briefed about the intended activity in his or her community and asked to call a meeting of the residents. This type of meeting helps to establish a higher degree of acceptability for the future project within the community. Even if only a subset of the community is directly involved from the outset, the community has been informed. Some members may have had the opportunity to learn and others will actively seek involvement based on this initial meeting. Gaining support from local leadership is an important first step in community development, and the market facilitator should make time to discuss ideas with community members and take their advice as a first step towards building a relationship.

Building confidence

First meetings are important. The "market facilitator" should use these opportunities to listen and learn about the communities in the project's selected area, their composition and farming system. This information will help the facilitator and other supporting partners to gain first-hand experience of the opportunities and problems that the community faces.

6. Local Community Chairman: this basic administrative position represents a village of 50 to 150 households.

Some farmers will be suspicious or sceptical of the facilitator's motives and many will not fully participate in the early meetings. The "market facilitator" therefore needs to "break the ice", to help farmers feel more comfortable at meetings, get to know each other, understand their involvement in this process, and feel sufficiently at ease to share information. Some of the poorer farmers in the community often prefer to keep quiet and let the wealthier or more educated farmers do all the talking. The visit of a new team often creates considerable expectations of free handouts, whether in cash or in kind. The facilitator needs to read these signs and find ways to inform the group about what will be provided and, importantly, what will not be provided. By working with farmers in an open way, trust will be gained and much better participation achieved.

Participatory Tools for Community Diagnosis and Market Planning

To get to know a community and gather information in a participatory manner, CIAT's Enabling Rural Innovation team uses the following tools:

- River code.
- Community resource maps.
- Seasonal crop calendars.
- Ranking, scoring, and weighting.
- Historical calendars.
- Client profiling.
- Market flow mapping.
- Visioning.
- Market visits.
- Participatory monitoring and evaluation methods.

These tools can be used either alone or in combination. The market facilitator should decide which tools are best suited for the prevailing conditions. The information gained through these tools should form the basis on which to develop commonly agreed plans for developing agroenterprise options that will improve the community's wellbeing.

Useful tips for the facilitator

- Some of these exercises take a lot of time, as much as one half or a whole day. You must be mindful of the farmers' time and explain at the meeting's outset how long it will take. If the exercise coincides with crucial community activities, the participation of the entire community might be compromised.
- Always plan for the meeting to take longer than anticipated, as many communities need time to gather, to resolve issues and come to consensus.
- Start meetings by introducing yourself and your assistants. Explain what will be done and why. Give the farmers time to introduce themselves. Set a time frame.
- If the exercises take the whole day, make sure that the farmers are provided with food, either by paying the community to prepare food or bringing soft drinks and bread, maize, or rice, depending on the locality. Share this responsibility with the community such that both sides pay for part of the process.
- If many people come to the meetings, create several smaller groups. These usually enhance participation. By working in groups, you may also reduce time taken to conduct the meetings and ensure a lot of information is collected.
- Use methods that collect the most necessary information needed for agroenterprise development in the shortest amount of time. Carefully select a minimum number of tools to gather information. Do not use these tools a way of passing other people's time and always see how information can be focused on market development.
- Come to the meetings prepared. For most exercises, you will need marker pens of different colours, flip chart paper, and tape. If you want community representatives to keep records, provide them with pens and note books.
- Use "energisers" when a meeting becomes unproductive, especially, after 1 hour of work or after lunch. These short exercises get people onto their feet, get their blood circulating more vigorously, and help refocus their attention. Make this fun!

River code

(Time required: 1 to 2 hours)

The river code is an activity used to explain to the community the market facilitator's role to empower and guide the community. The main message is that the facilitator's role is not to burden people with assistance and leave them stranded in the middle of the river, but to be a guide. However, as the market facilitator will not be there forever, the farmers need to learn from him or her.

To conduct this exercise, the facilitator needs two pieces of rope or branches to represent the banks of a river, some paper to represent stones (or draws large circles on the ground to represent stepping stones) by which to cross the river.

The facilitator takes aside three members of the farmer group and gives instructions for a three-act "role play". The audience is told that the rope or sticks are the river banks and that two people are trying to cross the river. They want to find something better on the other side (Figure 4A). The group acts out the play in mime to the rest of the group.

In the first act, two people attempt to cross the river. One person, representing a service provider tries to carry the other person (farmer) across the river on his or her back, Figure 4A. The service provider finds the task of carrying the man/woman across the river difficult. The carrier gets too tired to continue. He or she leaves the person being carried behind in the middle of the river and returns back to the original side of the river. The person who was being carried is abandoned to his or her fate, receiving no more help (Figure 4B).

In the second act, the task of crossing the river is repeated with the same person representing the service provider, leading another person (Figure 4C). In this second act, the leader does not carry the other, instead holds his or her hand and shows very clearly where the next stone is positioned. The two people take time to cross the river but, by showing the second person where the next stone is located, the two manage to cross the river (Figure 4D).

On reaching the other side of the river they celebrate. The person who helped the farmer to cross the river then waves goodbye and leaves the play. The person who was shown the way returns back to the original side of the river.

In the third act, the person who was successfully shown how to cross the river takes a member of the audience and shows him or her how to cross the river. The person does not hold hands with the member of the audience but leads him or her to the edge and then shows where to step. The role play ends when the two people have finally crossed.

When the role play is over, the group reforms and the facilitator leads a discussion about what the play represented. The story's key element is that the river is the challenge. In the agroenterprise context, the river is the work that has to be done to find a new market opportunity. The first side of the "river" is where the community is now. The other side of the "river" is where the community would like to be. To achieve their goal, community members must cross the "river".

The play involves three characters, two are farmers and one is the facilitator. In the first scenario, the facilitator brings everything to the farmer. In reality, this represents a service provider supplying the community with free seeds, tools, fertiliser, credit, transport, and

Figures 4A and 4B. The River Code scene 1 "Bearing the load".

Figure 4C. River Code scene 2 "Let's work together".

Figure 4D. The River Code scene 3 "Crossing together".

traders. However, after some time, the service provider gets tired of continuing, such as when a project ends. When this happens the farmer is left behind because he or she does not know how to get to the other side. That is, the farmer was being "carried" and when support was withdrawn he or she was unable to continue along the same path.

In the second instance, the service provider empowers the farmer by guiding him or her through the "river", clearly showing the "stepping stones" that the farmer needs to use to get to the other side. This time the farmer is slower to cross but gets there by working with the service provider. At this point, the service provider leaves. However, the farmer has learned how to cross the "river" and can now return to

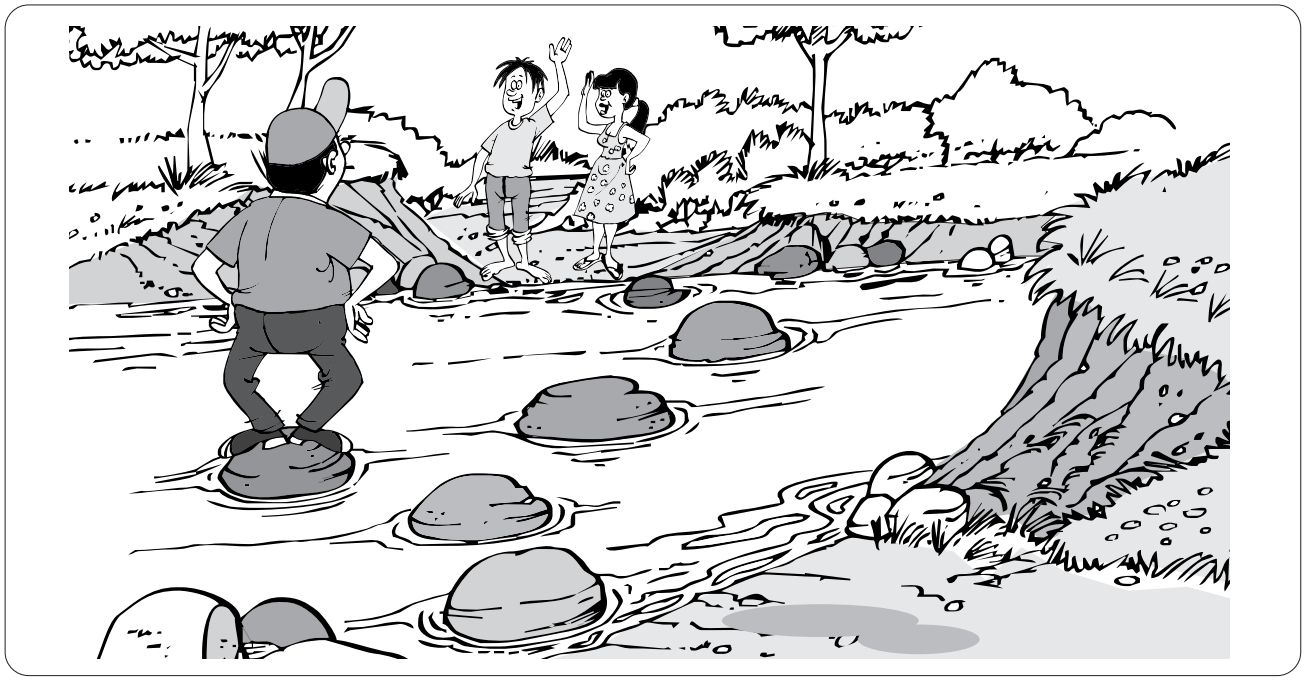


Figure 4E. The River Code scene 4 "Together we can succeed".

where he or she was and, most importantly, help others cross the "river".

After the play, the market facilitator leads a discussion about what the play represented, who did what, and how this relates to ideas on enterprise skills, learning, and community empowerment. The facilitator emphasises the merits of learning by doing, compared with supply-driven solutions that may lead to dependency.

Community resource maps

(Time required: 2 to 3 hours)

This graphic tool is used with the community or village to develop a map, that is, a spatial inventory, of its physical features and resources. The exercise can be carried out with a subset of the community or by the farmer group with whom the market facilitator will be working. The village (community) resource map should be one of the first tools used because it opens up the community and ensures participation.

The facilitator starts by asking farmers to draw a map of their community or village, beginning with boundaries. Then various features are added such as houses, churches, schools, medical clinics, roads, fields, crops, livestock, water, and wetlands. The map is drawn on a flip chart. The farmers, men and women, are given markers to draw their assets. Every farmer is encouraged to contribute to the map, the facilitator should not ask for each asset, but allows the group to think about what they have and so build up a picture of their assets.

If paper is not available, the map can be drawn on the ground, using various objects such as stones, bricks, fruits, or other plant materials to show the community's various landmarks and resources. The facilitator should ask people what is most useful in terms of their marketing activities and what people lack in terms of getting to the market. The facilitator should ensure that no one dominates the map-drawing exercise. By the end of the exercise most members should have participated in drawing the map.

If possible, a digital photo should be taken of this map as a record. Figure 5 shows a resource map which was developed for Tororo, Uganda.

Seasonal calendars

(Time required: 2 to 3 hours)

Seasonal calendars are important tools for getting to know farmers, the type of farming systems being used, the number of cropping cycles that exist in the year, how they relate to income and food security, and how farmers' lives, and therefore labour, are organised throughout the year. These tools can be used to highlight problems and major activities, and evaluate cropping options, ranking them from low-value to high-value.

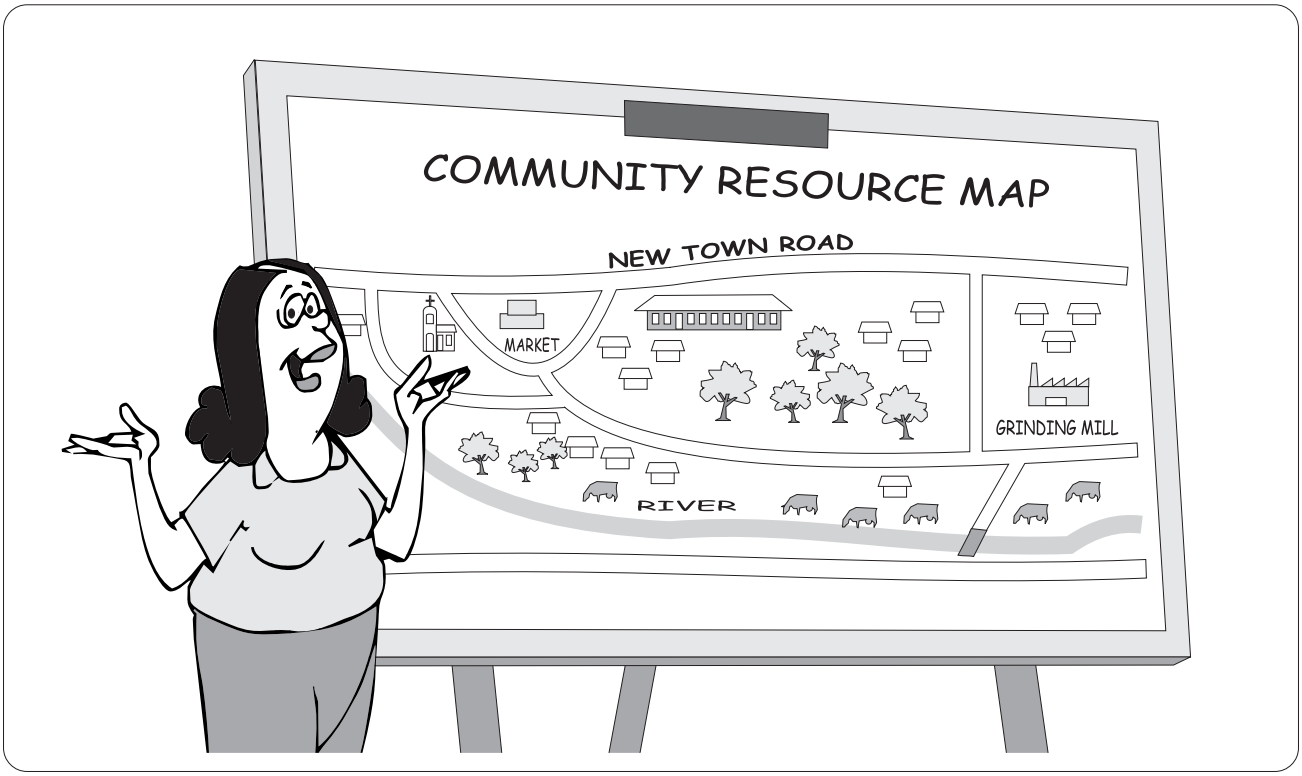


Figure 5. Community resource map developed for Tororo Village, Uganda.

The facilitator may also want to use this tool to determine trends in cropping, that is, to discover when to introduce new crops or products and the best time to test an enterprise option. For example, in the dry season, cropping is limited and farmers maybe interested in testing a new short-cycle crop in the wetlands as an off-season alternative. Labour is often available in the off-season and this could be a good time for a pilot project.

The facilitator can draw on a flip chart or on the ground, the months of the year from January to December and then ask the farmers to fill in the activities they carry out each month. The farmers should indicate the months of the rainy and dry seasons, and provide supplementary information on activities associated with problems such as when pests and diseases are prevalent, when roads are impassable, or markets are oversupplied. The facilitator should attempt to understand the magnitude of these opportunities and challenges throughout the year (Table 3).

Product ranking and scoring

(Time required: 2 to 3 hours)

This method is used with farmer groups to gain an idea of what is produced by the community, how much is produced, and for what purpose. The facilitator should draw up separate tables for food crops, livestock, and cash crops. For each of these tables, the farmers should draw up a list of the products they grow. The next task is to rank these products.

To find the rank order of the products within each of these categories, the products can be weighted to explain their importance. Sometimes, a sample of the products being evaluated can be obtained to focus the discussion. Each farmer can then be asked to vote or put a stone next to the most important product. Pictures can also be used so that farmers who cannot read well can participate fully.

Products can also be compared for different purposes such as (1) food security, (2) cash income, (3) high value, (4) home nutrition, or (5) women's income/medicinal products. On

Table 3. Cropping calendar for various products and poverty indicators.

Month	Crop[a]									
	Irish potatoes	Beans	Cabbage	Sorghum	Peas	Labour (pyrethrum)	Pyrethrum (year 1)	Pyrethrum (year 2)	Poverty	Famine
Jan	Weeding	Harvest	Harvest Planting	Planting	Harvest LC	✓✓✓	–	Gap filling Manuring	✓	–
Feb	LC			Planting Weeding		✓	–	Planting Manuring	–	–
March		LC	Weeding Spraying	Weeding	Planting	✓✓	–	Weeding	–	✓
April		Planting	Harvest			✓✓✓	LC		✓✓✓	✓✓✓
May	Planting		Planting	–		✓✓	LC Planting Manuring	Spraying Harvest	✓✓	✓✓
June		Weeding	Weeding	–		✓✓	Manuring		✓✓	✓
July	Weeding Spraying	Weeding Harvest	Spraying	Harvest		✓	–	Harvest Weeding	✓	–
Aug		Harvest	Harvest		Harvest	✓✓✓	Weeding		–	–
Sept	Harvest	LC	LC	–	LC Planting	✓✓			–	–
Oct	LC	Planting	Planting	–		✓✓	Harvest		–	–
Nov	LC Planting	Weeding	Weeding Spraying	LC		✓	Harvest Drying		✓✓	✓
Dec	Spraying Planting		Harvest			✓✓✓	–		✓✓	✓✓✓

a. LC = land clearing.

comparing products, the facilitator should make it clear that the product with the most votes will be considered as the most important. Once the facilitator has the results, he or she should discuss them with farmers to confirm them and be sure that all agree with the results.

Another method is to use pairwise ranking (Table 4). With this method, the farmers examine pairs of crops and indicate which is more important than the other. Again importance needs to be clarified so that people know what they are voting for.

When conducting this exercise for pilot project selection, make sure that this is discussed beforehand and that the group understands why ranking is important. If this exercise is being done with farmer groups, other important information to be gathered includes:

- How many people in the group produce the products being discussed?
- Market locations for this product.
- Market conditions (price, frequency of supply, minimum lot size and quality required).
- Traders involved.

If this information is being used to select an existing product for a pilot project, then the facilitator should aim for a short-cycle product that brings high income, has high market demand, and is produced by most of the farmer group's members.

Historical calendars with a focus on marketing

(Time required: 2 to 3 hours)

Historical calendars are important for giving a picture of the situations farmers have experienced over the previous 5 to 10 years. This exercise forms the basis of "visioning", which is discussed below. Few activities start from zero, as communities change over time and many have received assistance from many sources over time. The facilitator should understand what has happened in the past. For example, has the community undergone major shocks, natural or political? How did this affect the community? Has the community benefited from a new infrastructure or an innovation? How has the market changed over the past 4 to 5 years? By learning how the community adapted to these changes, the facilitator will better understand the community's strengths, opportunities, and attitudes to risk, and better evaluate changes related to community links, infrastructure, market options, and innovation.

As agriculture is based on natural resources, the facilitator should also understand what changes have taken place in the resource base, particularly in terms of quality. Have yields dropped because of soil degradation and/or new policies on land size holdings? Table 5 shows a historical calendar made for Mbuule Village, Tanzania.

Historical calendars help farmers see how they respond to change and the impact they have on their resource base. This can have a predictive impact and the facilitator can guide the farmers to interpret the pattern of events in their history.

To prepare historical calendars with marketing and innovation events, a facilitator needs:

- Paper and markers so that farmers prepare a matrix, with years on the one hand and significant events during each year on the other.
- Timelines. The facilitator obtains one by asking the farmers how far back they can remember events that have happened in their village. People often remember particular events such as the inauguration of a new President or a World Soccer Cup. The facilitator should use these events to set up timelines.

Table 4. Importance of crops for income within the group.

	Maize	Beans	Rice	Chillies
Maize				
Beans				
Rice				
Chillies				

Table 5. Historical calendar for Mbuule village, Tanzania.

Time	Event	Impact
1980	Road built by Chinese in 1982	Enabled us to get to nearby towns and sell our beans to more traders
1985	Major famine in 1987, due to El Niño	Lost all livestock and received food aid
1990	New school opened in the village	All children went to school Labour prices increased
1992	NGOs informed us about HIV/AIDS	We found many people were sick
1995	Coffee prices fell to low levels. In 1997 maize prices were very good, but crops again failed due to poor rain	Farmers pulled out coffee NGO's introduced fruit trees Built more stores for grain
2000	Cameroon nearly won the world cup Started our farmer self-help group	First time we saw colour TV, started merry-go-round savings scheme to help with funeral rites. Many people lost relatives to HIV/AIDS
2001	Catholic Relief Services started new projects on health and gender	Seed fairs enabled partners to gain a range of new varieties
2002	Micro-finance opened office in nearby town Drought caused first season crop failure	We lost money in loan system because some members defaulted. Lost livestock, no food aid
2003	ERI arrived and conducted a village mapping exercise	Village group started experimentation with grains and vegetables
2004	More people worked with vegetables as prices were good and started to work with "Ssalongo traders" to sell produce	Started to listen to market information services to learn more about markets

SOURCE: ERI-CIAT's Enabling Rural Innovation team.

- The farmers then recall major events that may have taken place in each period. The facilitator should make sure all are recorded. He or she should also ensure that elderly farmers are involved as they may remember over a long period of time.
- To discuss with the farmers the main factors that have changed their village and farming systems within the timeframe selected timeline and show how these factors may have changed their lives.
- To encourage the farmers to discuss the historical calendar. This helps in understanding farmers' decisions and even enhances understanding of the community or village.

Evaluating service provision

(Time required: 1 to 2 hours)

This tool is used to evaluate the availability of service provision in the project area, score their value from the farmer's perspective, and find out from farmers if business support services are available that should be developed to support the new agroenterprise project.

This tool helps build up a picture of services that the community can access. The inventory can be done in the same way as the historical calendar but, in this case, the facilitator should find out farmers' views on the value and quality of services being offered. This discussion should be used to study trends in service provision, how these have changed, and how farmers perceive or approve of the changes being made. Are the services free or require payment? Which services are missing? Who are the best service providers to link up with in any agroenterprise project? Table 6 shows an inventory of services received by Ttaago Village, Tanzania.

Market mapping

(Time required: 1 day)

Because the market facilitator's role is to focus efforts on agroenterprise options, an important participatory tool for evaluating market options is the market map. This tool is similar to the resource map but, in this case, provides an opportunity for mapping a specific product's place in the market chain. To make this relevant, the facilitator should select the higher income products that were determined in the product-ranking exercise and use these as examples. Market mapping is conducted in two stages:

INSTITUTIONAL INVENTORY OF SERVICES RECEIVED BY TTAAGO VILLAGE.

NAME OF ORGANISATION	ROLES	TIME ARRIVED	RANK
Vanya Agr. Dev. Project.	Credit (Seeds, fertilizers) agricultural development.	1982	00000
Crops Agric Research.	Research - demonstration on improved varieties of beans.	1991	000
Local Government	General administration.	1990	00000
Taanwero	Pest Control of army worm.	Only Came in 1998	00
MUVAHIL	A new CBO initiated by Sanya ADP as a federation of 235 groups	July 2003	00000
DIDO	Agricultural extension, training, demonstrations, linking with other partners.	1985	0000000
Agri-Service	Sunflower processing, marketing of pigeon peas. Promised to link farmers to external markets of Pigeon Peas.	2002	00
Action 2000	Just started with quality Protein maize not sure about market potential.	2003	0

Table 6. Institutional inventory of services received by Ttaago village, Tanzania.

Stage 1: Farmers are asked to draw the market chain map for production, processing, storage, and sales of a selected product to all its current market outlets. This map should provide information on the product's varieties, how and where it is produced, the types of materials or equipment used for production (e.g., seeds, sprayers, or irrigation), methods of post harvest processing such as dehulling or grading, storage, and transport to market. The map MUST include prices, volumes, and how products are sold (such as in bowls or bags, collectively or by individuals). If possible, the group should also provide details of the people to whom they sell, give distances to markets, and highlight major problems in the market chain. Challenges to marketing may include factors such as few traders, lack of storage, poor roads at certain times of the year, lack of market information, no access to credit, and low or volatile prices.

In this exercise, farmers are often familiar with only a part of the entire market chain. For example, farmers in Embu District, Kenya, produce green gram. They could provide a marketing map that extended only 5 km from the village. However, the market facilitator knew that these green grams were taken to the capital city of Nairobi, which is 200 km away and from there exported to India. To assist with filling in some of the gaps, a similar exercise was conducted with a group of local traders, who could fill in more of the gaps in the market map for that commodity. The service provider also took one or two farmers from the Embu farmer group to visit a large wholesale market in Nairobi to discover where the produce went from there.

In most cases, however, produce is sold locally and the farmers and local traders can build up a reliable map of the current situation (Figure 6).

Stage 2: The process is repeated with a farmer group but, this time, they write on the map how they would like to see their market chain for a selected product in the future. This enables farmers to start thinking what they want for their future, that is, to start "visioning". This could be described as setting the conditions on

each side of the "river" in the "river code". The market facilitator plays a critical role in making sure that farmers take time to systematically consider each step, paying attention to detail. The farmers start with the variety used and comment on each stage of the production-to-sales chain to see what changes they would like made. In the example described above, the farmers showed that they produced at the subsistence level, using a hand hoe as their main tool. They produced a limited amount of groundnuts, lacked appropriate drying or storage facilities, and linked with intermediaries from outside the village to sell their produce (Figure 7).

In the map for the future, the Embu Farmers Group showed the farmers working together. They have access to tractors to plow the land, and crops are planted in rows and later sprayed. The houses have roofs of iron sheeting and are therefore more suitable for storage. The farmers produce a lot of groundnuts, which are sold in bags in large consignments. The farmers hire a pick-up truck to take their goods to a range of more distant markets and to add value to the crop.

The map on existing conditions enables the facilitator to understand the current situation and the problems associated with existing methods. The map on the desired future is a vision of what farmers would like to achieve. It becomes the basis for the next stage in the agroenterprise development process, which is to build a common plan on how to improve marketing opportunities.

Visioning

(Time required: 1 day)

Visioning is a process used by the market facilitator, partners and farmer groups to develop a joint plan of action that, after additional market studies, will lead to an intervention plan. This process starts by looking at where the farmer group is today and where it would like to be in the future. This is the "river code" in reality. The facilitator should work with the farmers to systematically write down all the activities that must be in place for the farmers to get from where they are today to their desired state. This type of planning can be either short term or long term.

To learn more about "visioning", the group can start by looking at their resource map of the village or community (Figure 5) and then prepare a "desired" state of that village or community. This activity will allow the group to show what they would like to achieve over, for instance, the next 10 years. It is a useful way of

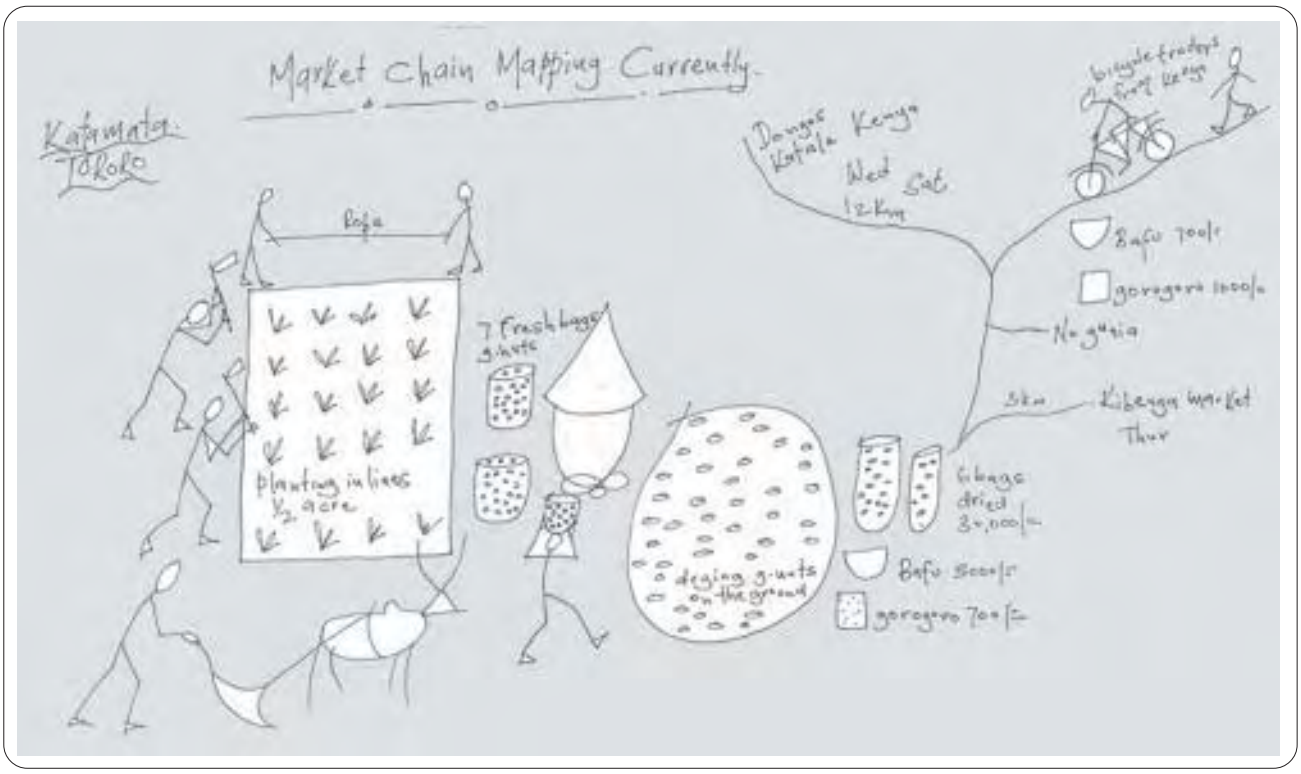


Figure 6. Market map, existing groundnut marketing, Embu District, Kenya.

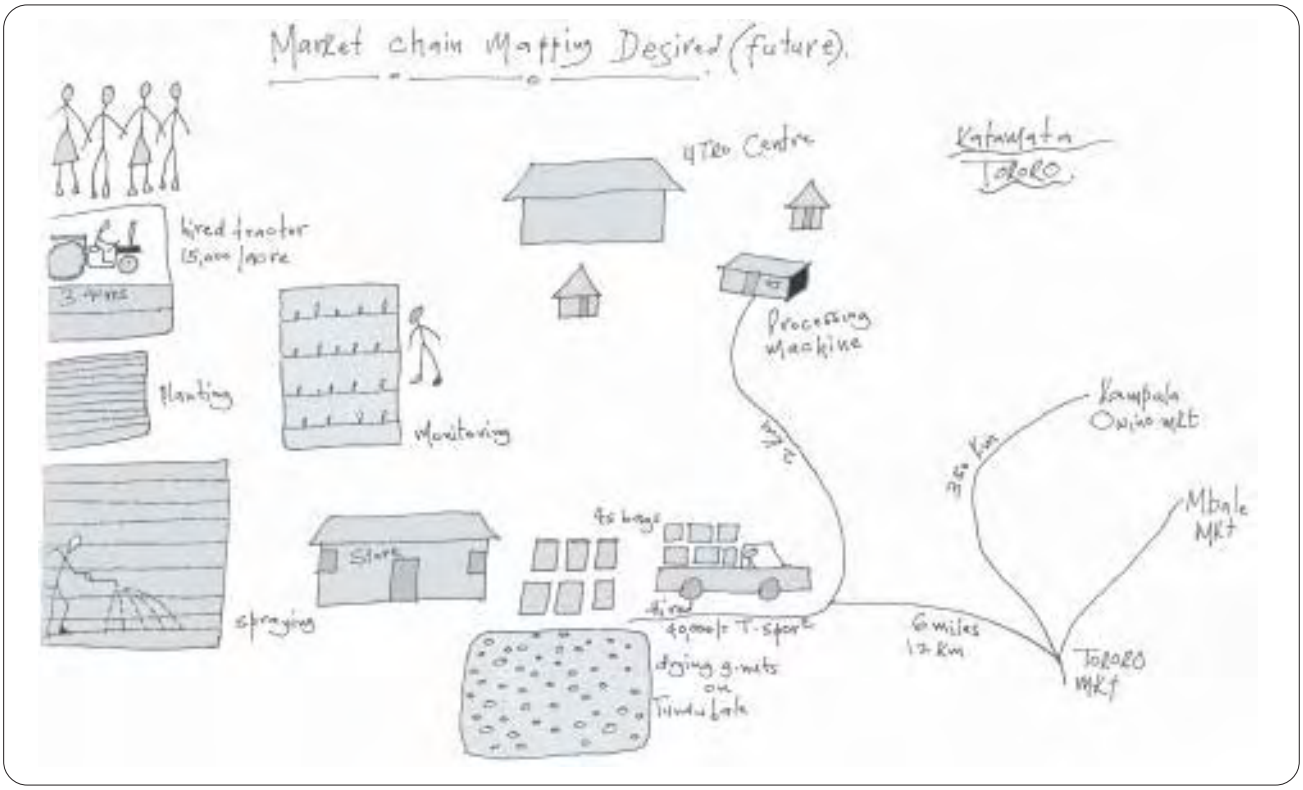


Figure 7. Market map, desired marketing for groundnut in Embu.

finding out the group's and/or community's ambitions. The facilitator must be sensitive to the fact that different segments of the community may have different outlooks and aspirations.

If the time horizon is reduced to 5 years, the group will need to prioritise issues and bring in a greater degree of reality. Such a reduction may suggest that they can achieve half or a quarter of what they would like in 10 years. The time frame can then be reduced to 3 or 1 year. The group will then need to assess what they can achieve in such a reduced time horizon. Each time the time frame is reduced, a greater degree of reality and possibility enters the discussions. A facilitated discussion can then help prioritise specific activities that will work towards achieving a feasible and desired aim.

Another tool for helping with visioning is "appreciative inquiry". The facilitator starts by focusing on what is working well in the community and how it can be strengthened. The group therefore builds on past successes rather than trying to overcome an insurmountable list of problems. Appendix 4 summarises this well-documented process.

For those who are more problem oriented, an alternative approach is to list the major constraints to achieving an established vision or goal. The facilitator works with the group to list and prioritise constraints and then find ways to address the most critical. In many cases, a combination of appreciative inquiry and constraint analysis proves the most effective.

Regardless of the approach taken, the group develops a list of activities to meet their vision. These activities can be systematically divided into short, medium, and long-term issues. Visioning starts by listing the set of activities that need to be changed to achieve success. Such activities include production, post harvest handling, marketing, and business development services.

Production

- Area of land to be planted.
- Tools to be used (diversify from hand hoes to animal traction or tractors).
- Agronomic practices to be changed (seed type, variety, planting density, weeding methods, fertiliser application, irrigation usage).
- Monitoring of fields, particularly for higher value enterprises.

Note that the same can be done for livestock enterprises.

Post harvest handling

- How to harvest, when and by whom?
- Storage options and facilities.
- Sorting, grading, packing, and labelling.

These issues should focus on the identified market opportunity and the level of detail, depending on purchasing conditions, that are given by the buyer.

Marketing

- How the group would like to market its produce.
- Transport, and delivery schedules.
- Payment terms (checks, need for a bank account, signatories to the account).
- How the money shall be shared in the group.
- Investment plans for the group and savings mechanisms.

Business development services

- Which services are the most important.
- Which services need to be strengthened.
- Should services be paid and, if so, how.

The facilitator can then lead the group through a final process of making decisions on what can be achieved, including financial aspects, by using local skills and resources and what can be achieved only with external support. This information can be further refined by providing information on service providers who have the skills to assist with any given problem (Table 7).

As the market facilitator gains experience, the visioning approach can be applied directly to a real-life enterprise situation such as "supplying beans to an identified buyer". In this case, visioning starts by systematically recording the current situation, and includes the following specific tasks:

- Pre-production issues, related to market information.
- Production issues.
- Harvesting.
- Marketing.
- Post-sales evaluation.

The process of intervention planning is discussed in more detail in Section 10.

Evaluating the "Entrepreneurial Spirit" or Finding the "Sparky People"

Setting up new business ventures and keeping them competitive requires more than just following instructions. The types of people from the community who take on the market facilitator's role and are included in the working group and marketing teams should be people who have either experience in business or have a certain aptitude and desire to undertake business development. Our experience shows that not all development agents or production-based researchers can make the move from production or community support to working with markets. The right type of person must therefore be selected or the "sparky people" found. Whether people have an aptitude for marketing scenarios can be rapidly discovered by using some simple tests.

Incentives (such as small amounts of cash) are needed in order to run these tests (which are conducted as games). Where possible, the facilitator should use cash or other attractive prizes that will reward the successful participants.

Defining the "entrepreneurial spirit"

The "entrepreneurial spirit" is somewhat intangible; it involves doing things in new ways,

Table 7. Activity options to shift from today's situation to a desired state.

	Today, where we are	Short-term activities	Medium-term activities	Long-term activities	**Where we want to be**
What can be achieved with existing resources?					
What activities or interventions require external resources?					

innovative thinking, being creative, and having determination and drive. But how can such qualities be recognised in service provider personnel and in communities? How can these characteristics be best harnessed to the cause in hand?

A dictionary definition of *enterprise* is a business, firm, organisation, or project, especially one requiring boldness, initiative, and energy. The definition of *spirit* is the non-physical aspect of a person concerned with profound thoughts and emotions such as attitude, character, and temperament. These ideas can be applied to a business, organisation, or movement, and the qualities do not necessarily have to include the motive for profit.

Three tests are given below for evaluating the entrepreneurial and risk assessment qualities of members within a group.

Test 1: Identifying entrepreneurial characteristics

The first test for the group is to ask them to name three world-famous entrepreneurs and then three from their area. Divide the group into smaller groups of 3 to 5 people and ask them to provide a list of 10 words that explain why these people were successful. Entrepreneurs can be famous business people, artists, or spiritual or ethical leaders. Having written up the lists, the groups should re-convene and discuss the findings in a plenary session. Why were these words chosen and what do they imply. Does any group member have these qualities? Could they develop them? What makes some people more successful than others in business matters? How can these types of skills be refined within the individual and within the group?

Test 2: Making your first $10

This game aims to test the ability of group members to "think outside the box". For this test, the facilitator will need to have participants or groups in a room or defined area in which he or she has hidden a US$10 (or local currency equivalent) note under an object in the room, such as under a table or chair, or behind a curtain or board before the group arrives. The facilitator can opt to leave some riddles or clues in the room or meeting area to help participants find the money. The participants must not know where the money is hidden.

To start the test, the facilitator should ask the participants to sit down and then ask them a question: "how do you make your first $10?" There are no further instructions given. The time frame for this game is 10 to 15 minutes. Observe how the group reacts to this test. The facilitator can answer questions from the group. Encourage them, but do not tell them that money is hidden in the area, or give very obvious clues of its location. Did they find the money? To find the answer to the riddle, see bottom of page on Appendix 7. After having solved the riddle, the group should discuss the implications of the game, and why it is important to think about how to solve problems and do so quickly rather than wait for someone to show them the way.

Test 3: Being a successful risk manager

The aim of this game is find out why people select leaders and then test the risk-taking approach of their leader and his or her ability to work with the team. This game can be played in groups of 15 to 30 people. The facilitator should first divide the participants into groups of 3 to 5 people. Within the small groups, the members should select a chief executive officer (CEO), someone who has the qualities and characteristics that were found in Test 1.

To play the game, the teams should compete for a prize and winner takes all. The prize could be a marketing book, or the team members could provide a minimum stake of their own money. In this case, each team member will provide US$0.10 to $0.50 (or equivalent in local currency) as their entry stake. The CEOs bring their group's game stake to the facilitator who holds it for the winning team.

The CEOs are separated from their team and, if possible, provided with seats in front of the group. They then receive the following instructions:

1. The CEOs will be asked a series of questions. They can decide to choose questions from different categories of $1000, $5000, and $10,000. The questions for this game can be based on local general knowledge or based on marketing questions.
2. Each correctly answered question will receive a score to the value of the question answered. The CEO can then opt to pass or ask for another question.
3. The CEOs will continue to answer questions until either they pass or answer a question incorrectly. If the answer is incorrect, the value of the last question is deducted from

the amount accumulated through correct answers. Hence, if the CEO starts with a score of 0 and answers two $1000 questions correctly, but answers a $5000 incorrectly, the score for that round will be -$3000. If a CEO passes, s/he keeps the money they have won up to that time.

4. The CEOs can ask for assistance from their respective team members ONCE only in the game.
5. Answers that are shouted out by team members will receive a $5000 penalty fine at the facilitator's discretion.
6. The game is played for three rounds of questions. However, more rounds can be added.
7. At the end of the questioning, scores are totalled and the team with the highest points wins the prize.

This session is concluded with a review of the CEOs' performance. Did the CEOs adjust to the risk of the questions? Did they work with their team effectively? Did they have a sensible strategy for using their team's money? Would the CEO be re-elected by the team?

"Blue Bean Test" for Baseline and Evaluating Behavioural Change

To better understand a farmer group's knowledge about marketing approaches, a simple test can be applied to find out how they approach the idea of a new product. Do they systematically work with the market or do they simply follow instructions from a service provider. The group is asked if it would be interested in producing "blue beans". A typical response might be, "Yes, if you will buy them", to which the facilitator may respond, "No problem, I'll take all you can grow". For farmers who do not have a systematic approach to marketing, their response is often a very positive yes, that they will start growing the beans tomorrow!

However, they make this response even though they have never seen a blue bean, nor do they know if it grows in their area, or which market they are targeting, or if alternative and better market options exist. Where the group shows no clear approach to marketing, the facilitator has to start from the beginning. In contrast, if the farmers do have a strategy in dealing with the market, the facilitator should listen carefully and see how well this fits in with the planned agroenterprise approach. He or she can then build on the group's current skills.

As a monitoring tool, the "blue bean", or other invented product, the question should be asked again after the farmers have undergone some training on how to engage the market. If the farmers have taken on the new skills, their response to such a question would include questions such as Does the crop grow here? Can you give us a sample so we can test it to see if it grows under our conditions? What is the price of the blue bean in the market? Is this price higher than the best bean market varieties? Is the bean being sold for a local or international market? Who is buying the product? Can you give us names of some buyers so we can survey the market ourselves? Do you have any information about the product, its price trend, quality requirements, or market trends? If we go into production, will this be a contractual agreement? Will you provide any additional inputs to assist in production? If the market fails, can we eat this crop?

The facilitator should compare the group's answers at the end of the process with those given at the beginning. If the group does not ask these types of questions, that is, to test if a product has market demand, the facilitator will know that they did not fully understand the process and a new approach to capacity building is therefore needed.

If the farmers have a clear strategy for investigating new market options, then the training process has at least achieved its first aim of transferring the inquiry process.

Summary

All these tools can be used to generate a wide range of information. However, for the agroenterprise development process, specific information should focus on that required to develop the desired enterprise option. A summary list of the main participatory tools and their specific uses is provided in Table 8. For further information on the use of participatory tools in the community setting, see ERI's Visioning Guide by Sanginga and Chitsike (2005).

Table 8. Tool kit for participatory diagnosis and market mapping.

PRA Tool	Why used	When to use	Time
River code	This is a role play used to indicate that the facilitators have come to assist the community in learning new skills, not in leading them into a process of dependency. See Annex 2	At opening sessions, this exercise sets the scene and highlights the role of the lead organisation as a facilitator	1 to 2 hours
Community resource maps	This graphic tool is used with the community to show the physical features in the village and their resources	At the beginning of the participatory diagnosis so that we gain an understanding of the asset situation	2 to 3 hours
Seasonal crop calendars	Work with farmers group to find out what they grow and when in the year, highlight seasonality and opportunities for pilot testing	During participatory diagnosis and as a prelude to record keeping	2 to 3 hours
Ranking, and weighting	Work with farmers to find out who grows what, what is for food security, what is for income and who is growing these crops	At the participatory diagnosis phase to select and prioritise products for further market investigations	2 to 3 hours
Visioning	Process of community recognising where they are now and where they would like to be in 10 years, 5 years, 3 years and 1 year. Use this process to build a common plan of action, based on aspirations	Use this tool to gain an understanding basic group ideas and aspirations. Use this method also for detailed planning of enterprise options	1 day
Market flow map	Work with farmers, traders and service providers if possible to work out how the community connects with the markets for specific products. Start with farmers, traders, processors	Having selected a product, this method is used to map out the production and marketing links	2 hours
Historical calendars	Work with community, men and women, to find out when major events happened in the community over the past 10 to 15 years, who has supported the community, what went well/what did not work. Gain an inventory of service providers that have worked or are working in the project area and innovations that have been successful	At the participatory diagnosis phase to find out what has worked, list local service providers and evaluate their value to the community	2 to 3 hours
Daily activity calendars	Typically used with men and women's groups to determine who does what in the community on a daily basis	Use to determine labour availability and also to explore key gender issues	2 hours
Group evaluation	Conduct a rapid survey of the groups that already exist in the community, their size, purpose, longevity, success. Ensure that financial and trade issues are discussed	Use as a follow up to asset mapping, to determine social networking and trade skills	2 to 3 hours
Community transect walks	Used with key informants to assess assets and to verify information gathered in previous mapping sessions	To verify specific assets, particularly those of use to the enterprise being studied	3 hours
Blue bean test	When starting to work with a farmer's group to assess their perspective on how to engage markets. As a monitoring tool to assess whether a group has taken on new marketing ideas	At the start of a working relationship, after training has taken place	15 minutes
Market visits	The market facilitator takes representatives of the farmers group(s) to visit local markets to see what is in demand	This method is used to determine products in demand and their buying conditions	1 day
Enterprise games	Used to evaluate enterprise spirit in the groups. These tests can be applied to trainee market facilitators and community groups	During the training of trainers and with community groups	1 to 3 hours

THE PRACTICAL WORK

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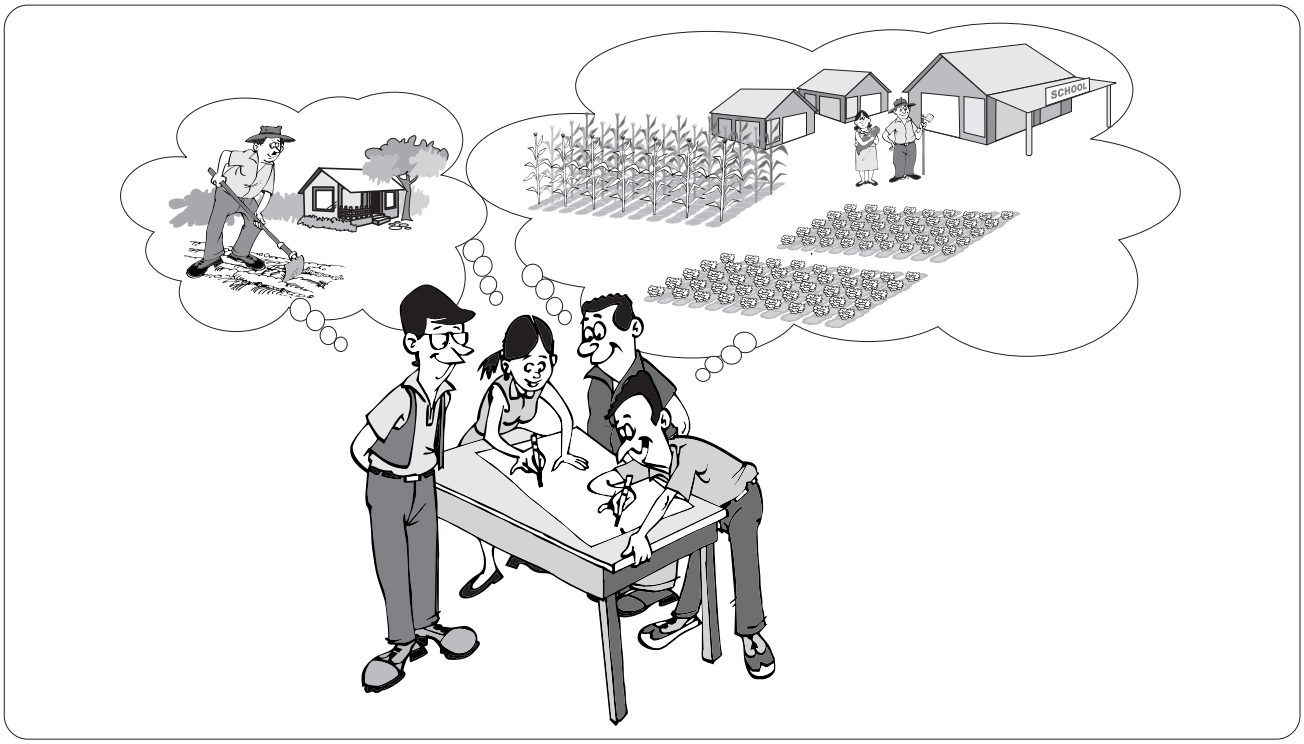
Section 5

Management and Partner Selection



By the end of this section, the lead organisation should have completed the following tasks:

- *Set up a management process.*
- *Selected a site in which to provide development services.*
- *Selected partners to work with.*

Time frame: *1 to 2 weeks.*

Possible requirements

Per diem costs for the facilitator if he or she is not from the area and in some cases refreshments for community members.

Management and Partners

The agroenterprise development process is complex and one organisation is unlikely to have all the skills necessary to implement it successfully. The project will therefore need partners and management. In our experience, action requires three types of organisational players:

1. Management team.
2. Working group (market survey team).
3. Enterprise groups.

The type of network envisaged for this process is outlined in Figure 8.

Management team

This team is charged with the overall design, implementation, and monitoring of the project. As mentioned before, the lead organisation provides the market facilitator. Sometimes, the management team may be a partnership between a research and development agency. The team is responsible for making the following types of decisions:

- Selecting a project area or site of intervention.
- Initiating and convening a working group.
- Establishing criteria for selecting client enterprise groups.
- Providing skills training, inputs, investments, and other services.
- Duration of project implementation.
- Scaling up approaches.
- Entry and exit strategies.

Working group

The "working group" provides a focal point where representatives of interested partners can

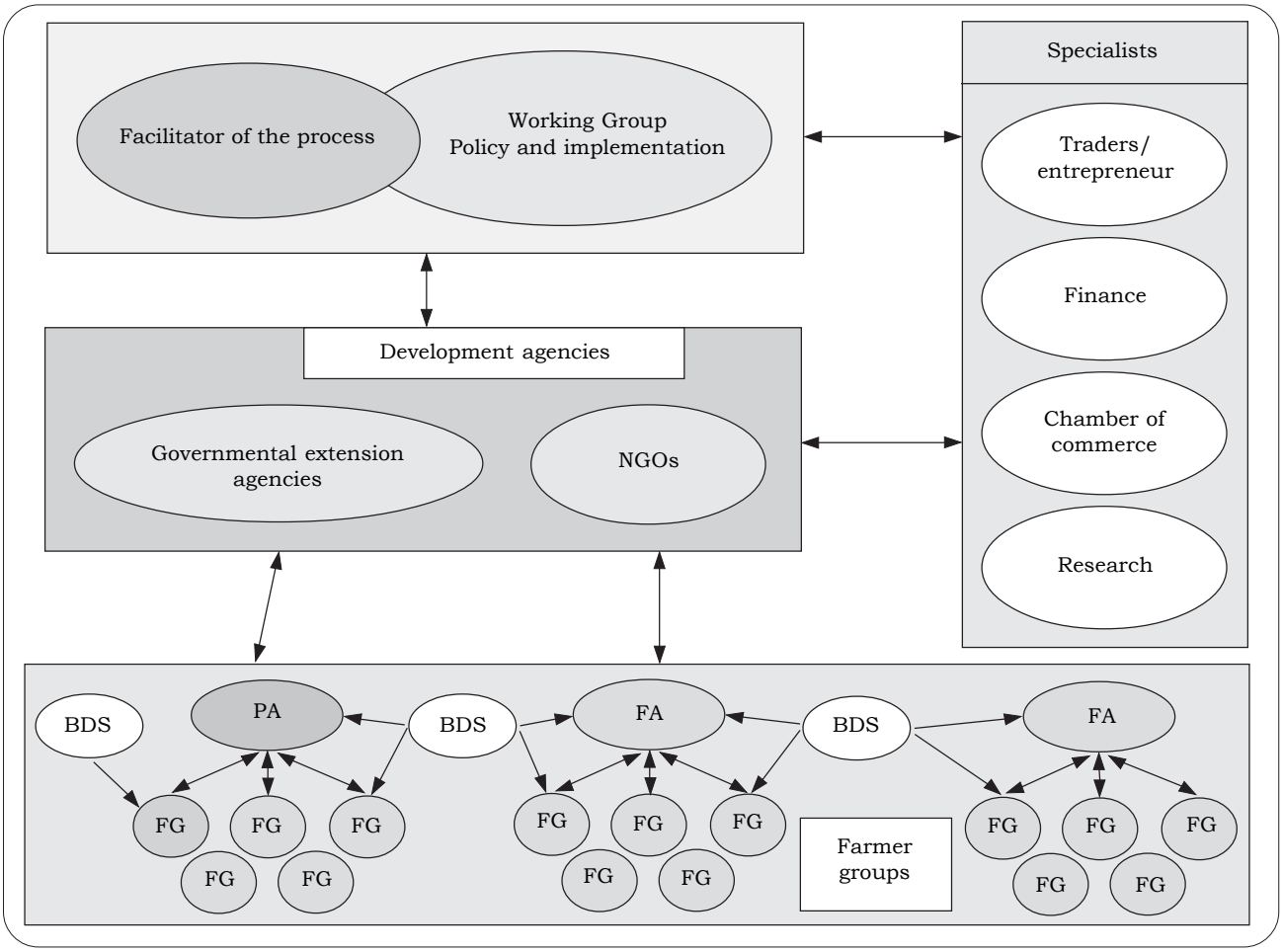


Figure 8. Partnerships and links in the working group.
FG = farmer group; FA = farmer association; BDS = business development services provider; NGO = non-governmental organisation; PA = partner agency; Working group = informal consortium of partners.

convene to design and assist in implementing agroenterprise work plans. Its role is to promote improved working relationships between service providers, local government, small farmers, and traders who operate within a defined project area.

The working group will also work with stakeholders to develop the rules of engagement and establish the consortium's goals. At an operational level, the group will provide technical oversight, training, access to partners, monitoring and evaluation, and a means for managing field activities. It will also support core members to scale up successful activities in the future. Its key tasks are to:

1. Schedule events and maintaining a focus on goals.
2. Ensure that meaningful results are generated.
3. Ensure that these results support inter-organisational or group processes.
4. Lead the market survey team.
5. Document monitoring and evaluation outputs.

The working group will begin as a loose association of partners with a common or shared interest in improving their marketing skills and commercialisation of activities. During the agroenterprise development process, membership is unlikely to remain constant, with some members falling out because of lack of resources or change in focus. Other members will enter the group as the process gains tangible results and some specialists may be co-opted into the group. Specialised members may become more interested in joining or playing an active role, once market chains are operating.

Enterprise group

This group comprises clients or business partners. Typically, these are farmer groups, but they could also be groups of traders, local entrepreneurs, or processors. At the farm level, the enterprise group should be an organised farmer group who will work alongside service providers to implement specific agroenterprise projects in selected market chains. Within a given market chain, service providers can be local entrepreneurs or businesses who aim to provide business development services (BDS). Farmer groups and BDS providers are the basic "units of change", that is, these actors will drive the marketing process and catalyse change in the delivery of goods to markets.

If farmer groups are poorly organised, or simply follow the instructions of service providers, the enterprise is likely to be unsustainable. An early task of market facilitation is therefore to build capacity in the farmer group. For additional information on group formation and ideas on collective marketing, see Robbins et al. (2005), *Collective marketing for smallholder farmers*.

Additional Tools for Selecting Enterprise or Farmer Groups

Client and business partner profiling

Communities are heterogeneous, comprising a range of social "wealth" or "wellbeing" groups. Understanding wealth rankings is important for processes such as agroenterprise development where investment and risks are involved. Evaluation of social wealth categories can be a sensitive issue, so it needs to be handled with thought. Some social groups, particularly those with a steady income, can have very different aspirations to less financially secure social groups. Typically, the wealthier people in the community will have more assets, live on the best land, often have a better education, be more interested in trying new ideas, and more prepared to take on new or riskier challenges than poorer segments of the community.

If the facilitator feels that the community may benefit from particular social groups working on different enterprise options, then he or she should carry out a wealth ranking analysis. This is often best done with focus groups. Types of questions to use with these groups can include the following:

- Who owns cattle in the community?
- Which members in the community own the most land?
- Which members have access to or have their own transport?
- Who has access to mobile phones?
- Who travels most frequently to larger cities?
- Are there differences in where people access water, if so why?
- Which members of the community have had the most years of schooling?
- Who produces crops for distant markets?

Identifying Leadership Qualities

A critical aspect within the development of any community is the presence of people with leadership qualities. The term *leadership* has many meanings but, in this case, community leaders are those people who are looked up to for guidance, support, and advice, whether spiritual, financial, farming, or medical. These people are often well respected and the market facilitator can save considerable time and energy if such people play key roles in the agroenterprise development process. Because people tend to copy those they admire, an excellent way of scaling up within the community is to help local leaders show the way. The facilitator can discuss this idea with a focus group, to find out who in the community has these qualities. These people can then be sought out and asked if they would assist the market facilitator to develop the agroenterprise development process.

Farmer Groups

There is growing consensus that if smallholder farmers in developing countries are to succeed in the increasingly competitive marketplace they need to be better organised. Over the past 20 to 30 years, many different approaches have been attempted. Some of the successful organisational structures include primary societies, self-help groups, and, more recently, savings and internal loans groups. All these organisations are based on the principles of "collection action" or the co-operative movement, which offers members the advantages of economies of scale.

Members of co-operatives gain considerable advantages in terms of accessing new information, credit, low-cost inputs, and higher

market prices. Unfortunately, for many farmers, the advantages of the co-operative approach have been outweighed by repeated financial losses caused by widespread mismanagement of capital funds by their executive committees. Consequently, many farmers are now highly suspicious about joining co-operatives, particularly those run by the government, which have also been politically manipulated.

Despite the problems, most communities have some level of group organisation such as savings groups or rotating funds ("merry-go-rounds"), which help groups of friends save and pay for essential costs such as medical bills, school fees, weddings, and burials. These types of groups are generally self-selected, have a limited number of members—typically 10 to 30 people—are from a similar social class, and trust each other.

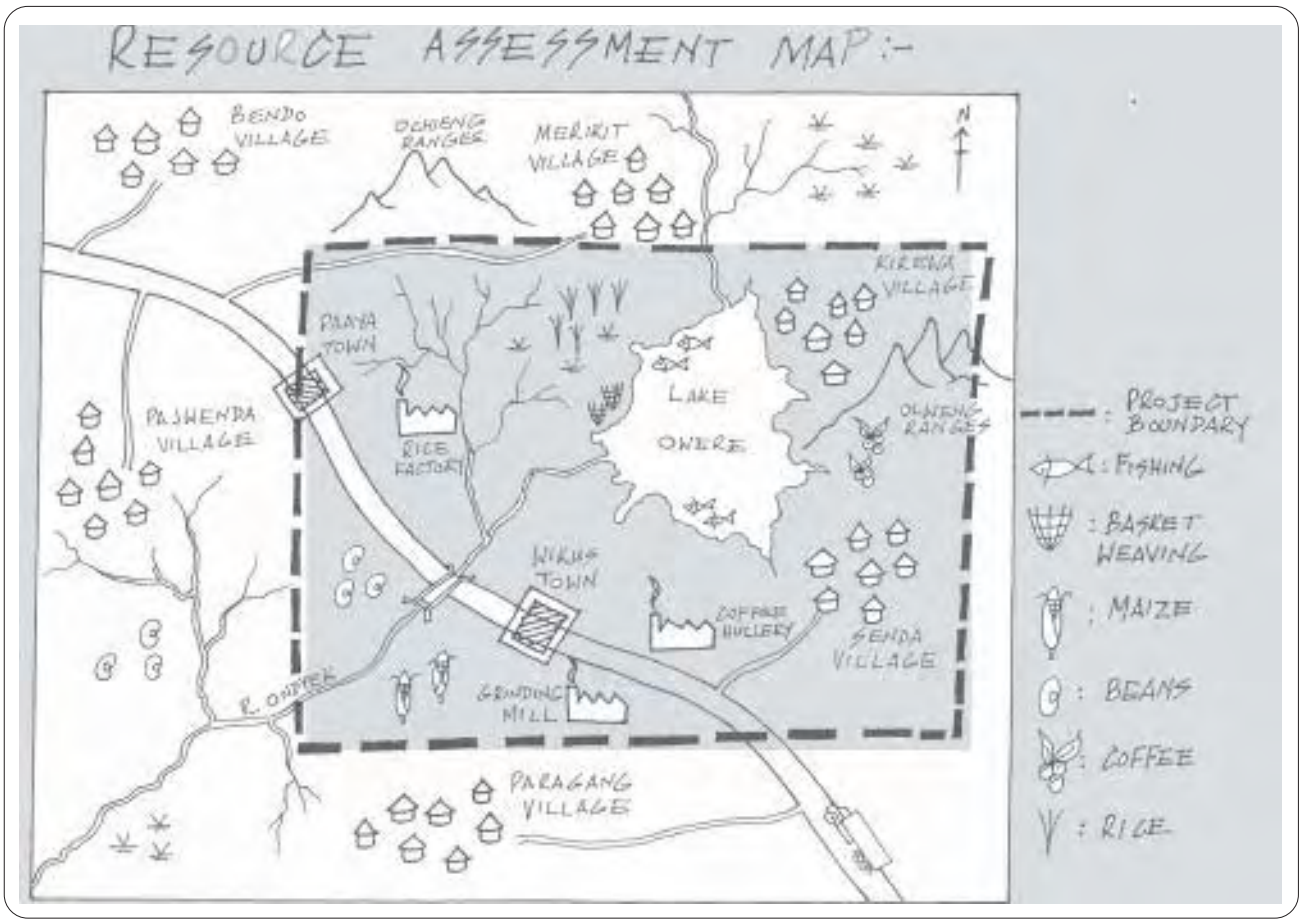
These qualities of self-reliance and collective action are extremely useful in relation to enterprise development and collective marketing groups. Rather than attempt to set up new groups, a facilitator may find it easier to evaluate and work with groups already existing in the community. For more details of group formation and collective action, see Robbins et al. (2005), *Collective marketing for smallholder farmers*.

Farmer or Product Clusters

To support information flow, product aggregation, and quality standards, a useful strategy is to cluster farmers of the same product in a geographic area. Thus, when one farmer group is supplying a market effectively, the facilitator should evaluate the opportunities for linking other farmer groups into the first group and scaling up production. Using this mechanism, the facilitator can work directly with one group and then support other groups through demonstration and linkage with their representatives. This process will enable the farmers in one area to specialise and work together in terms of innovating around a product.

Section 6

Project Site Selection and Evaluation



By the end of this section, the market facilitator will have:

- *Selected a site for intervention.*
- *Undertaken a participatory analysis of the site's assets.*
- *Undertaken visioning with the community or farmer group to develop an action plan.*

Time frame: *2 weeks.*

Before starting to work with a community, the initiating agency should decide on the physical boundaries of the work area. This decision may depend on the programme's goals but, for many organisations, the choice is based on their current area of operation or a government or donor's recommendations. The project's area of operation is often defined by a local political area, a village or cluster of villages, or, in the case of faith-based organisations, diocesan boundaries. Sometimes, a project may operate over a larger physical domain such as a watershed or an agro-ecozone.

The working group should consider ways of delimiting the area in which the agroenterprise intervention will take place. Criteria for selecting an area include:

- Defining the communities with which to work with and limiting the area to the zone where they are found.
- The area where the partners are working.
- Does the area allow for scaling up?
- The size of project area possible without compromising the quality of work.
- Where should the agroenterprise activities start?

Project Site Resource Assessment

Once the project area is decided on, the next step is to conduct a rapid resource assessment

of the area. Because this is a participatory process, this task should be done with selected members of the working group. The diagnostic study should pay particular attention to the assets available to the enterprise or farmer group, as this is the group who will be investing time and resources. The facilitator should work from the perspective of smallholder or local entrepreneurial investments. To help with interviewing rural communities, several participatory tools, described in "Section 4: Tools for Working with a Community", can be used. Checklists for analysing the project area and conducting community interviews are given in Tables 9 and 10.

This survey is not only useful for the working group to itemise the major physical, social, and economic assets available but it also provides a baseline at the outset of the process. The aim of this survey is to present an organised and concise report that lists and evaluates the most outstanding aspects of the site or community and major market options and trends so that the facilitator and partners are equipped with valuable information to help plan new enterprise options. Appendix 5 provides a suggested outline of a resource assessment report.

Community Action Planning (Visioning)

The final section of the participatory report should be a series of plans developed by the community's agroenterprise groups of what they

Table 9. Checklist for analysing a project site for agroenterprise development.

Assets	Issues to include
Physical	Geographic location (map) Climate (focus on enterprise group's locations) Soil Water resources Roads, paths, trails Vegetation
Social	Community inhabitants Demography Education levels History Shocks (environmental, political)
Economic	Major economic and business activities Production capacity, specialisation Predominant production and marketing systems Commercial activities Electrification Market locations Demand channels Conservation issues and natural resources
Institutional	Types of organisations in the area: farmer co-operatives, trade associations, finance banking and micro-finance, chambers of commerce Governmental structures Education access NGOs and others operating in the area History of intervention activities in the area
Innovation trends	Introduction of new crops, livestock, processed products Change from rain fed to irrigated production Community social fabric Banking options, increase in remittances New business opportunities Change in telecommunications, Internet, mobile phones

Table 10. Agroenterprise checklist at community level.

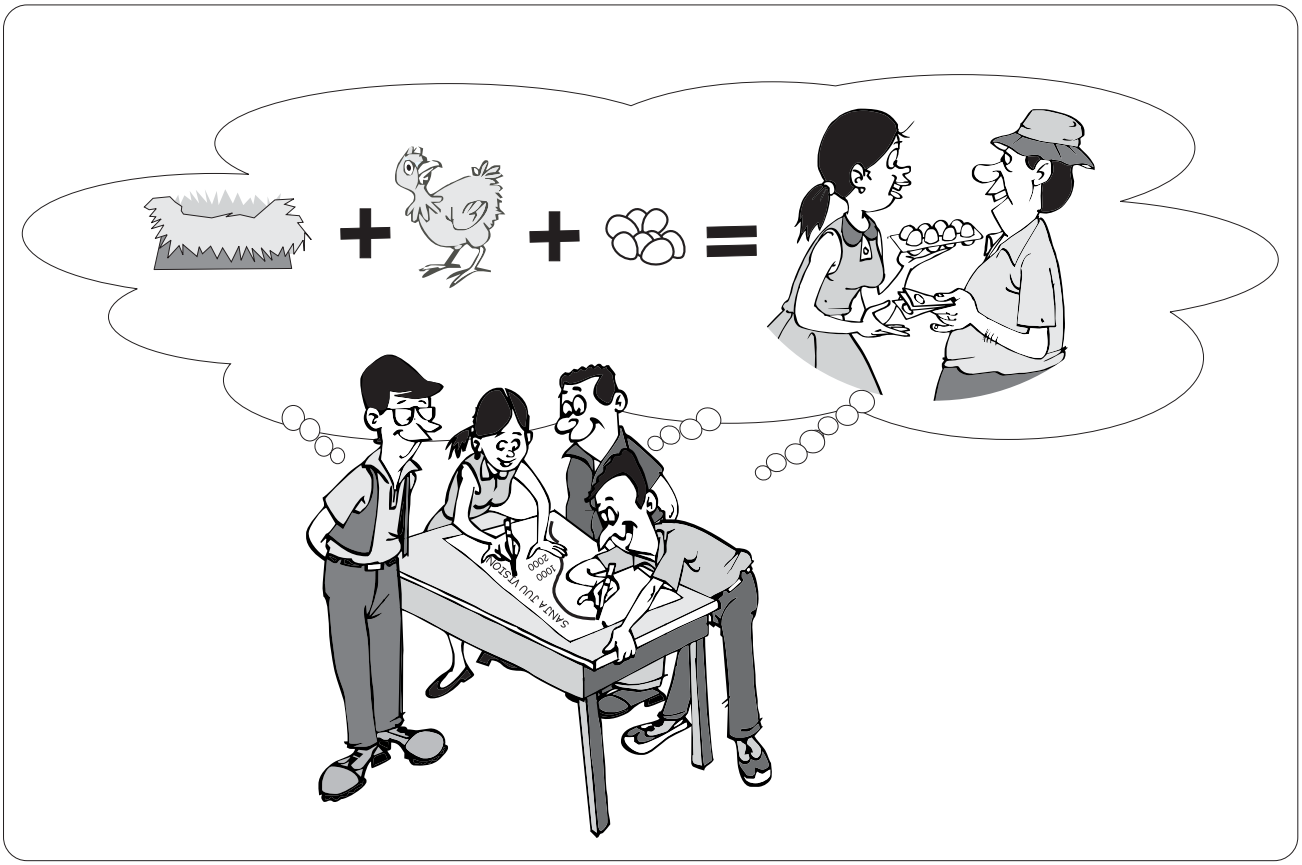
Information required	Tools used
Agricultural activities	
• List food crops grown by group members	Brainstorming
• Relative importance of each?	Seasonal crop calendar
• List income from crops, livestock, and forest products currently sold	Product ranking
• Relative importance of each?	Market mapping
• Where is each product sold?	Venn diagrams
• To whom is each product sold?	Ranking
• Volumes sold?	Historical timelines for innovation
• Who provides technical and other services?	Timelines
• How good are these services?	Resource mapping
• Any new crops fast becoming important to the area?	
• Have any major buyers come or left the area?	
Assets for comparative advantage	
• What natural, human, social, physical, or other assets does the community possess?	Brainstorming
• Biodiversity, climate, soils	Resource maps
• Physical features: lakes, rivers, mountains	Focus groups
• Infrastructure, e.g., roads	Key informant interviews
• Know-how for producing specific goods, education, skills, value-adding options	
• Social cohesion, community spirit	
• Individual entrepreneurial flair	
Innovation analysis	
• What innovations have occurred in the last 5 to 10 years that have had a major effect on business opportunities?	Brainstorming
• What innovations have occurred but have not been accessible?	Resource maps
• What types of innovations are required by the community?	Focus groups
	Key informant interviews

would like to achieve through agroenterprise development. Community members should be encouraged to draw on the information they generated in the diagnosis to develop a joint action plan to achieve their vision.

The facilitator helps the farmers to first develop a generic or idealised action plan from their visioning process. They are then led through a series of iterative cycles in which the farmers list their priorities and attempt to explore how they can realise their plans. The plan should include a simple analysis of what can be achieved with no external funding and what can be achieved only with additional support or inputs. If additional inputs are needed, then the group should indicate where these might come from and how likely they are to be realised.

By narrowing down the goal and time frame, the facilitator should ensure that the actions proposed by the farmers are realistic and achievable. At each stage in the process, the community should take into account their assets, partners, and comparative advantages. The community should also develop priorities and plans for both food security and agroenterprise options. When the facilitator is working with several groups, the goals of the other groups should be included in the discussion so that the farmer groups can start working on similar products to achieve greater economies of scale.

At this stage, the plan should not be exhaustive, as the farmers will not receive additional information on product options. The main point of planning here is for the group to start making decisions about their future activities and investments in a business-like fashion. The facilitator should ensure equal participation of men and women in this exercise. Emphasis on transparency and equity of inputs and outputs is crucial for this type of work.



Organising the farmer or enterprise group

Groups are established for many reasons, but few are specifically established for business development. Hence, in an early meeting with the market facilitator, a diagram or organogram of the group's current organisation should be drawn up. This session should include the roles and responsibilities of the key positions (Table 11).

Constitution or membership rules and regulations

Most groups have a simple set of rules that are established at the outset. A savings group, for example, may require its members to pay an entrance fee and agree on the terms by which they save and make loans to members. As the group takes on financial liability for group members, a simple set of rules should be in place for members to adhere to, with penalties for non-compliance.

Registering groups and opening a bank account

In some countries, groups are only recognised for support if they are registered with the local administration at some level. In some countries, registration is a legal requirement; in others, it is considered useful, but not mandatory. Where possible, all groups should open a bank account, to hold their savings and have regular records of deposits and withdrawals.

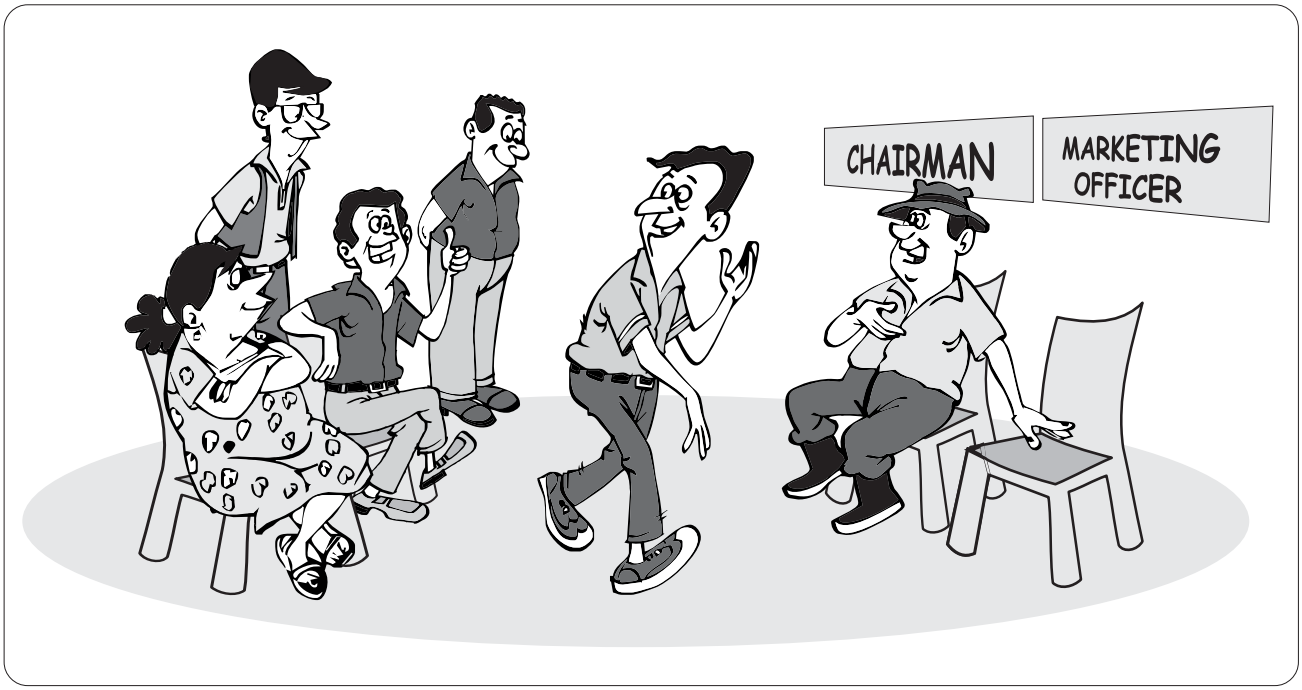
Forming Committees

Inevitably, the transition of an existing group, which may have originally been set up for self-help, into a more business-like group is likely to demand greater commitment from its members in terms of time and investment of land, labour, and finances, and developing new skills. Given the need for additional activities, groups should consider establishing new positions or committees to oversee more specialised activities (Table 12).

The formation of any new committee should be led by the community with the facilitator assisting the process. As shown in Table 12, the group will be managed by the executive committee, which oversees the enterprise's activities, whereas specialist activities can be delegated to other group members. Where the current group does not possess these skills, members may co-opt new members.

Table 11. Suggested organogram of posts within a farmer group.

Name	Role	Responsibility	Term of office
Chairperson	To lead the group, resolve disputes, set out the plan	To take major decisions, delegate activities, monitor progress	1 year, renewable at annual general meeting
Treasurer	Financial officer, to report to chairperson and members	To maintain all financial records and conduct financial transactions on behalf of the group	1 year, renewable by vote of group members at annual general meeting
Secretary	Record keeper	To take records of all meetings and key decisions of the group	1 year, renewable by vote of group members at annual general meeting
Mobiliser	Group socialiser and motivator	To maintain links between members, keep members informed of new events and time of next meetings	1 year, renewable by vote of group members at annual general meeting
Monitoring agent	Progress monitoring	To develop a monitoring plan and record progress against milestones	1 year, renewable by vote of group members at annual general meeting
Member		To implement the group plan	



The importance of elected committees

Committee members, when selected by the community, receive full co-operation and can focus on specific tasks. Committee members assist group members by collecting information on specific issues such as market prices and communicating this information to the members. An experimentation committee could also be put in place to spearhead the farmer participatory research for the selected agroenterprise options. Box 3 describes the committees belonging to the Kware Vegetable Growers Group, Tanzania.

The community should seek to select committee members on a merit basis, using such criteria

Table 12. An example of an organogram of posts within a farmer group.

Name of committee	Members	Role	Responsibility	Term of office
Executive committee	Chairperson Treasurer Secretary	Support day to day activities of the group	Take major decisions, delegate activities, review progress	1 year, renewable at annual general meeting
Marketing committee	Market officer Sales person Treasurer Secretary	Collect and advise on market information	To conduct regular market visits, collect key market data and develop business options on behalf of the group	1 year, renewable by vote of group members at annual general meeting
Experimentation committee	Researcher 1 crops/livestock Researcher 2 M&E officer	Evaluate innovation options	Undertake experimental options on behalf of the group and report back on effectiveness of new technologies, methods	1 year, renewable by vote of group members at annual general meeting
Monitoring committee	Chairperson Treasurer Market officer Researcher M&E officer	Monitor progress across committees	Record progress against milestones for marketing and innovation	1 year, renewable by vote of group members at annual general meeting

Box 3

Examples of committees in Kware Vegetable Growers Group, Hai District, Tanzania

The Kware Vegetable Growers group has three committees:

1. Management Committee composed of a Chair person, Secretary, Treasurer and 2 ordinary members.
2. Experimentation committee comprising 4 members.
3. Monitoring and evaluation committee, having 3 members.

These committees were agreed upon by the entire group and meet regularly on behalf of the group to plan and implement activities. During overall group meetings that take place every Sunday, the management committee calls on the other committees to brief the group on status and progress. There are no incentives for the committees and individual involvement in the committees is borne out of the individual interests to support the group.

as experience, standing in the community, holding of other positions, ability to read and write, being a good speaker, and being respected for fairness. The group may benefit from not electing political leaders. The group should avoid forming large committees as these will rapidly lead to problems of co-ordination. Neither should the group set up committees or positions that have no real role or if no-one is available to take on the activity. To avoid potential conflicts, the process should be highly participatory and selection of members should be open to all interested persons. The effectiveness of the committees should be reviewed at least once per year and committees should be discontinued if they are found not to be useful.

Visioning to Develop a Common Goal for the Future

Following the analyses at the participatory community level, the market facilitator should work with the partners within the working group and representatives of the enterprise groups to formulate a joint action plan. This action plan outlines key or common problems and how the partners and enterprise groups can embark on a series of activities to overcome them. This is related to what can be done in the short, medium, and long-term and what can be achieved with local and external resources (Table 13).

Outline of the project area assessment

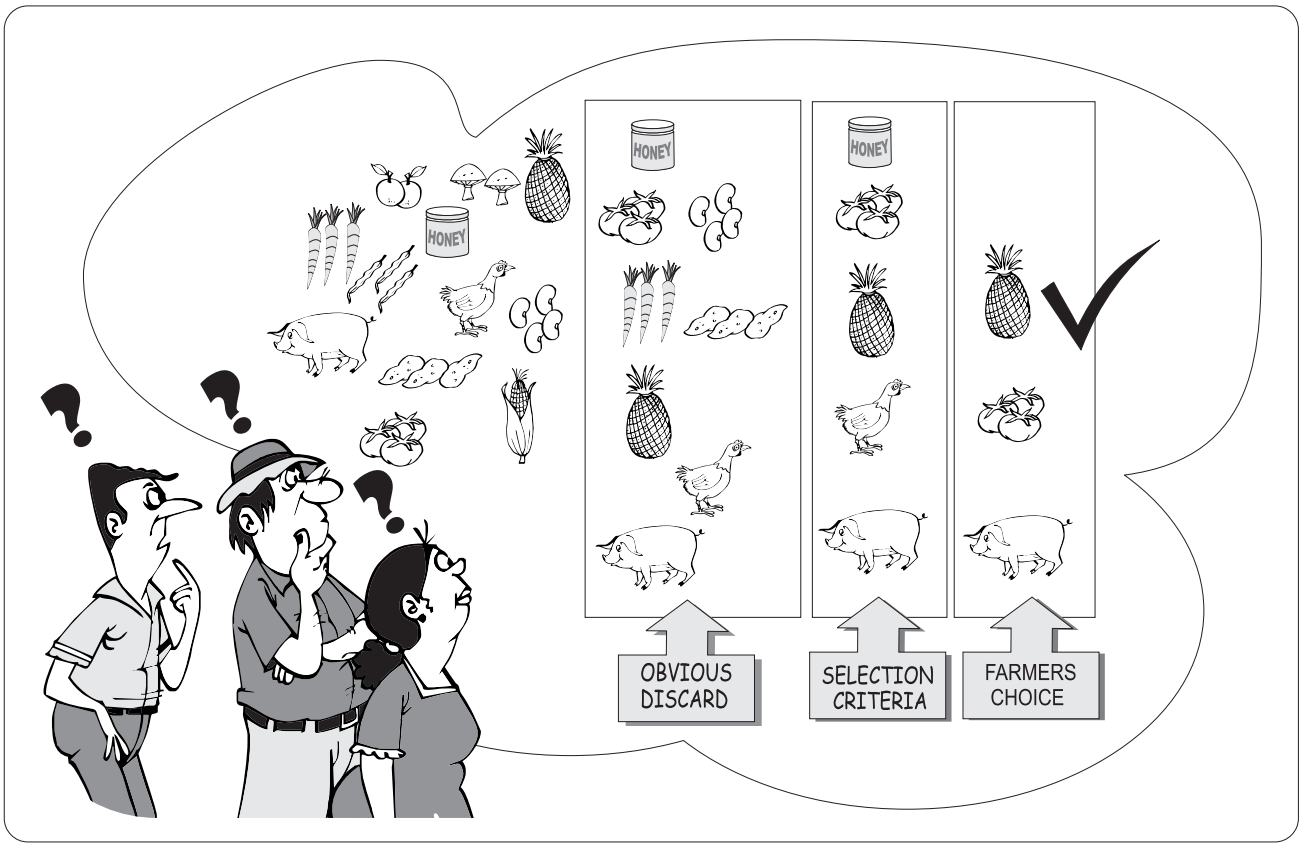
The market facilitator should write a 15-to-20 page report on major findings, challenges, and current plans (Appendix 5). The report should highlight the short, medium, and long-term challenges and the activities that farmer groups have planned to achieve their goals. The report with clear recommendations should then be circulated among the working groups and discussed with the enterprise group.

Table 13. Visioning from current to a desired state, Katamata Group, Tanzania.

"On the side of the river"	"The stepping stones across the river"			"On the other side of the river"
Where we are today	Activities for getting where we want to go:			Where we want to be
	Short-term	Medium-term	Long-term	
Sell traditional products Income from coffee is low value, few high-value options Production of most income crops sold at low prices by individuals Partners not well organised Group not organised for business, no links to service providers for input/output markets No experimentation done by the community No record keeping by the group No plans to use local assets and organisations	Undertake a market survey for selected income products Obtain seed of new varieties; multiply seed of new varieties Reorganise group structure to accelerate benefits of innovation	Gain advice from research station on production Plan for higher value market options Register group, seek links with other groups with similar interests	Seek links with other collective marketing groups	Produce a range of higher value crop/livestock products Find an alternative to coffee Sell at least 10 tonnes of beans to a known buyer Select the best bananas for market and sell to local hotels Group well organised, with functional committees for marketing, credit, and experimentation Group linked with service providers and other production groups Group maintains regular production and financial records to evaluate its own performance

SECTION 7

Product Screening and Market Opportunity Identification



By the end of this section, the market facilitator and community should have:

- *Decided on a pilot site in which to market test an existing product or demand-based process.*
- *Designed a market opportunity survey.*
- *Evaluated demand and buying conditions for product options.*
- *Selected a product for additional market chain analysis.*

Time frame: *2 weeks.*

This section describes a "screening process", which is used to make an objective decision on the product to select for market chain analysis and agroenterprise development. If a product has already been selected according to a pre-project design phase, stakeholder workshop, or macroeconomic decision, then the reader may go directly to "Section 9: Market Chain Analysis" or Section 10: "Developing an Enterprise or Intervention Action Plan".

This section aims to help partners understand market demand for specific products and provide a means of comparing different types of product options such as pineapples, beans, and pigs. Common evaluation criteria that are used are production requirements, marketing requirements, and profitability. A significant aspect of this process is to also evaluate new product options that may enable or encourage farmers to diversify their products into higher value options that can take advantage of growth markets.

Options for Product Screening

Before embarking on this next phase of the work, some decisions must be made on:

1. The type of survey.
2. The survey's scope.
3. The survey team's composition.
4. The level of participation.

Methods for product surveying

Type of survey: Two main options exist for selecting survey types. Choosing the option or strategy to follow should be based on the working group members' experience and the level of risk or innovation being sought by the farmer group or investor. The market facilitator should help the partners make a decision.

> ***Strategy 1:*** *Selecting an existing product (lower risk). This is for groups with limited experience in marketing and agroenterprise development.* With this strategy, work focuses on evaluating demand, market prospects, and services for **existing products** in a localised area. The marketing strategy for this approach is called "market penetration", and is an ideal approach to be used as a pilot project. The time frame for agroenterprise development based on this strategy can be reduced to one season.
>
> ***Strategy 2:*** *Identifying a new product (higher risk). This is for more experienced market facilitators or more organised farmer groups.* With this strategy, work includes a more open product evaluation process, a more diverse range of products, and greater emphasis on **market demand**. The key question is whether demand for the product is increasing, stagnant, or declining over the previous 1 to 3 years. This marketing strategy is normally called "diversification" and the selection can include specific products that are of interest to clients or investors. The time frame for this process may extend beyond one season.

Survey's scope: Whichever strategy is chosen, the size of this preliminary survey still needs to be defined in terms of which type of products to investigate (high or low value), how many people will be involved, how many markets will be visited, and which types of markets the survey will examine. The decision on scope is usually based on the time and resources available.

Selecting the marketing survey team: Based on the type of product and therefore the complexity of the analysis, the working group should select participants for a joint marketing team. Typically, marketing teams will comprise the market facilitator and 2 to 4 representatives from the working group, including, if possible, one or more farmer representatives. Market teams of 2 or 3 are generally more effective than groups of 5. If more people are involved, these should be separated into teams of 2 or 3 people. Each group should include one person who is familiar with market analysis. Market interviews often touch on sensitive issues such as prices, profits and sources of produce or finances. This type of information is only shared with small teams. Interviews with traders should only include one trader and a maximum of two interviewers.

Level of participation: Where possible, service providers or farmers should be involved in all the planning and implementation stages of the market survey, as this facilitates the transfer of marketing skills. However, the level of participation also needs to be practical. As a rule of thumb, the level of participation of the beneficiaries declines as the scale and complexity of the study increases.

In the past, product screening and market analysis (discussed below) were undertaken by a consultant or project staff member who would find out what farmers and working group members wanted to develop into new enterprises. The results would then be presented to and discussed with the working or farmer groups for their final decision on the option to select for further analysis and investment. This consultant or project staff-led activity remains valid, particularly if the project area under analysis is large, if the products under consideration require specialist knowledge, or if the project has limited time or resource constraints. However, where possible, market survey work should be undertaken with a manageable level of participation to prevent top–down processes and to increase ownership of results.

Importance of Community Participation

Although farmers are familiar with markets, they are not familiar with market surveys. For many, their participation in a market survey will be their first time to systematically evaluate buying conditions for products in a market. Clearly, this type of work requires good communication and interpersonal skills, so farmer selection for this task is important—they must be knowledgeable and motivated. Where possible, a gender balance

in the chosen group should be maintained. Essentially, participation is important so partners can learn and repeat the exercise on their own initiative at a later time.

Strategy 1: Screening "Existing" Products

For groups who are conducting agroenterprise development for the first time, starting with an existing product is advisable. Decisions on which product to select can be based on:

- Findings from the project site resource survey.
- Findings from stakeholder analysis.
- Focus groups with farmers.
- Macroeconomic analyses, including the project site.

The simplest way of reducing a list of preferred product options to a manageable number for demand analysis is to choose products having the highest volume and value.

- If secondary information from the project site is separated into food security and income-generation products, then the marketing team can select the first 3 to 5 income-generating products for the client or business partner groups.
- A product can be selected according to a combination of information from the working group members and discussions with farmer groups. When dealing with farmer groups, products can be selected according to the following criteria:
  - Products that are mainly produced for income.
  - Products that are produced by most group members.
  - Products that will attract investment from farmers, service providers, or local entrepreneurs to establish a new enterprise.

The advantages of selecting an existing product are twofold: (1) the working group or marketing team can start working on agroenterprise options relatively quickly, and (2) farmers already know how to grow the product and can focus more on its marketing aspects.

Product market screening survey

Having selected potential products, the marketing team should develop a plan and a questionnaire to evaluate those products' marketing prospects at selected market outlets. Usually, market screening focuses on local marketing outlets. It begins with a market mapping exercise that will enable the market facilitator and marketing team to visualise the types of market they need to survey for the selected products, as different types of products may have different market outlets.

The team should also plan the logistics of getting to the markets. In some cases, the market facilitator may, before the survey, undertake a rapid reconnaissance of the targeted markets to locate vendors selling the selected products and so make arrangements for market visits (Figure 9).

Survey protocol

As with all survey work, a standard series of steps should be observed when interviewing informants.

1. Select and brief survey team members on the purpose for the exercise.
2. Plan the survey on the results needed and link activities to a time frame.
3. List survey sites to be visited.
4. Plan number of interviews per site.
5. Prepare a questionnaire or checklist.
6. Pre-test the checklist in a local market before undertaking the survey.
7. Prepare an introduction as to why you are doing the survey. Make sure that everyone who is being interviewed understands your aims.
8. Ask permission to undertake an interview from all managers and supervisors at the location of the interview, whether at a market, hotel, or shop.
9. If possible, arrange meetings before you arrive.
10. Be sure that the interviewee has time for the interview or re-arrange for a better time if they are busy.
11. Always show respect for an interviewee's time; do not take more than 20 to 30 minutes of their time.
12. If interviewing in a market, stop questions when the person being interviewed is dealing with their customers.
13. Always thank them for their participation in the interview.

An example questionnaire or checklist

The pre-screening survey aims to find out which products are showing strong market demand and attractive business characteristics. The marketing team needs to discover which product (or

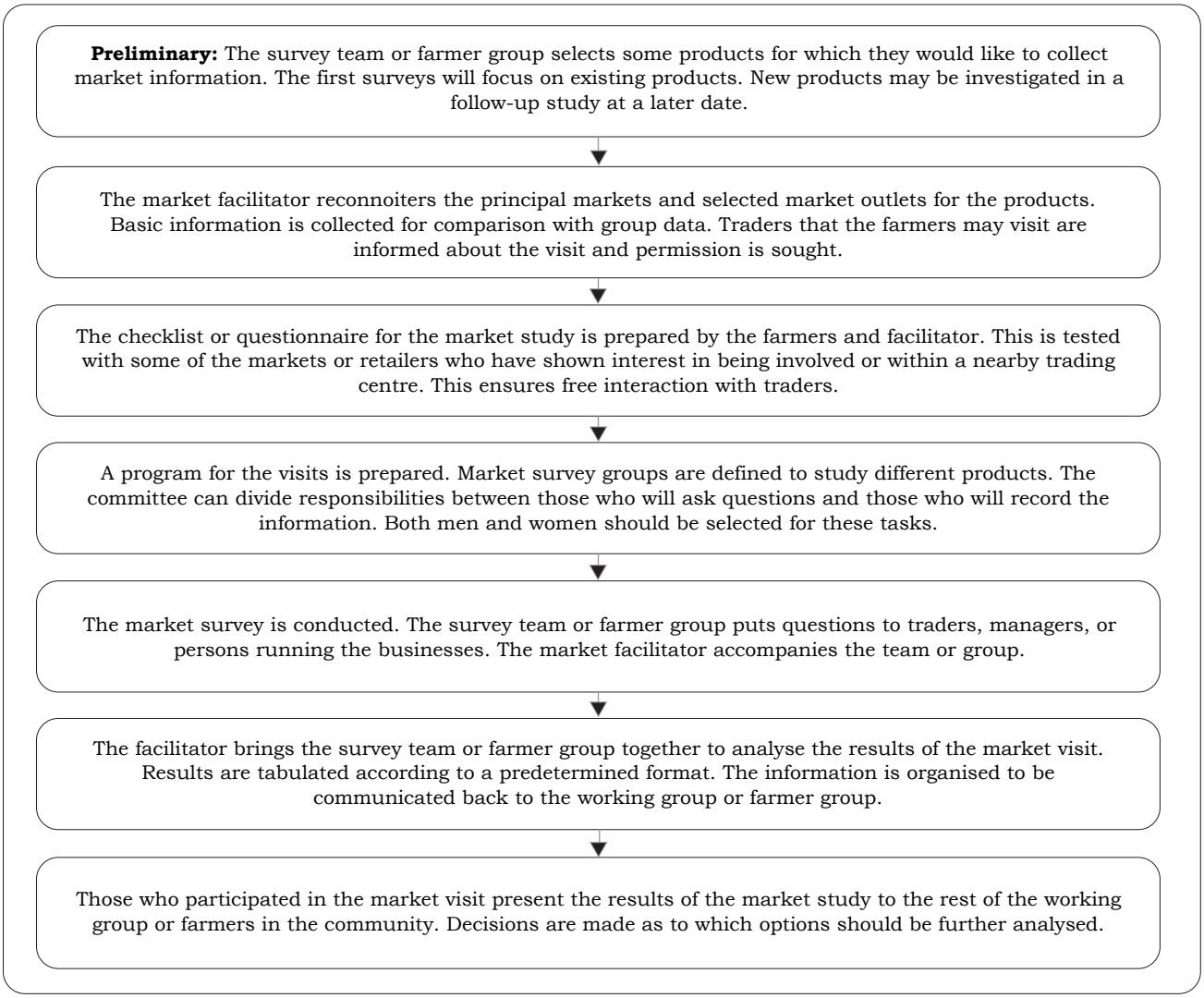


Figure 9. Steps in arranging a market survey.

products) is (are) the best option and who are the potential buyers. The types of questions to be answered in the pre-screening survey are:

- What is your name, telephone number, and contact address?
- Could you tell me if the market demand for product X is growing, stagnant, or declining?
- Are there any times in the year when product X is scarce? If so, why?
- How do changes in the season affect prices?
- What are the prices differences according to size or class?
- If the price of product X is very high, what other products do people buy instead?
- What quantity of product X do you purchase? And how often?
- How many other traders are there like you in the market?
- Can you estimate the quantity of product X purchased by this market?
- Who is the largest trader in product X?
- Who do you buy from? And where are they located?
- What is your minimum purchase volume for product X?
- What is your frequency of purchase for product X?
- What is your main source of product X?
- What price do you buy product X per unit?
- What are you currently selling product X?
- What are your main marketing costs?
- What are your terms of payment?
- Would you be interested in buying from a farmers' group?

Results from the market visit

Following the market visit, the market team should review and write a summary of the information gathered. Figure 10 provides an

SUMMARY OF INFORMATION GENERATED FROM THE ST. MARY'S S.S. MKT VISITED BY FARMERS.

PRODUCT: POSHO

MKT OUTLET AND LOCATION	QUANTITY REQUIRED (CLASS, SIZE ETC).	MINIMUM VOLUME PURCHASED	FREQUENCY OF DELIVERY & SPECIAL PACKAGING REQUIREMENT	PRESENT ORIGIN OF PRODUCT	PURCHASE PRICE	TERMS OF PAYMENT	POSSIBILITY OF SALE TO THIS MKT BY OUR COMMUNITY
MADERA SOROTI MUNICIPALITY	BEST 2ND CLASS	50 BAGS	TWICE A TERM IN CAVERA BAGS	MBALE	42500/= PER 100kg BAG	CASH	AVAILABLE
BEANS MADERA SOROTI MUNICIPALITY	NEW HEALTHY LOOKING BIG SEEDED BEANS WITH FEW SPOILT ONES BUT WITHOUT WEAVILS	30 BAGS	ONCE IN A TERM IN CAVERA BAGS	SIRONKO	68,000/= PER 100KG BAG	CASH	AVAILABLE
RICE MADERA SOROTI MUNICIPALITY	FAIRLY SORTED SUPER CLASS RICE WITH FEW BROKEN ONES	7 BAGS	ONCE IN A TERM IN CAVERA BAGS	MBALE	90,000/=	CASH	AVAILABLE
TOMATOES MADERA SOROTI MUNICIPALITY	MIXTURE OF RIPE, ½ RIPE AND RAW	7 KGMS	WEEKLY	SOROTI TOWN MAIN MKT	700/= /kg	CASH	AVAILABLE
ONIONS - MADERA SOROTI MUNICIPALITY	MATURE HEALTHY DRIED		WEEKLY	SOROTI TOWN MAIN MKT	12,000/= PER KG	CASH	AVAILABLE
OTHERS FRESH SWEET POTATOES	GOOD	THREE (3) BAGS	WEEKLY	KSFF	NEGOTIABLE	CASH	VERY HIGHLY AVAILABLE
FRESH CASSAVA	"	"	"	"	"	"	"

Figure 10. Results of a market survey conducted by farmers in Uganda.

example of information, where, in this "market survey", the farmers evaluated market prospects for beans, rice, tomatoes, onions, potatoes, and fresh cassava.

The information shown in Figure 10 is specific to a trader who supplied a local school. The report was organised to reflect the product, quantity purchased in numbers of bags, frequency of supply, source of product, price, payment terms, and the trader's interest in dealing with a farmer group. This type of summary should be completed for each market outlet.

The time required for this exercise will depend on the number and distances between the different market outlets. Typically, participatory market visits to evaluate 3 to 5 products will take 4 or 5 days, that is:

- On Day 1, the market committee is introduced to the concept of participatory market research and how it is conducted. The questionnaire or checklist is then prepared. The checklist should be tested in a nearby market before the main study is carried out.
- Days 2 and 3 will be spent in the markets, gathering data.
- On Day 4, the market study's results are prepared and synthesised.
- On Day 5, the findings of the market survey are presented to the group members or wider community.

Presenting the information: Having gathered information from the market, the data should be discussed by the marketing team and written on a data summary sheet. This information will be used as the basis for discussions with the working group or farmer group on selecting the best product or enterprise options (see "Section 8").

Strategy 2: Surveying to Identify Market Opportunities

The survey to identify market opportunities seeks "new opportunities" for enterprise development. The focus in this approach is therefore on **diversification**, emphasising market demand for new and higher value

products rather than working with existing options. A key question is whether demand for a product is increasing, stagnant, or declining over the last 3 years.

First, a survey team is formed. This should include the market facilitator and selected members of the working group or farmer group. The survey team should begin by planning the survey's scope, discussing with the working group and farmer group, the types of products to be evaluated, as this will determine which sales outlets will be included in the survey. The farmer groups may have a particular interest in livestock, fruits, or a niche product such as "organic coffee", which considerations should be introduced into the survey's planning and questionnaire format.

Having established the study's focus, preliminary market chains for the various products should be drawn up to determine what information is known, what information is needed, which types of people should be interviewed, and where the interviews should take place (Table 14). This session should end with a timetable and list of interviews to hold, questions to ask, and the names of the people to conduct the survey. The matrix in Table 14 will assist in this planning process.

In strategy 2, the list of locations to study may become longer as it will include more distant or specialised market outlets. This type of survey, therefore, requires careful planning and may need additional support from experts in either marketing or specialised products.

The next stage is for the market facilitator to develop a questionnaire with the survey team. This should be simple and easy to use (Appendix 6). In this rapid method, the sample size is not statistically measured but, as a rule of thumb, the survey should visit at least 3 to 5 sites within each type of sales outlet. The more outlets there are within a type, the more samples should be taken. For example, kiosks are likely to be more numerous than small shops. The survey team would therefore plan to visit more kiosks than small shops to gain an idea of a product's market demand. The group should also consider collecting more data if the information is highly variable or to stop collecting when 2 or 3 sites give similar information.

Once the questionnaire has been finalised and pre-tested, the next step is for the survey team to contact key informants at the market outlets and conduct the survey. This exercise quantifies the relative demand for specific products and gathers information on buyers, changes in demand,

Table 14. Matrix format to plan which data to collect at which point of sale in the chain.

	Products in high demand	Products in scarce supply	Products of interest to the project or farmer groups	Estimated number of sites	Sample size
Local market					
Next largest town market					
Supermarket					
Small shops					
Local stores, kiosks					
Restaurants					
Institutional buyers					
Processing factory					

product prices, volumes, and buying conditions. The survey team can also use this opportunity to discuss selling options with traders and retailers, and so initiate the process of building contacts in the market.

This exercise allows selected market committee members to find out for themselves the demand for products in nearby market outlets. The survey team will be able to identify the range of agricultural products on sale, study the buying conditions and quantities purchased, and note market trends.

Market Survey Results

This type of survey can generate information for "long lists" of options for enterprise development, for example, more than 30 products within a 2 to 3 day period. When the survey includes several additional categories to be studied such as fruits or dairy products, many options and market outlets exist for such lists, such as supermarkets, which may have 20 to 30 products within one product line. The survey team can collate its findings in the form of a report (Appendix 7).

The survey team should not feel overwhelmed by the high numbers of potential products because the next step is to use marketing filters to select the best option for the target group.

Researching markets for processed products

For community groups planning to work on processed products for sale to consumers, good advice on market research techniques can be found in FAO's Marketing Extension Guide No. 3 "Market Research for Agro-processors"[7]. Before any agro-processing venture is started, or before an existing venture decides to expand its product line, an understanding of the market for the planned products is essential. Farmers and rural processors need to be sure that they can sell what they produce at prices that give them a good profit. They need to have a realistic idea of the quantities they can sell and be sure that the facilities they build and the equipment they buy are suitable for those quantities, being neither far too large nor too small. They need to know where they can sell their products and how best to distribute them to consumers. Last, but not least, they need to be certain that the raw materials, other ingredients and packaging they require will be available when needed, at a price that permits profitable processing and marketing.

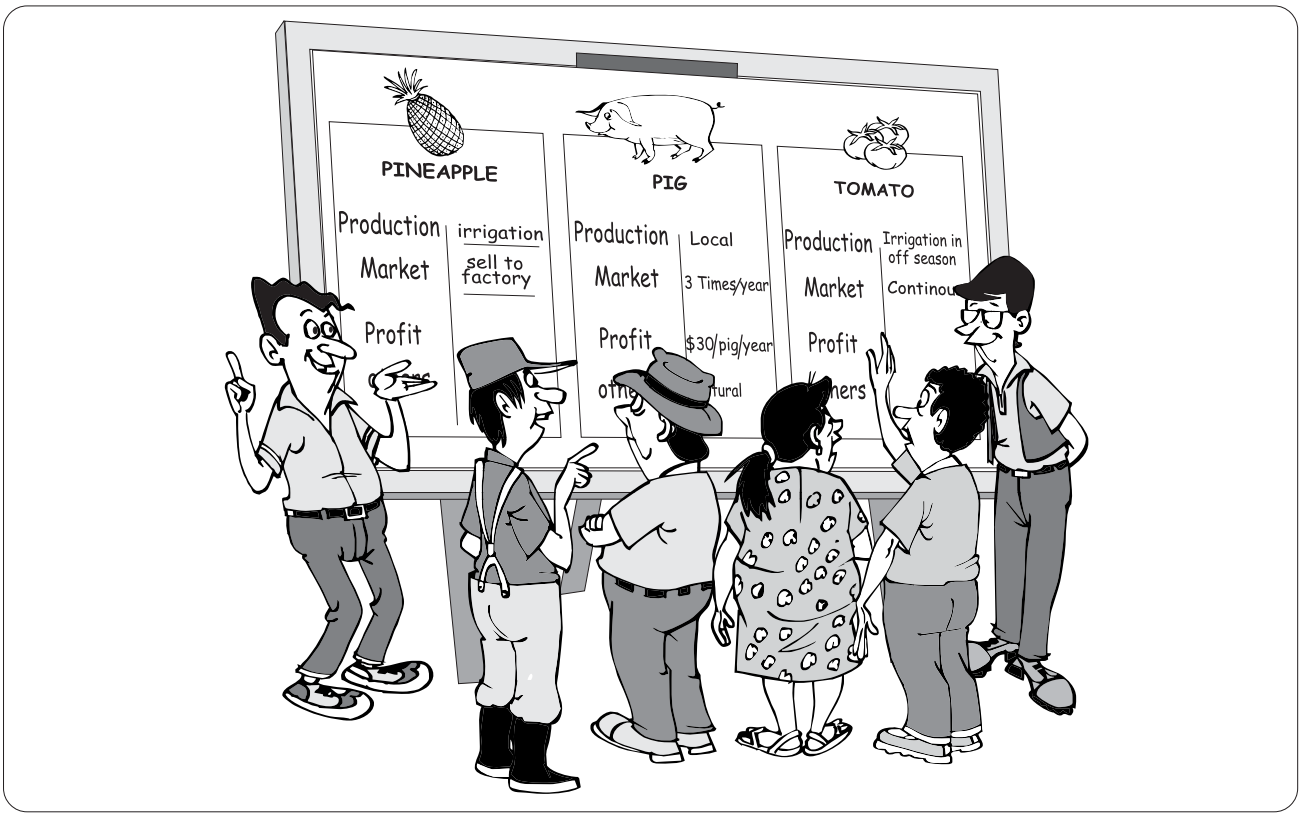
The Dynamic Nature of Markets

As buying conditions in markets are constantly changing according to season, trends, and many other factors, the working group or farmer group must understand that single visits to marketing outlets only provide a snapshot of the market situation. To follow trends, the survey group or market committee member needs to undertake further visits over the year to monitor changes. Farmers can follow up on more localised market changes once they know how to conduct the market study.

7. (www.fao.org/ag/ags/subjects/en/agmarket/research.html)

SECTION 8

Selecting the Best Product or Enterprise Option with the Clients



By the end of this section, the market facilitator and community should have worked with clients on the following:

- *Determining selection criteria.*
- *Selecting the most viable option for the community.*
- *Developing a business plan.*
- *Developing an enterprise action plan.*

Time frame: *1 week.*

At this stage, the facilitator has assisted the community to generate market information on several products. Depending on the strategy used, the survey team will have gathered information on either (1) a limited number of existing products, or (2) a considerably larger set of products that include traditional and new options. Having generated this list of potential options, the survey team, guided by the market facilitator, should now reduce the list to the most profitable and viable products for agroenterprise development. To filter out the less attractive options, the survey team uses the information they have collected and develops a series of selection criteria (Figure 11). The summarised results are then presented to the wider group, who makes a final selection.

Establishing Evaluation Criteria

Several criteria can be used to evaluate the agroenterprise options. These criteria should be well defined and easily understood by group members:

- Smallholders can easily produce the options.
- The options are attractive as a business proposition.
- The options would contribute to production sustainability.

Because most farmers in rural communities are smallholders, the options chosen must be easy to implement or, if a new product is selected,

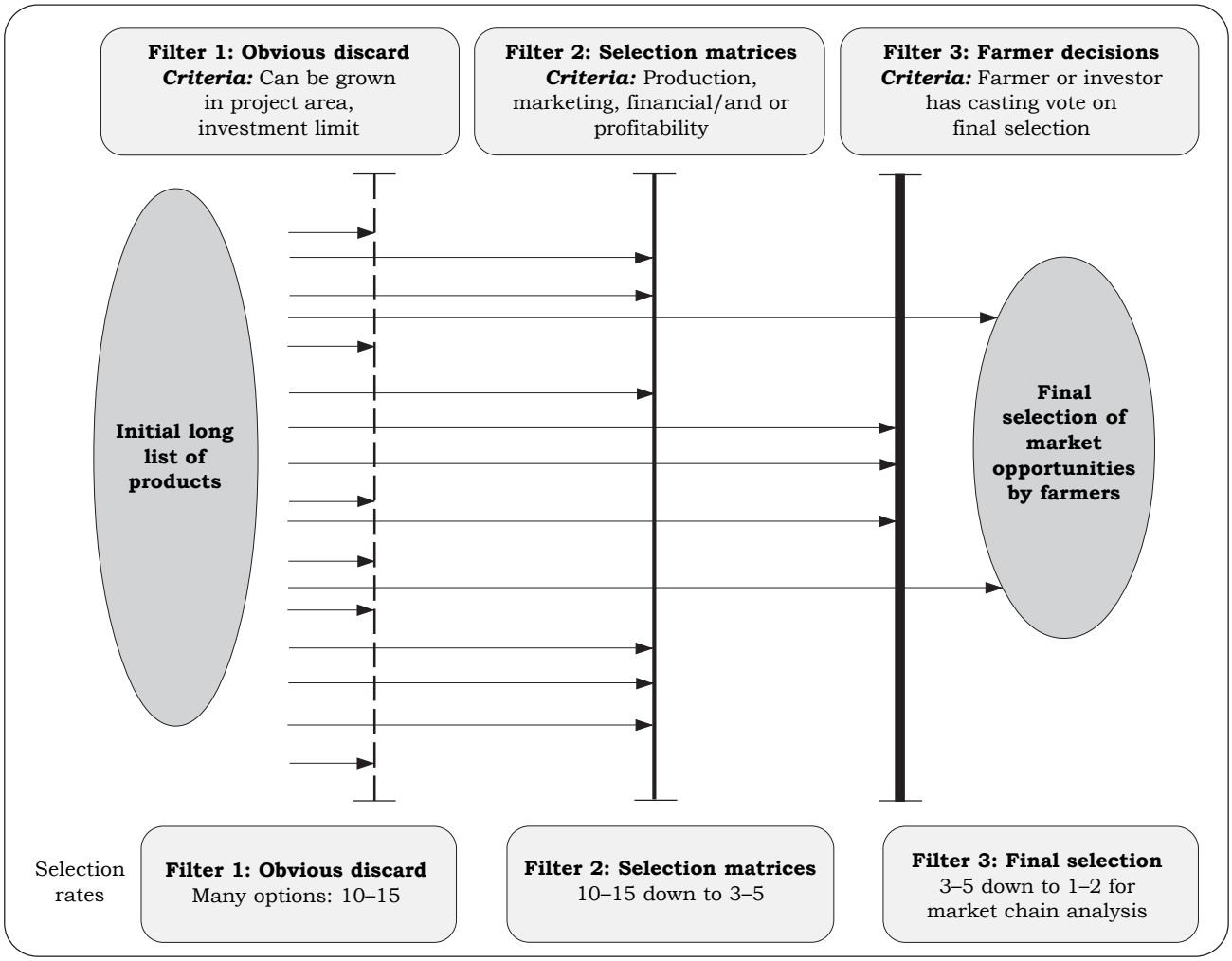


Figure 11. Selecting market options according to three levels of selection or discard.

SOURCE: Adapted from Abele et al. (2004).

then the farmer groups should have access to sufficient technical service providers. Generally, the option should have low technical requirements, with the initial costs of production being affordable. Ideally, the option chosen should be attractive, not too long-term, and provide a reasonable return. Farmers and less experienced market facilitators should start this process with a short-cycle product, so that they can go through the process reasonable quickly without losing interest of the actors involved. Contributing to production sustainability is also an important criterion because smallholder farmers have little land and often farm on low-fertility plots with limited inputs.

Selecting the Most Viable Agroenterprises from a List of Options

The market survey team, with the facilitator's help, must write up the enterprise selection information. Once this has been done, a working group or community meeting should be called to review the process of enterprise selection. At the community level, all farmers should be invited and the meeting should be as participatory as possible. Selection should be based on a three-stage discard (i.e., product removal) process (Figure 11).

- *Discard 1:* Obvious products that have little hope for success.
- *Discard 2:* Removal of options based on production, marketing, and profitability data.
- *Discard 3:* Final selection by most farmers.

Discard option 1: Removing obviously "no hope" products

Any product option that the farmers or project is not interested in is removed from the "long list". Such a "long list" will not occur where only "existing" products are studied, but only when the survey team generates option lists based on market demand.

Reasons for discarding an option include the product being unable to grow in the area, being costly to grow, or being too risky to produce. Examples of such products may include exotic high-value fruits and vegetables, taboo products, illegal products, products that require specialist skills, and very long-term products such as hardwoods.

Discard option 2: Enterprise criteria

This series of options must be measured against indicators of business viability. The facilitator and market survey team should take time to go through this information, so that the method is understood and can be explained to other group members in a comprehensible and interesting manner. Selection criteria in this case focus on requirements for (1) production, (2) marketing, and (3) profitability, based on investment, as follows:

Production analysis: For all options, the survey team and market facilitator should determine what is required to produce them. Each product should be assessed, using a common set of production requirements, for example, rainfall, soils, altitudes, inputs such as fertilisers and pesticides, major pests and diseases, and other potentially useful agronomic information (Figure 12). From this information, some enterprise options may be automatically disqualified because the area is unsuitable for their production. For example, if rainfall requirements are higher than the area's rainfall and irrigation is not possible, then those options should be discarded. The complexity of the matrix, and therefore of the information required, will be based on decisions made by the survey team.

Marketing analysis: This information is critical because it gives the survey team and farmers an idea of the best enterprise options in terms of selling the product. From this information, the survey team will gain a reasonable understanding of the risks involved and the level of effort required to reach purchasing standards. This information focuses on demand status, prices offered for each product, minimum quantities purchased, the means and terms of payment, delivery conditions, and quality requirements (Figure 13).

Profitability analysis (financial): The final evaluation provides a means of comparing the profitability of different enterprises. This method requires some mathematical skills and the facilitator should ensure that calculations are done correctly. Based on the information gathered at the market, the analysis outlines the

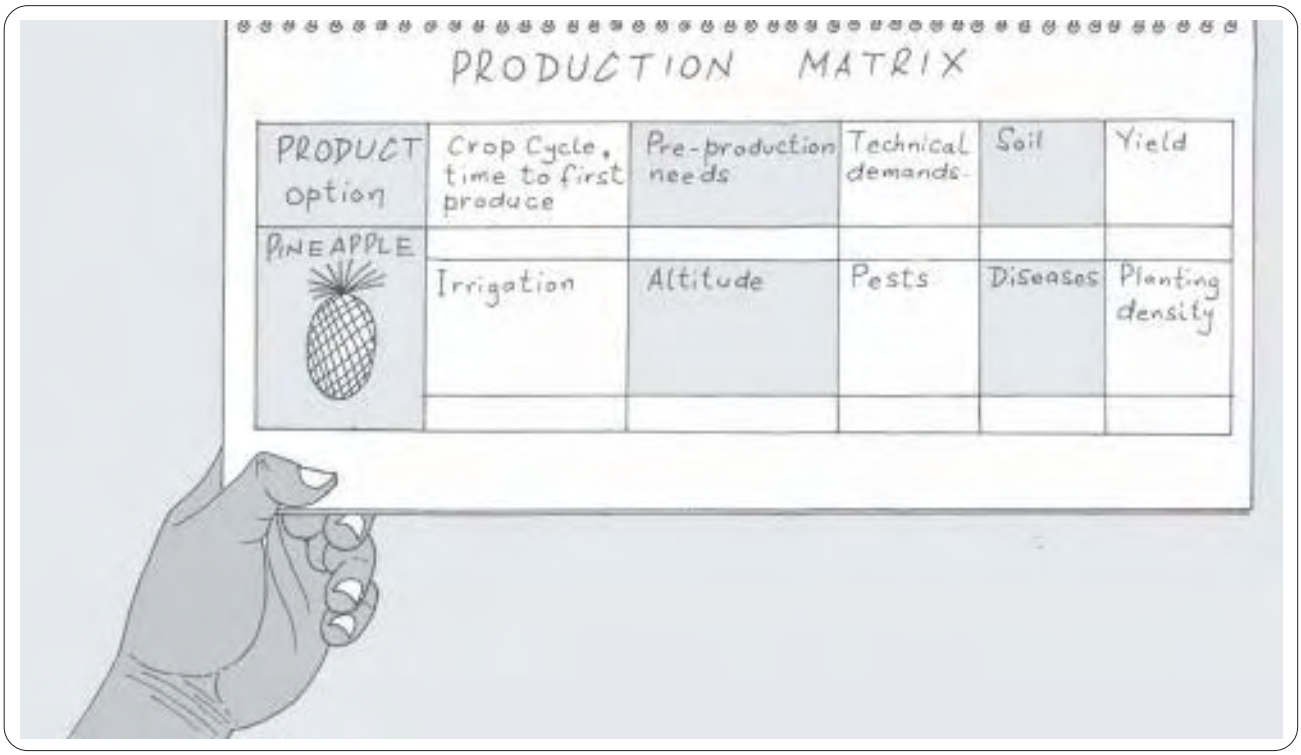


Figure 12. An example of a production matrix.

Figure 13. An example of a marketing matrix.

costs involved in producing and bringing the product to market against the income that will be received. The market facilitator should ensure that this analysis is done in the simplest and yet most conclusive manner (Figure 14).

Gross margin analysis is a fairly simple way to compare profitability of an enterprise across different types of products. "Gross margin" is the final income after all production costs have been subtracted from the sales income. The profitability of an enterprise is a very important selection criterion. In some cases, this exercise must be undertaken over several years, as some enterprises only show profit after 2 or 3 years.

Discard option 3: Final enterprise assessment by working or farmer group

The final selection of the most suitable product to develop into an enterprise should be determined through dialogue between working and producer group members. The facilitator can use either "product cards" or a "summary sheet" so that it is simpler, particularly for farmers, to compare the enterprise options against their constraints and opportunities.

The marketing committee member should present the information to members for discussion and the final selection of one or two options that will be developed further into new business options. If the farmers fail to come to a consensus in selecting a product, the facilitator can use several methods, listed below, to arrive at an agreed choice. Other criteria that are specific to farmers' interests can also be included to provide a common appreciation of how a decision is being made and guide the final selection of a given product option for agroenterprise development.

- Weighting and giving scores to various options.
- Using the one-man one-vote criterion.
- Applying pairwise ranking to the products.

These methods can help farmers make a decision agreed on by all members. This exercise should be facilitated so that all present feel satisfied with the outcome. Because of the significance of this exercise, the facilitator should ensure that it is done thoroughly and that the farmers understand that a clear decision is being made.

Through this process, the working group or farmer group will assess the different enterprises and justify their preferences. Going through this exercise significantly improves the group's understanding and assessment of the various enterprises.

GROSS MARGIN ANALYSIS FOR CLIMBING BEANS: INCOME / ACRE

Costs/acre	Shillings	Notes
Land preparation	40,000	Animals hired for ploughing.
Seeds	24,000	New Variety.
Planting	5,000	
Staking - Supports	60,000	240,000 for Staking materials but will be used over 4 seasons.
Weeding X3	15,000	Used mainly family Labour. Some Costs not included.
Fertiliser	25,000	
Pesticides	6,000	
Labour for harvesting	18.000	
Packaging	1,000	
Transport to market	5,000	
Market fees	1,000	
TOTAL COSTS/ACRE	200,000	
Harvest Kgs	1,200	
Market price/Kg	750	
INCOME	900,000	
GROSS MARGIN	700,000	

Figure 14. Profitability analysis: "gross margin" for beans in Uganda.

Why Learning these Skills Is Important

If the farmers properly understand this process of information gathering and selection, their confidence in enterprise development will be built, and they may use the exercise in subsequent studies to find a new enterprise option. Box 4 gives an example from Tororo, Uganda, and Table 15 gives a matrix of prioritised interventions and associated chain actors.

Box 4

Case study: Enterprise selection by the Katamata Farmers Group, Tororo, Uganda

Preparing for market visits

The market facilitator in this study was from the NGO, Africa2000 Network. Dates for market visits were agreed on by the committee, together with the facilitator, who wrote letters to several business men and women in the Tororo markets, requesting permission for the farmers to visit their enterprises. A date and time was agreed on for the visits. Before visiting, the farmers studied the market checklist and agreed on the questions to ask the business people. The committee was separated into two groups, both composed of women and men. Each group elected a leader to record the information gathered. Ten committee members chaired by Mr Alojo led the market study. The facilitator, joined by another from CIAT, accompanied them.

Feedback

The market study feedback session, led by the marketing committee, was attended by 26 members: 10 women and 16 men. After presenting the market information, the results were discussed. At the first level of selection, farmers arrived at a list of commodities that they could produce. This list included beans, groundnuts, tomatoes, kale, amaranth, green gram, and field peas.

As part of this process, farmers were guided through a gross margin analysis of two selected crop enterprises to determine their profitability. The analysis showed that beans had returns of 160,000 Ugandan shillings per hectare. In contrast, groundnuts had returns of up to 455,000 Ugandan shillings per hectare. Groundnuts and beans were selected as the most attractive enterprise options and an experimental plot was set up to evaluate the production from new varieties of these crops.

Selection criteria

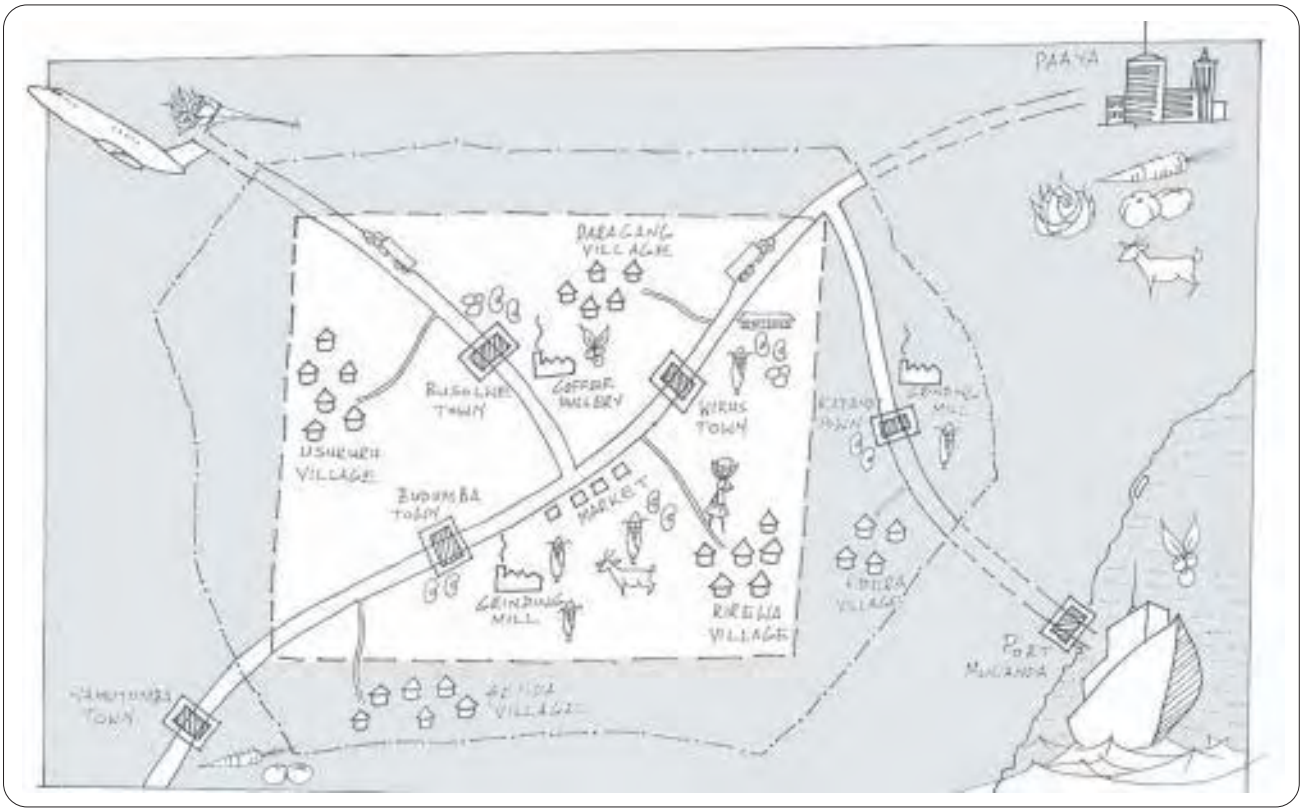
Several selection criteria were considered, including market demand, price, production costs, availability of or access to improved varieties, availability of certified seed and other agricultural inputs, maturity period (preferably short), perishability, post harvest storage, pest and disease management, transport costs, and quality and/or amount of produce required by buyers. Groundnuts were noted as having two planting seasons whereas beans could have as many as three planting seasons, if planted at the correct intervals.

Table 15. A matrix of the final evaluation and selection of income-generating activities.

Product	Market demand	Technical and environmental feasibility	Economic feasibility	Farmer organisation exists
Beans				
Pork				
Pineapples				
Scoring	High 6 Medium 4 Low 2	Low 0 High 5	High 4 Average 2 Op. cost 0	Strong 3 Medium 2 Weak 1 Non-existent 0
Availability of service support for the product	Existence of local know-how about crop/product	Equity in distribution of benefits in community	Other criteria	Total score
Scoring	Yes 2 No 1	Yes 1 No 1	No. of beneficiaries: High 3 Intermediate 2 Low 1	Degree of importance: High 3 Intermediate 2 Low 1

Section 9

Market Chain Analysis



By the end of this section, the group should have:

- *Undertaken a rapid market chain study.*
- *Written up a market chain report.*
- *Reported findings back to the group.*

Time frame: *2 to 3 weeks per market chain, depending on chain length and survey team experience.*

Introduction

Market chain analysis is the most complex analytical stage in the agroenterprise process and many fieldworkers find this task rather daunting. This section provides a method that can be used and adapted by non-specialists to undertake a simple analysis, focusing on part of a selected market chain. The goal is to obtain a more detailed understanding of the actors, activities, costs, and opportunities related to the flow of a particular product and associated services, starting with farmers and ending with the targeted buyers and/or consumers. These issues need to be understood to identify critical constraints, opportunities, and the entry points for agroenterprise intervention. The information gained through market chain analysis also helps in identifying the best market chain to work on for a specific client and in locating key market chain actors who will buy produce. The knowledge obtained will play a critical role in designing, implementing, evaluating, and scaling up enterprises.

The method offered here relies on a combination of secondary data, a review of trends, and primary data collected by interviewing market chain actors. With this information, opportunities and constraints can be evaluated. Results are mainly descriptive and the analysis does not require sophisticated econometric skills. However, when implementing a market chain analysis, the survey team should take into account the complexity of the sub-sectors under study, the time and resources available, and the capacity of the staff involved. Some sub-sectors may have a multiplicity of supply chains and products, as shown in Figure 15. This type of survey will often benefit from or even require expert consultant support. The lead organisation should evaluate demand for this

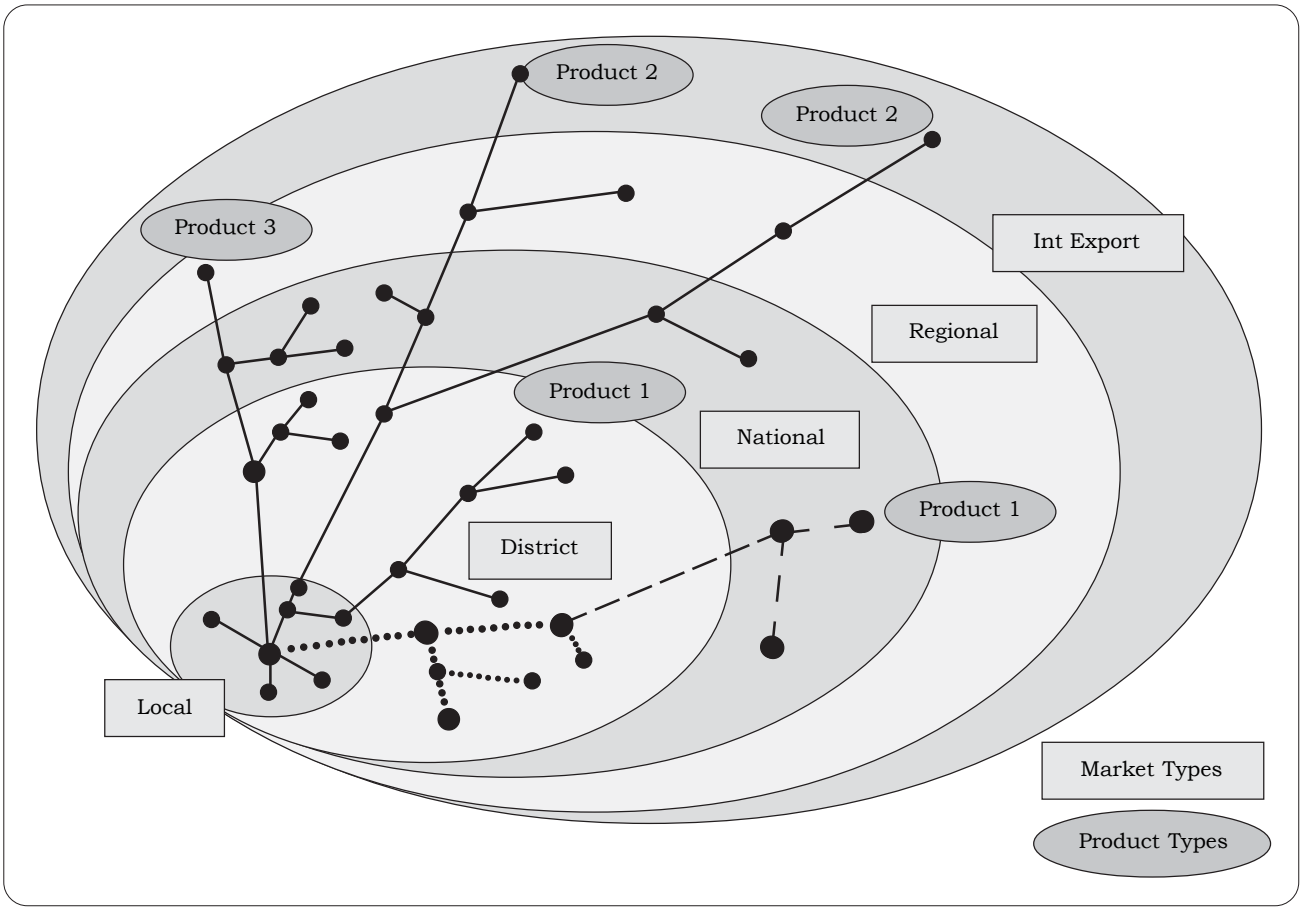


Figure 15. Idealised scheme of a sub-sector and its many market chains.
[Dotted lines refer to local links within a market channel; this is often the limit of work that can be done with farmer participation. The channel can be followed beyond a district to a national level and this maybe possible for farmers if they are going to the main capital city market, but as stated previously, as the analysis becomes more distant and complex the level of participation would logically decrease.]

type of service as this may be an area that can be developed into a future business development service.

As a rule, farmers would not lead this process and they are unlikely to ever undertake this sort of analysis on a routine basis. The market facilitator will therefore need to find partners with specific skills from research or other development agencies. Farmer representatives could be included in the survey team and undertake specific parts of the analysis. However, involvement should be restricted to specific opportunities identified, based on the findings for the survey (e.g., small dotted lines) (Figure 15).

Sub-sectors and Market Chains

To help demystify some of the jargon used in market analysis, some key terms and their meanings are briefly described below (see also Glossary):

A sector usually refers to all activities within the mandate of a single Government Ministry, such as agriculture, health and education; hence the Ministry of Agriculture services the agricultural sector. A "*sub-sector*" is the term used to describe activities within part of a sector. Therefore within agriculture, the term sub-sector can be used to describe all the activities within one part of the agricultural sector, such as the cereal sub-sector, fish sub-sector or livestock sub-sector, etc. The term "sub-sector" is also used to describe activities that relates to only one particular commodity, such as the maize, rice, cassava, beef sub-sectors. The term sub-sector essentially describes the activities and market channels, through which products and services are delivered to buyers. *Buyers* include traders, processors, wholesalers, and retailers (Figure 16).

A *product* is the basic unit being traded. It is usually categorised into one of three types:

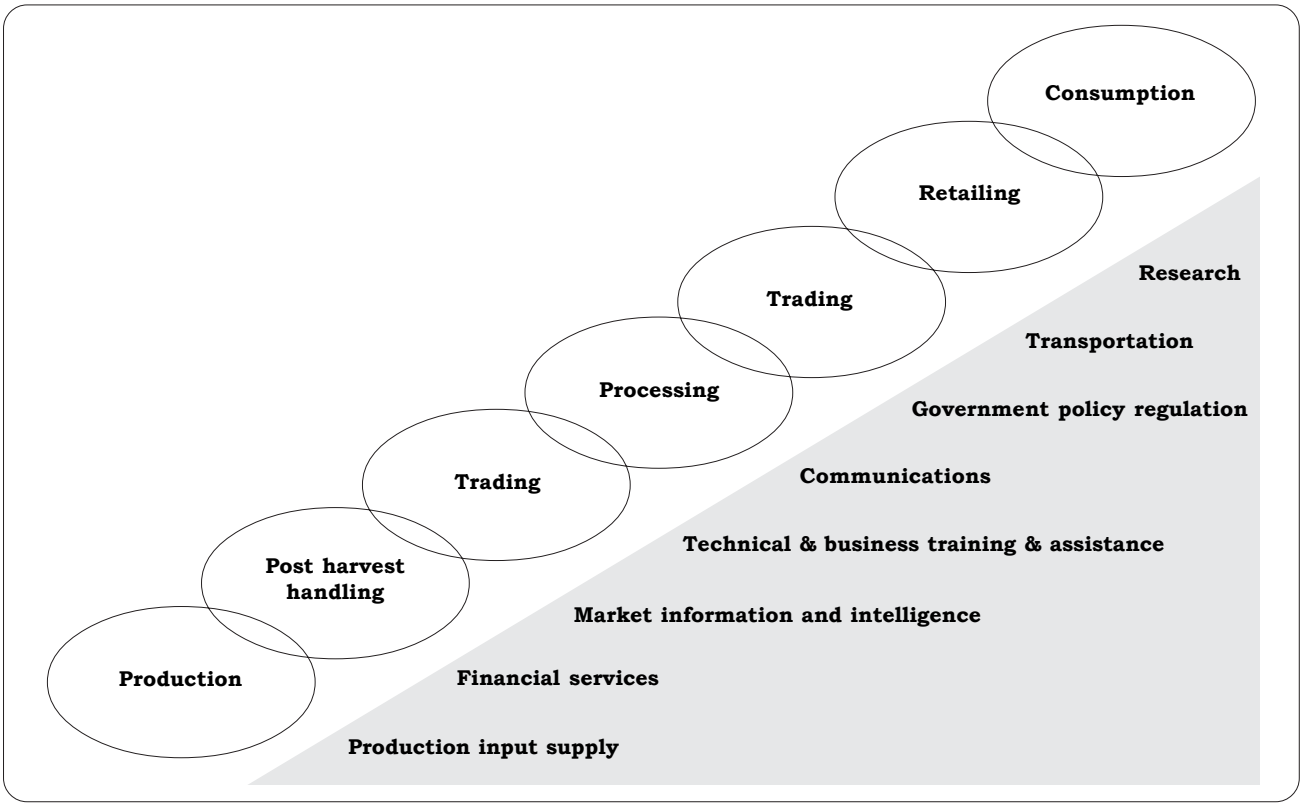


Figure 16. Links in the market chain and business support services.

- *Primary product:* This is the basic unit harvested from a farmer's field, for example, "maize cobs".
- *Secondary products:* These are sub-products derived from maize cobs such as grain, flour, and stover (maize stalks used as fodder).
- *Tertiary products:* Further differentiation or processing of secondary products, including starch, snack foods, processed animal feeds, and industrial products.

The more a product is subdivided or differentiated, the more specialised are the markets and buying conditions.

Distribution indicates the movement of products. Primary produce from one or many farms is purchased by local or travelling traders, who transport goods between markets. These traders, also called intermediaries, play the role of bulking farm produce, which is then sold through a range of markets, including assembly markets, wholesale markets, industrial buyers, retail markets, supermarkets, restaurants, and hotels. Niche markets are a relatively new concept, describing a highly specialised type of market that supplies a limited number of consumers, with a high-value or scarce product. The opposite of the niche market is the commodity market, which deals in more generalised, bulk goods.

These market outlets may have local, national, regional, and possibly export destinations. The links, based on the number of *transactions* that occur between the farmer and final consumer is described as the *market cha*in. Figure 15 shows several products being supplied through transaction points to several different types of markets, along individual market chains. The dotted and dashed line represents one market chain or channel.

In the literature, market chains are synonymously referred to as production chains, supply chains, market channels, or value chains. At each stage in the market chain, the product changes hands through *chain actors* and, at each transaction, costs are incurred and generally some form of value is added.

Value addition includes simple tasks such as bulking, cleaning, grading, and bagging. Value addition can also include moving a product nearer to a larger demand centre or town; and

numerous types of processing, packaging, and promotional and marketing additions that change the product and attract consumers.

The *value chain* can also refer more specifically to the addition of value or worth, as the product progresses from the primary producer to the final consumer. This term is used for particular market chains that have been systematically organised with the actors involved working together to raise the efficiency and quality of supply, that is, the chain itself. Improving market chain performance is the goal of many enterprise projects, and value chain concepts are at the heart of sound agroenterprise processes.

Market chains operate over different spatial domains, and also supply different types of *consumers*. These consumer categories, which include rich, poor, young, old, ethnic, and industrial buyers, are referred to as *segments*. Each segment has specific demand requirements based on price and quality parameters. Marketing plans aim to match the needs of these segments with a specific product.

The *performance* or efficiency of a market chain is a result of how well the actors in the chain are organised and also how well the chain is supported by a range of *business development services* (BDS). Business services include research entities, input suppliers, communications organisations, transporters, local administration, market information, and financial services. Market chain performance can often be increased more effectively by improving or gaining access to BDS, rather than assisting an individual or group of actors in a market chain. *Market analysis* therefore aims to assess both goods and services along the chain and the relative strengths of market information and/or signals.

A Method for Rapid Market Analysis

The rapid market appraisal (RMA) method described below is based on that developed by Holtzman (2002). This method relies on semi-structured informal interviews with key informants[8] and a minimum number of participants at different stages of the market chain or sub-sector. This method is usually led by an experienced analyst, with support from non-specialists, particularly when the study is extensive or sufficiently complex to require expert knowledge. However, it can be applied to less complex market chains or to parts of a market chain by researchers with less formal training in economics and by local actors with some degree of facilitation.

The interview approach provides the survey team with an opportunity to gather primary information from several market chain actors, working on the product in question. The RMA is a way of (1) gaining a view of how a commodity sub-sector is organised, operates, and performs; (2) identifying sub-sector constraints and opportunities; (3) identifying specific market chains that are most appropriate for a client group or investor to compete in; and (4) prescribing interventions in the organisation, technology, and management of a specific part of the sub-sector.

Undertaking a sub-sector or market chain analysis is a way of gaining insight into the (1) operations of specific market channels while focusing on their growth potential, (2) activities and efficiency of actors along the chain, (3) business support services involved, and (4) policy and regulatory frameworks. With the information from the analysis, opportunities and constraints can be identified within specific market chains, and ways can be seen to improve a defined client's capacity to compete more effectively. Sometimes, the survey will identify several potential market chains that should be prioritised according to market type (local, national, and export). The analysis should also identify the best points of leverage within a market chain by investing to improve market chain performance. Such leverage may focus on technology, specific chain-actor performance, improving BDS, or changing policies.

The basics steps in an RMA

The main steps of conducting an RMA of a commodity sub-sector are as follows:

1. Define the sub-sector or market chain to be analysed, outlining critical constraints and opportunities, and the need for study. Draw a sub-sector map and make decisions on the scope of the survey required.

8. A key informant is a person with expert knowledge of a particular area, in this case a specific area of information related to the market chain being studied.

2. Plan the basic survey overview; identify team composition, and delegate roles and responsibilities. Link activities to time frames and budget.
3. Conduct a focused review of relevant literature. Collect and tabulate readily available and relevant secondary data.
4. Based on findings from secondary data, define key study areas, and make strategic decisions about where to allocate scarce time and resources. Define issues, priorities, and questions for focused study. Review the budget and time frames.
5. Identify and interview knowledgeable "observers[9]" of a sub-sector to obtain their views, opinions, and suggestions.
6. Identify, select, and conduct semi-structured informal interviews with "market actors[10]" in the sub-sector or market chain (define sample size, cross-check process).
7. Visit physical facilities (e.g., markets, warehouses, transport, and cold storage facilities) and observe performance of marketing functions.
8. Share and discuss findings, draft a report, and present it to clients and interested stakeholders.
9. Revise the report, based on feedback, and propose the next steps:
   - Recommend policy and regulatory reforms
   - Develop innovations in technology, institutional arrangements, and organisation or coordination of marketing functions (and a monitoring plan)
   - Further, focused, applied research

Defining the scope of a survey of a sub-sector or market chain

The planning of a market chain analysis should take into account the complexity of the sub-sectors under study, the time and resources available, and the capacity of the staff involved. As Figures 15 and 17 show, some sub-sectors are characterised by a multiplicity of supply chains and products. Although some market chains will require expert assistance for analysis, others are much less complex and can be analysed, using basic common sense and a systematic approach to data collection.

The market survey team for this exercise will include the market facilitator, a local service provider, and a representative of development agencies from the working group. More than one team can be used in the field, but as with market visits, small teams are conducive to discussing sensitive information. Farmer representatives can sometimes be involved, taking part in selected market visits, especially where market chains are local. For market facilitators who have not undertaken this type of work, an economist should be hired to help with the first survey. Such initial assistance will enable the market facilitator and team to brainstorm and discuss the relevance of information gained, and analyse and report on it.

Defining the study's scope is a critical decision in market chain analysis, because the process rapidly becomes more complex and costly with distance from the farm gate. The survey's scope can be defined by initially drawing a preliminary sub-sector or market chain map to permit thinking through the different stages of a market chain. The market facilitator should undertake this exercise with the survey team members, focusing on the team's understanding of the market chain.

The survey team may decide to limit the study to local markets or to conduct a market chain analysis within the project's geographic boundaries. If the group decides to extend their understanding of the market chain, the facilitator should contact traders or transporters to access more information on the chain and the various market outlets to prioritise visits to specific markets where a product is sold. Brainstorming sessions with these "key informants" will provide the survey team with additional information on the chain and may introduce new ideas and areas for study into the analysis.

In most cases, the market survey team may have to travel outside the project area to follow the product to its final market destinations, or at least to the terminal markets within the country. The market facilitator should work with the survey team to write up these experiences. The survey, however, should start with local situation to see what products and prices are available.

9. Observers are knowledgeable about a market chain but are not directly involved in the business operations of the market chain
10. Market actors are active members of the market chain.

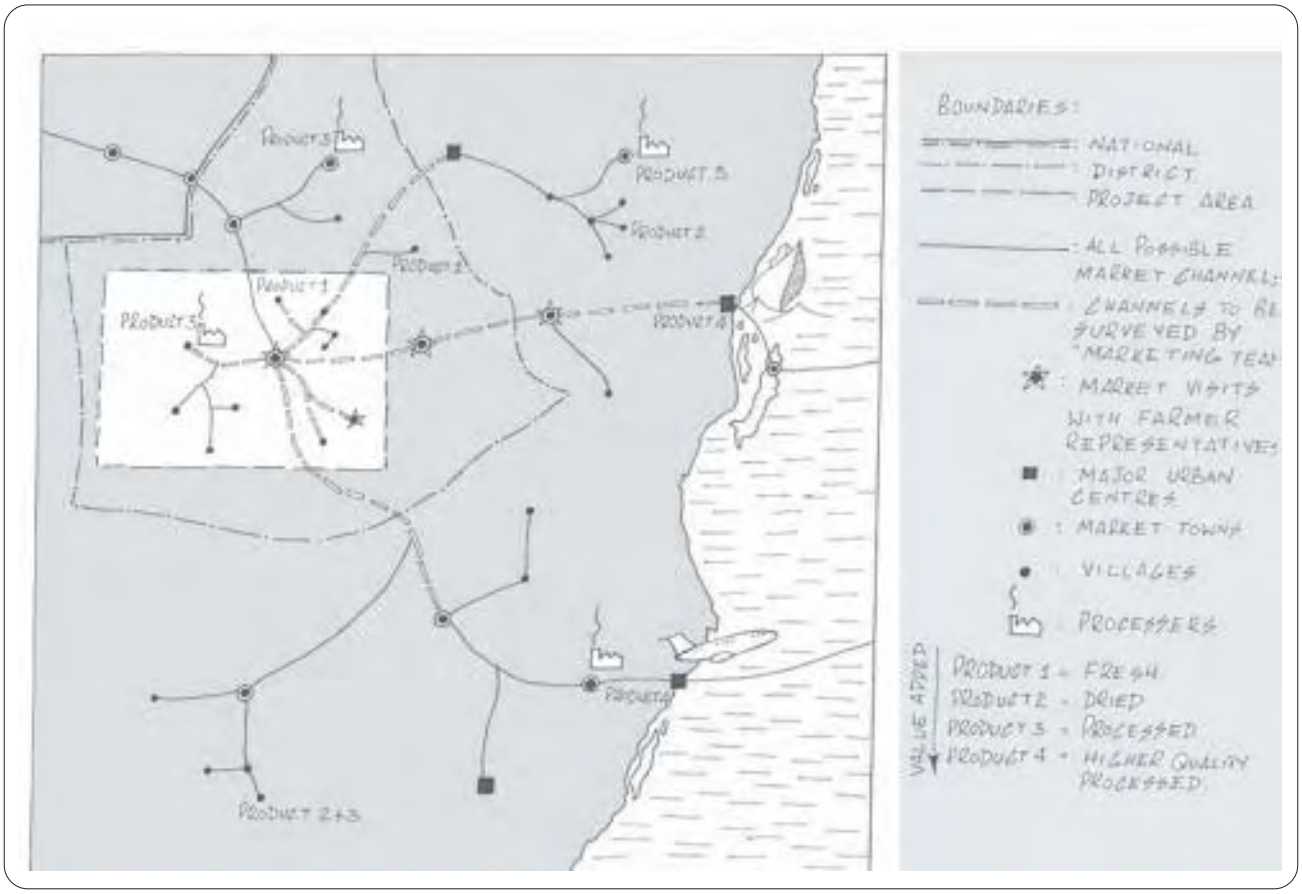


Figure 17. Market chains for local, domestic and international products.

FAO has recently published a Marketing Extension Guide on Horticultural Marketing[11]. This also provides useful advice on techniques for carrying out surveys of markets and market traders and provides check lists of questions to be asked. The Guide also provides valuable advice on marketing development approaches that have been found to work well, and provides 10 case studies of successful marketing extension.

Review of relevant literature and analysing available secondary data

One team member should review the literature and analyse secondary data. Donor agencies, business associations, local universities, or research institutes are useful sources of information. Unfortunately, most marketing data in developing countries are not up-to-date and this needs to be factored into the review. However, information such as prices trends, volumes traded, key market players, and firms is usually available, often at market offices, chambers of commerce, and some governmental and research bodies.

Identify key areas of research

Although a survey needs to be broad enough to obtain a good overview of the market chain, it cannot cover all topics in depth. The team needs to prioritise areas of study and the methods for examining these components. The time and resources (e.g., number of analysts and logistical support) allocated to the study will help limit the survey's scope. The survey teams should be in small groups of 2 to 3 analysts working together.

Interviewing key informants

Identifying and interviewing a small but purposely selected sample of key informants in a commodity sub-sector is a critical element of an RMA. Small samples of informants need to be chosen at each stage of the sub-sector or market chain. Information given by interviewees should be cross-checked against what they do, how they behave, what analysts observe about their operations, and what other key informants

11. (www.fao.org/ag/ags/subjects/en/agmarket/extension html)

think about the constraints and opportunities they identify. Cross-checks are done by asking similar questions with actors at different levels of the market chain (this is a procedure referred to as "mirroring"). Another technique is to compare the responses from individuals or firms at the same stage of the sub-sector or at adjacent stages in a market chain. This type of cross-checking, based on several different market actors at one point in the chain, is a technique known as "triangulation".

As a rule of thumb, a minimum of three to five interviews of actors or firms are conducted at each stage in the market chain. The degree of heterogeneity of firms with respect to responses and specific characteristics will influence sample size. The more diverse the responses or firms are at each stage with respect to product throughput, degree of market linkage, product mix, management, technology, and geographic distribution, the larger the sample of informants required. As the sample size gets larger at each stage, an appropriate stopping point is where the responses become consistent. The list of potential types of key informants is large, as shown in Figure 18, but a market survey team will choose those types most relevant to the inquiry.

Key informants

- Traders (brokers, itinerant traders, wholesalers, retailers).
- Managers or production managers of processing firms.
- Importers/exporters.
- Institutional buyers (e.g., supermarket chains, schools, hospitals, military).
- Shopkeepers, open market stall holders, kiosk vendors.
- NGOs, missionaries.
- Extension agents.
- Managers of governmental agencies.
- Farmer groups, farmers.
- University or agricultural researchers.
- Input producers and suppliers.

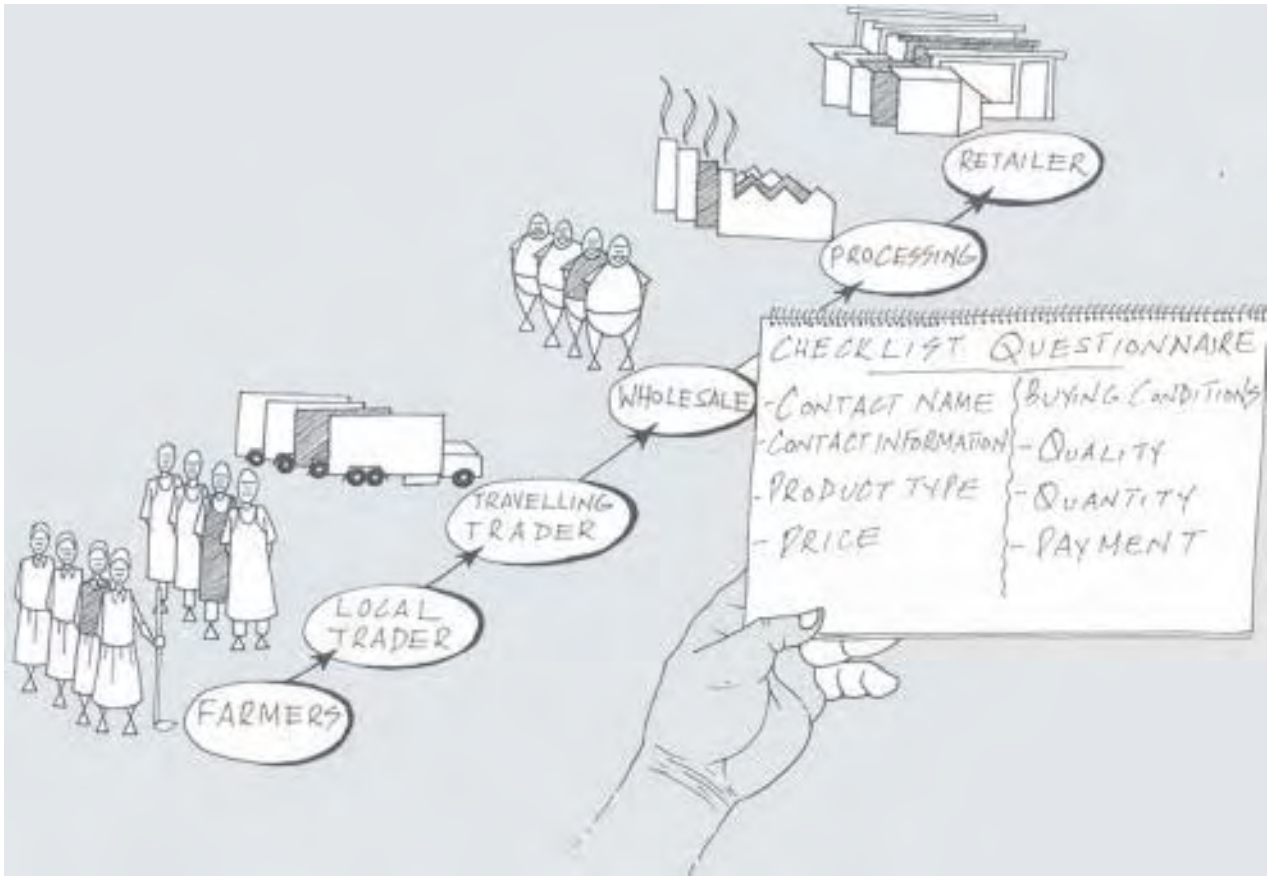


Figure 18. A checklist questionnaire and the key informants.

Semi-structured informal interview guidelines

A checklist should be prepared for use in interviewing different types of key informants in the commodity sub-sector (Appendix 8). This should include important topics and subtopics to cover, or several series of sequenced questions designed for a probing, logical, stepwise inquiry. Using these guidelines helps make the interviews more consistent, systematic, and focused. After each interview, the analyst should prepare a summary sheet of most relevant information. These summary sheets are particularly useful in discussions during the survey and for preparing the final report (Appendix 9).

Conducting on-site interviews

Interviews should be held at the place of operation. Facilities should be visited to observe post harvest handling, sorting and grading, storage, transport, and transaction activities. This is done to cross-check what sub-sector participants say, with how they behave, and what are their usual practices. Where good data are missing, a site visit can also help to estimate the scale of operations. For example, approximate wholesale market throughput for a particular product can be estimated, based on observing a business day and asking different wholesale traders about their sales volumes and market activity at different periods of the year relative to that day.

Report writing

After completing the fieldwork, the team members should meet and discuss their preliminary findings before too much writing has been completed. This useful exercise forces team members to present tentative findings, conclusions, and hypotheses to other team members, who can challenge and debate them or simply get a better grasp of the bigger picture. The team leader should lead the report's preparation. An outline for writing the final report is given in Appendix 10. The summary should be no more than 10 pages and be made available to clients, local administration, policy advisors, and key stakeholders.

Presentations need to be rehearsed and should take less than one hour. Care should be taken against overwhelming the audience with details and technical digressions.

Using the Market Survey Results to Develop a Proactive Enterprise Plan

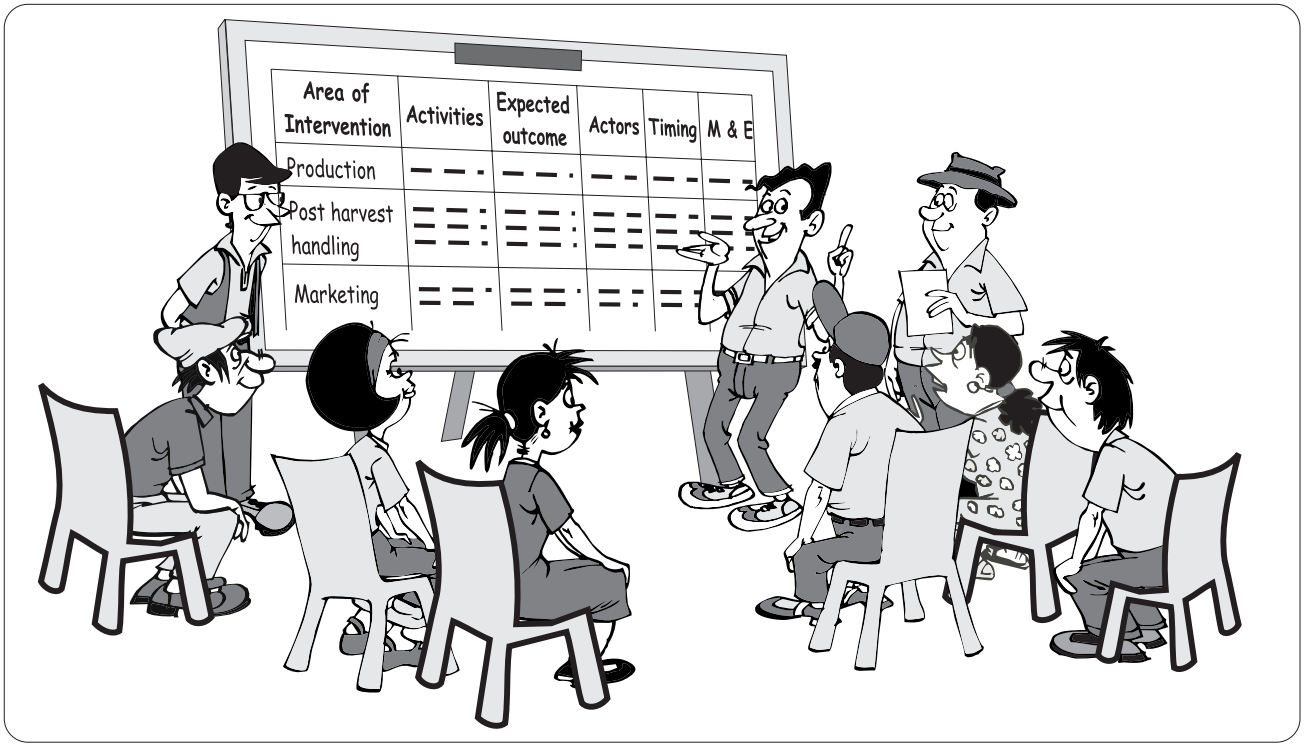
The RMA will collect a considerable amount of information for a specific product, related to its market chain's actors, efficiency, and opportunities or constraints. The information should highlight growth potential of the product within the market chain and the efficiency or access to business support services. All these data are extremely valuable for the next stage: to develop the enterprise plan.

To begin planning for enterprise development, the market survey should provide prioritised information on options for specific chain actors and service providers such as:

- Information on buyers, types of deals available, and their buying conditions (price, locations, minimum quantities purchased, standards of quality, frequency of supply, payment conditions, willingness to enter into sales discussions).
- Options to improve market chain performance based on specific interventions, prioritised according to client needs.
- Opportunities for technology innovations that would provide value-added opportunities at specific points in the chain and also facilitate the sub-sector.
- Opportunities for organisational innovation, for example, by forming farmer or trader associations.
- Enterprise-level technical assistance that will increase competitiveness.
- Areas in which business support services and facilities need to be improved such as market information, production and marketing research, and extension to increase demand or reduce transaction costs for client groups.
- Reform options for policies and regulations.

Section 10

Developing an Enterprise or Intervention Action Plan



By the end of this section, the farmers and service providers must have made a plan incorporating all of the necessary arrangements to set up the selected enterprise or market linkage.

This includes organising factors of production, post harvest handling, and marketing at the farm level, and providing services at critical points in the market chain.

Group members should share roles and responsibilities, provide for investments and loan repayment schemes, understand how to monitor progress, and know how to use profits or deal with losses.

Designing Action Plans for Selected Enterprise Interventions

The first issue to evaluate from the market survey information is the type of interventions that could increase chain competitiveness. The roles of the actors associated with each specific intervention should also be examined.

Prioritising and sequencing interventions

The working group and service providers should discuss and prioritise critical points in the market chain (Figure 19). Based on this analysis, the group needs to make decisions on how to sequence the interventions. This planning process can be broken down into steps related to market evaluation, pre-production, production, post harvest and marketing interventions as shown in Table 16.

As part of the planning process, interventions can be ordered into short, medium, and long-term activities. This process can also be applied to research opportunities if there are no readily available innovations to meet the critical points (Table 17).

Financial support

These activities then need to be budgeted. A useful exercise is to determine what can be done now with existing sources of funding, followed by determining what may be possible with support from savings, or from partners, and concluding with the resources that must

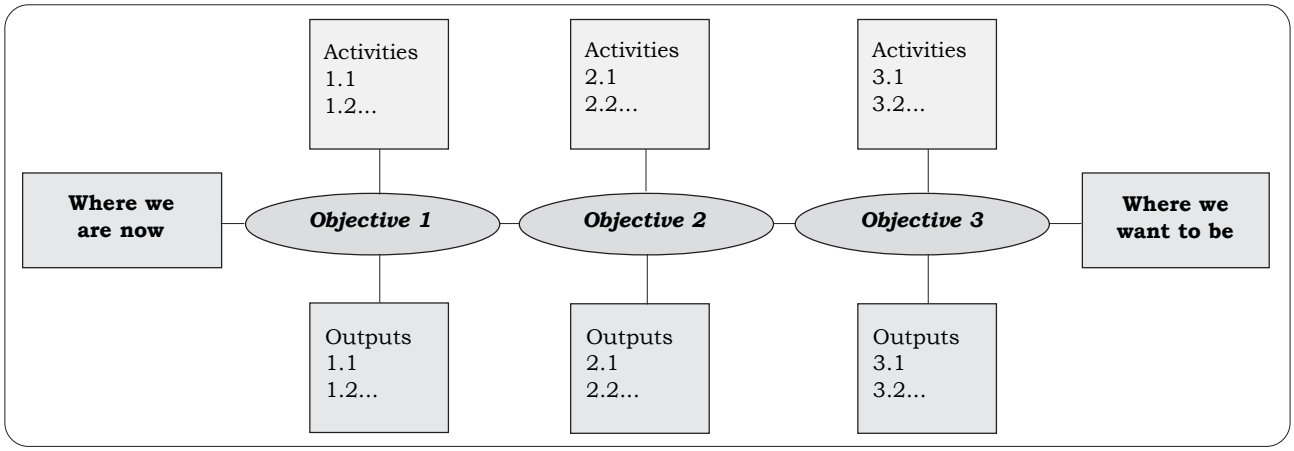


Figure 19. Prioritising critical points in the market chain and activities to address them.

Table 16. An example list of prioritised interventions and associated chain actors.

	Farmer group	Trader/ Entrepreneur	Government extension/NGO	Retailer/Processing factory
Market evaluation	Making decisions on what to sell	Investigating market options	Confirming production requirements	Information on product quality required
Pre-production	• New variety • Arrangement of savings scheme	Supply of inputs	Experimenting with new varieties	
Production	Irrigation			
Post harvest	Storage facilities	• Bulk sales of 5 tonnes • Access to milling machine	Linking farmer groups with contract buyer	
Market sales	Collective action			Contract with farmer group for 50 tonnes of produce

Table 17. Actions to be taken at specific points in the market chain.

Activity	Actions		
	Short	Medium	Long
Enterprise development			
Marketing			
Production			
Post harvest			
Processing			
Business organisation			
Research/Innovation			
Marketing			
Production			
Post-harvest			
Processing			
Marketing			
Business organisation			

be raised through external sources to conduct a prioritised activity (Table 18). With these planning schedules, the group will be able to decide on where to invest funds or effort to reach the enterprise goals.

Group meetings

This type of dialogue negotiation may need specific meetings to be set up between key market actors and farmer groups. To ensure that people's time is well used, initial planning meetings can be held with particular groups of actors along the market chain such as traders, processors, or farmers, before holding one meeting for all the chain actors.

Where supplying a business development service (BDS) might provide the best return on investment for the market chain actors, the BDS supplier should discuss the terms and conditions for payment with farmer groups or the opportunities for scaling up operations with local service providers.

BDS interventions

The market facilitator and working group members should "think outside the farm" when making a decision on the best place to intervene. Often, one well-placed BDS may support increased production from very many farmer groups. The costs of improving a service at a higher stage in the market chain may also create considerable benefits for many farmer groups in the project area. All too often, opportunities for BDS support are neglected as development agencies focus too heavily on "being busy" on the farm.

The role of the market facilitator and market survey team will be to link BDS providers with farmer groups so they can improve market access through these services. The "rules of the game" may need to be defined, so that group members, by virtue of being group members, can make gains in using a service. Sometimes, simple BDS may even be provided by a group member.

New contractual arrangements

Similarly, access to better contractual situations such as selling produce directly to a processor, large or high-value buyer, or factory may also provide farmer groups with significantly better options than merely improving sales in local markets. Contract farming is becoming increasingly important in developing countries and has many advantages in terms of input supply and access to more reliable markets. Often, contract farming is a less risky entry point into higher value products.

The role of the market facilitator and market survey team will be to set up meetings for dialogue between the farmer group and contractor, so that the farmers can sign a deal that is suitable and achievable, and has sufficient safety net clauses to accommodate unexpected failures on both sides of the arrangement. For example, for farmers, this may include the need for a crop failure clause, which means that they do not have to pay back input loans in subsequent seasons, when their crops have failed due to lack of rains.

Farm interventions

Often, with improved BDS and better contractual arrangements, new market opportunities will demand farmer groups to become more competitive at the production level. Working group members will therefore need to transform the information gathered through market visits or market chain analyses into a business design that can be systematically written into an action plan.

Detailed Enterprise Planning

Transforming marketing data into an action plan requires careful attention to detail. For farmer groups, the members need to consider all the sequential steps required from

Table 18. Financial requirements, sources and activity sequencing matrix.

Intervention financing	Time frame		
	Short	Medium	Long
Local resources			
Local savings			
Partner resources			
External resources			

pre-production, through production, to post harvest handling, and finally to marketing the product. The action plan also needs to take into account organisational issues within the group, investment issues, and how to overcome specific technical issues through support from service providers.

Visioning is an important tool in this process, which can be used by the facilitator to set the boundaries of the exercise. As indicated in "Section 4: Tools for Working with a Community", the group needs to consider where they are today (i.e., now) and what they need to achieve to meet market demands in terms of price, quality, quantity, and timeliness.

Once a plan has been outlined, the planning process should begin. This process will include activities at four levels, marketing, business planning, production and post harvest.

Marketing the produce is the most important day in the farming calendar. All the previous effort comes down to the value of the transaction, the sale. The plans for this moment are therefore critical. The group should decide how the sales deal will be done, how their collective marketing[12] will take place, and to have "total clarity" about how profits or losses will be shared (Table 19).

At the production stage, farmers need to list all requirements such as seeds, land, labour, and capital, to meet the market needs. In Uganda, farmers had the challenge of shifting from a single harvest of mixed potatoes that was sold at one time, to a new sequential system of producing 5 tonnes of a specified variety of potatoes, every month throughout the year. To achieve this new market requirement, farmers needed to make sure that, across their group, the correct quantities of seed potatoes were available to be planted by each farmer, and that all the necessary agronomic practices were in place and verified. The farmers needed to identify and prepare land, procure seed, organise planting dates and regimes so that they could supply the market at the expected time. All of these activities needed to be checked, verified, and summarised as a production calendar.

12. Please note: this Guide supports collective marketing it does not support collective production methods. Farmers should produce the same product for a specific market, but production should be based on their land, using their skills and inputs.

To make this type of shift, more detailed planning is often required (see information in Table 20). In this case each section has been given further detail by linking activities with names, dates, areas and very specific tasks for identified members of the group. This level of planning and continuous follow-up is required to ensure success, particularly in higher value products.

When making calculations and assumptions for yield, time to harvest, rains, etc., the group should be very conservative in expectations. Even if a scientist informs the group that the yields of a new variety will be at least double the production of local varieties, the group should calculate according to data from on-farm experimentation, or take into account that on-farm yields are typically 50% to 70% of that produced through research trials.

The group should also factor in effects of regular problems that they experience such as rains being 2 weeks later or earlier than normal, specific pests affecting yields, or some farmers who joined the plan dropping out. A general rule is to take 10% to 15% off any optimistic assumptions to avoid disappointment.

For post harvest handling, the group should plan for sorting, grading, packing, and in some cases, storing the produce once it is harvested. This planning should be done before harvesting. Farmers should share roles and take on responsibilities for each other. Excellent crop quality in the field can easily be lost through poor post harvest handling. Particular attention therefore needs to be given to ensure the crop is sold in its best condition. Transport to the market must be organised.

At each stage—production, harvesting, and post harvest handling—the group should be clear about costs and make sure that, as quality is maintained, the costs incurred do not outweigh profits.

The role of the market facilitator and survey team in this case is to guide the farmer group through the development of the business plan and to set up a monitoring process, so that the group committee members can review progress made. However, farmers and local entrepreneurs can become involved in these issues, if they see the benefits. In some countries, community members have been elected to local administrative posts to help the

Table 19. General action plan for Nyabyumba Farmers Group enterprise, Uganda[a].

Area of intervention	Activities	Expected outcome	Actors responsible	Timing
Marketing	Identify, contract, and organise transport for potatoes to Kampala	Low transport costs, and regular supply	NFG management	2nd May 2003 and ongoing
	Develop and maintain contact with Nando's purchasing department	Targets for delivery and future production established	NFG management, Africare, UNSPPA	Weekly from 5th May 2003 and ongoing
	Identify alternative market outlets for ware potatoes and for rejects	Strengthen the sustainability of the enterprise	NFG management, UNSPPA	Jan 2004
Business organisation	Negotiation with Nando's and finalisation of the buying contract	Consolidation of the farmer–buyer relationship	NFG management, Africare, UNSPPA	10th May 2003
	Register group with local authorities	Access to NAADS service provision and bank account	NFG management	2nd June 2003
	Open a bank account	Safe management of resources, access to payments by Nando's	NFG management	10-12th June 2003
	Establish a group savings fund	Access to credit	NFG management, Africare	15th June 2003
	Train leaders and group members on enterprise management and administration	Effective management of the enterprise	NFG members, Africare, CIAT	June–Oct 2003
Production	Develop staggered planting schedule	Continuous supply of potato	NFG members, Africare	10th July 2003
	Adjust planting spacing practices to produce larger potatoes	Fewer rejects of undersised potatoes	NFG members, Africare, NARO	10th July 2003
	Train group members on ware potato management techniques	Enhanced skills of members in ware potato production	NFG members, Africare, NARO	15th Sept–Nov 2003
	Arrange with NARO for research on seed of identified varieties for Nando's	Access to improved potato varieties	NFG management, NARO	12th Sept 2003 and ongoing
	Multiply desired varieties	Sufficient seed to plant	NFG members	10th Oct 2003
	Identify and implement micro-irrigation on uplands	To ensure quality production during the dry season	NFG management, Africare	2nd Dec 2003 and ongoing

(Continued)

Table 19. (Continued.)

Area of intervention	Activities	Expected outcome	Actors responsible	Timing
Post harvest handling	Rent warehouse for potato storage	Bulked production for collective marketing	NFG management	25th July 2003
	Purchase weighing scale	Control of sales	NFG management	July 2003
	Train group members on sorting, grading, and packing procedures	Members gain new skills in post harvest handling	NFG members, Africare	20th July 2003 and ongoing
Monitoring	Establish a monitoring scheme to support the enterprise's start up	Effective management and growth of the enterprise	NFG management, Africare, CIAT	20th July 2003 and ongoing

a. NAADS = National Agricultural Advisory Development Service.
NARO = National Agricultural Research Organisation of Uganda.
UNSPPA = Uganda National Seed Potato Producers Association.

Table 20. Detailed "portion only" of action plan for the Nyabyumba Farmers Group, Uganda.

Detailed activities	Activities	Expected outcome	Actors responsible for monitoring	Timing
Marketing	Arrange meeting with buyer to negotiate contract price and volumes	Arrange for continuous supply at fixed cost during year	Charles N, Anthony K	2nd May 2003
	Develop and maintain contact with Nando's purchasing department	Targets for delivery and future production established	Anthony K	Weekly from 5th May 2003 and ongoing
	Survey for transport options to take potatoes to Kampala	Find best prices of transport for potatoes to Kampala	Mary J	5th May 2003
	Develop business plan and check with local accountant	Fine tuning of business planning and verification	Mary J Account Nigel B	5-10th May
	Identify alternative market outlets for ware potatoes and for rejects	Strengthen the sustainability of the enterprise	Charles N, Anthony K	July 2003, and on visits to Kampala
Production	Plan to develop schedule for staggered planting	Continuous supply of potato	John P, Africare	15 July 2003
	Procure seeds for planting	Prepare list of all seed potato recipients	Aran Christopher, Anjesi Geoffrey.....	15 July 2003
	Identify and prepare land	Based on seed potato recipient list	Emalis Charles,	20th July 2003
	Plant initial 2 ha for initial harvesting to supply first contract as agreed	Based on seed potato recipient list	Aran Christopher, Anjesi Geoffrey.....	
	Experiment to adjust planting spacing practices to produce larger potatoes	Fewer rejects of undersised potatoes	Samuel J	15th August 2003
	Identify land, and supply seed for send planting period	Next stagger of planting	Aran Christopher, Anjesi Geoffrey.....	July 2003
	Train group members on ware potato management techniques	Enhanced skills of members in ware potato production	Charles N, Dr Tony K, Charles M	Sept–Nov 2003
	Arrange with NARO for research on seed of identified varieties for Nando's	Access to improved potato varieties	Dr Tony K, Matt V, Mary B	12th Sept 2003 and ongoing
	Set up seed planting area	Land preparation for second year seed	Micheal P, Jane H	15th Sept 2003
	Multiply desired varieties	Sufficient seed to plant	Josephine I, Mary Q	Oct 2003
	Identify and implement micro-irrigation on uplands	To ensure quality production during the dry season	Dr Tony K, Samuel J	2nd Dec 2003

community to access better resources from Government.

Business Checklist

Having completed the enterprise plan, the market facilitator should work with the marketing officer or main investor to review the business targets, using a simple checklist. This checklist enables the enterprise team to review whether the target figures are well linked in terms of marketing, production, and financing. The team can also review management aspects and, once developed, this checklist will also be used in monitoring and evaluation. Table 21 shows that the level of review depends on the timing of supply and value of the product, with the number of reviews increasing with the value and regularity of supply.

Policy Interventions

Based on the findings from the market survey, significant gains may be made through relatively low investment changes in local policy or regulatory reform. This type of work is best addressed by development agencies and such changes are likely to be slow in coming to fruition. However, as with BDS, the impact of such changes may significantly outweigh an on-farm intervention and may enable farmers to access new markets that were previously inaccessible.

Examples of this type of intervention may be a relaxation or adjustment in border tariffs, a reduction in the number of taxation points for a product, the introduction of a new livestock auction site, a change in quality standards, or removal of a regulation that is no longer appropriate.

The role of the market facilitator and survey team will be to raise such issues with local development agencies and administrators to show the benefits of such changes for the business community.

Adapting to Risk

Sometimes, such action planning may reveal major challenges that the group had not previously noticed. These need to be addressed and changes made in the plan. Or, where the group may not feel sufficiently confident to take up the challenge, it should first do additional testing of certain parts of the plan.

Shifting to lower risk products

When a farmer group feels that the risks of producing a selected product are too large to take on, they can either reconsider it or drop it in exchange for a less risky option on the list of identified market opportunities.

Experimentation and innovation

In other situations, the farmers may find it necessary to more thoroughly test a specific variety in the following season and at several sites to determine the best way of producing it for the market. Even for livestock options,

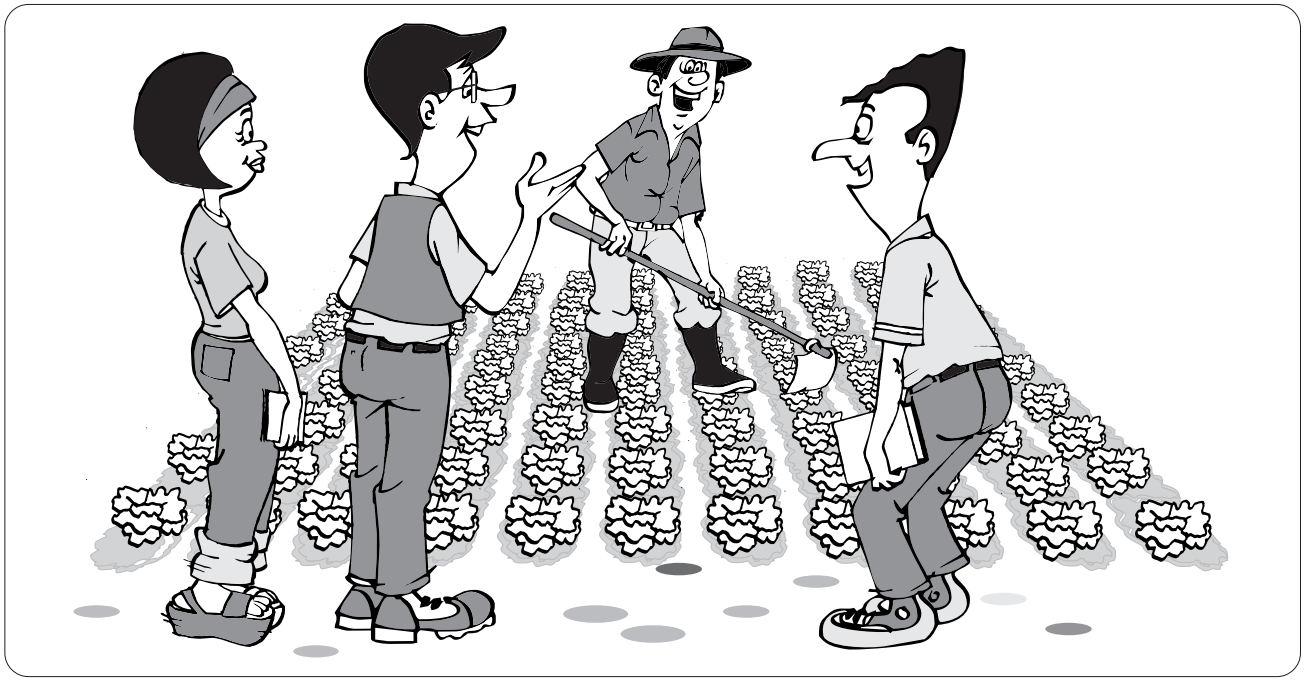


Table 21. Business checklist to review enterprise plan.

Marketing	
• Who is our buyer	
• Sales targets	
• Define the product	
– What is quality class A B C	
– What are the alternative markets	
– Packaging	
– Labelling of farm produce for traceability	
• Price	
– How will farmers/BDS be paid	
– Promotion (what will attractive the buyer)	
– Distribution (what is the logistics needs)	
Production target	
• Production target to match sales target	
– Schedule of delivery (weekly, monthly)	
– Production inputs needed	
– Technology requirements	
– Upgrading of production	
– Needs in post harvest	
Financial targets	
• Capital requirements for production target	
• What needs to be available for start up	
• What is needed for operational	
• Sources of capital	
– Local	
– External (grant CRS, loan, conditions)	
Profitability	
• Target profitability	
• Financial evaluation compared with existing	
• Sensitivity of the income and costs	
– Where is the critical point	
Management	
• Who does what?	
• How are they paid	
• What are their incentives	
Review process	
• Review the system every 3 to 6 months	
• Compare targets. Are they well linked	
• What changes are needed	
• More regular review process as the product increases in value	

additional experimentation may give the farmer group the necessary confidence to invest more heavily in a specific enterprise. Being able to experiment is a particularly useful skill for a group to develop, especially if the aim is to build a diversified product portfolio in the future.

The introduction of experimentation into the marketing process is a vital part of catalysing innovation systems and all members in the market chain should be encouraged to try out new ideas as a means of developing more competitive approaches to the market.

Business visits

In some cases, there are benefits from organising a visit to another group or business to see how a particular product is being produced and/or processed. This type of exchange visit is often very effective in convincing people about the merits of new ideas.

Pilot project

In a split decision case, where some farmers are keen to proceed and others are unsure, the group may decide to observe the potential success of a new enterprise with only a limited number of group members running it. This is a normal business decision, to pre-test an idea to make sure that all the parameters that were "visioned" by the group can be verified as a live enterprise, although on a small scale. This pilot testing or experimental stage is a strategy to minimise risks.

Sharing risks

Sometimes, the market facilitator may want to support farmer confidence in a particular activity by, for example, sharing the costs of a test study, giving support to additional marketing work, or subsidising loan costs. This type of arrangement is possible if an enterprise risk fund is available and open to this type of risk hedging process.

Taking the Plunge

Once the action plan has been developed, reviewed, and agreed on the only thing left to do is to implement the plan. The role of the market facilitator is nearly complete at this stage, but the group may require additional "confidence building" support so that the plan is put into practice. The market facilitator may, at this stage, work out a schedule for visiting the group during the growing or production season to see how the plan is progressing and to discuss any problems that the group has encountered. Box 5 describes the design of an enterprise conducted by the Nyabyumba Farmers Group, Kabale District, Uganda.

Box 5

Enterprise design with the Nyabyumba Farmers Group, Kabale District, Uganda

The Nyabyumba Farmers Group was formed in 1998, with 40 members, to produce seed potatoes, the first batch of which they received from Africare through the NARO[1] research station. In 1999, the group became part of a farmer's field school, learning how to increase yields for both household use and the local seed market.

In 2003, the group found that the market for seed potato was dwindling because the market for ware potato was limited. With support from PRAPACE[2] and CIAT, the group set out to find new market opportunities for their potatoes and to develop a new business plan. From the market survey, Nando's fast-food restaurant in Kampala was identified as a high-value buyer. Nando's was 450 km from the farmers' village and quality criteria were stringent.

Identifying critical points and constraints

Having established their current situation and desired future situation, the farmers identified critical points and the actions required to achieve their vision. The changes needed to successfully supply Nando's included the following:

- *Production:* The cycle needed to shift from two seasons' supply to a monthly supply of 10 to 15 tonnes of potatoes. Such a change meant new varieties, staggered planting times, different harvested tuber size, and quality control of tubers. To achieve this, the group needed buy micro-irrigation systems and receive considerable training from NARO and Africare.
- *Post harvest handling:* This had to be improved by hiring warehouse space, collecting produce for transport to the market, sorting, grading, packaging, and labeling produce so that payment could be made back to the correct farmer.
- *Marketing:* The farmers had to negotiate with transporters, maintain a relationship with the buyers, particularly Nando's production manager. The group needed to buy a phone.
- *Strengthening the group's business organisation:* The group needed to open a bank account, borrow money from their community, learn how to manage their finances, and maintain both savings and regular record keeping.
- *Securing adequate service provision:* The group required considerable technical assistance from input suppliers and research support.

Designing an action plan

On identifying the critical points just outlined, the farmers and their market facilitator held a workshop to define the activities to be undertaken, their sequence, and their implementation so that the desired outputs are achieved. The action plan established for starting up and consolidating the potato enterprise is shown in Tables 19 and 20.

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1. NARO = National Agricultural Research Organisation of Uganda.
2. PRAPACE = *French acronym for* Regional Research Network for the Improvement of Potato and Sweet Potato in East and Central Africa.

SECTION 11

Evaluating Progress and Scaling Up

This section completes the Guide *on Agroenterprise development by offering suggestions on monitoring and evaluating the agroenterprise's progress and planning for the next enterprise.*

Monitoring and Evaluation

Once an enterprise group starts its new business venture, new activities or problems almost inevitably arise that must be addressed quickly and decisively. Perhaps some assumptions made in the plans did not work out as expected, or unexpected events occurred that had positive or negative effects on performance. To be able to address situations quickly, the group must follow events closely and meet regularly to discuss progress and resolve problems that arise. The learning process is assisted enormously if the group has a monitoring plan and keeps regular records for production, finances, and discussion points. These records are invaluable for the production and marketing phases and for managing financial transactions.

The group should pay particular attention to keeping weekly or fortnightly records of the following issues:

- Are the marketing, production, financial, and management targets well linked?
- What changes are needed?
- Financial transactions, particularly for inputs and sales, must be kept up-to-date and checked for accuracy.
- Loan records should be monitored and borrowers should be informed regularly about amounts that are due. These must be collected when produce is sold.
- Records of production performance should be kept by the individual farmers.
- Notes on any problems encountered should be discussed and addressed.

The value of these records will increase with time. The records will also enable the group to look back to see how their business is progressing and how decisions were made. Keeping records are valuable for not only monitoring change, but also for verifying credit worthiness, retaining information on group integrity issues, and recording the quality of services provided to the group.

The market facilitator should also keep systematic records. The level of records maintained by the market facilitator will depend on the number of farmer groups being supported but, in each case, records should be maintained in field books for each project area and on a computer. All computer records should be backed up (copied) in at least one other data storage medium.

After the first cycle of market evaluations, designing an enterprise, and piloting and implementing the first action plan, farmers will then sell. This is a crucial time for the group, because it is only at this time that the value of their efforts will be assessed by the marketplace. Success at this stage is measured in the simple reality of profit margins, and failure, in financial losses.

After the group has made its sales, the market facilitator should work with the group to assess their expected level of profit against real income. Groups who had not kept records on production or finances will be severely hampered in their ability to benefit from this session.

Those groups who wisely keep records can go through their finances (see Box 2, page 30) to carefully calculate their gross margin. Whatever the result, the facilitator and group members should discuss the key elements that led to success or failure. Problematic events are sometimes beyond the farmers' control, and all business transactions should be recognised as coming with some degree of risk. Sometimes, unexpected events may count in the farmers' favour and profits maybe more than expected.

As well as comparing results from the enterprise and their collective action, the farmers should also discuss the performance of the enterprise option against the other products in their farm mix. In some cases, the farmers could be

encouraged to invest more land and labour in the joint marketing venture or enterprise, or discuss the prospects of an alternative product.

Planning the Next Enterprise

For the farmers

Having digested the lessons from the first enterprise cycle, the group should start to repeat the market planning and organisational exercise, taking into account any changes that were a problem, or led to a lesser performance than expected in the first round. Success in the first enterprise should encourage the farmers to increase their level of investment in, or area given to, the new enterprise.

Farmers appreciate the logic of "more risk, more profit" and therefore planning in the second cycle should at least consider the evaluation of new, higher value (or higher volume) market options. These new considerations can be included in a market identification study as described for Option 2 (see "Section 7"). Furthermore, promising options that are not well-known to the full group can be introduced in an experimental phase, so that new opportunities can be developed for future application. Entering into a market-led cycle of experimentation, followed by implementation, is a major achievement in this exercise and farmers should be encouraged to adopt this approach whenever possible.

People's performance

The success of a project is often said to be 70% dependent on the people who implement it and 30% on everything else. The same is true when things fail. In addition to evaluating the performance of a crop or livestock option, the group should also review the performance of group members, particularly the committee members. Performance monitoring is a sensitive issue, but it should be discussed constructively. The market facilitator should be sensitive to problems in group dynamics and find ways of suggesting where changes may help.

Next Steps for the Market Facilitator

Managing innovation

The market facilitator's role is clearly demanding, but it is also rewarding if the group takes on new skills and benefits from them. A first measure of success in market experimentation will build confidence in the relationship between farmers and the facilitator, placing the facilitator in a highly catalytic role. The facilitator should be able to encourage farmers to learn from their experiences and to take the process forward on their own initiative, especially where the group needs encouragement to evaluate new innovations from a technological or organisational perspective. The trust that a facilitator has built should be used wisely in terms of introducing new concepts in a systematic manner.

The exit strategy

As with all processes, a market facilitator can always do a great deal more to help farmers and to develop new business options and refinements. However, time is our most precious commodity and the market facilitator should be keenly aware that, as well as this current group, many other farmers will also benefit from such support. A facilitator whose group has gone through more than two cycles of success in the marketplace should therefore be encouraged to either exit or scale up. This is the essence of the "river code" (see "Section 4").

Scaling up

The speed at which a process can be scaled up is determined by four key aspects: (1) past performance, (2) partners, (3) resources, and (4) numbers involved from the outset. Processes should only be scaled up when there is something tangible and positive to scale up. The market facilitator should try to scale up ideas and opportunities with partners who also understand the process. Additional training at this stage may be more profitable at the partner level rather than with other farmer groups. The resources the market facilitator has can therefore be directed to support partners, with the increase depending on previous investment in developing partnerships with like-minded people and organisations at the working group stage.

Scope of support and scaling up

A well-trained market facilitator could probably work with 5 to 10 farmer groups, each consisting of 20 farmers, in the first year. If the process is successful and there is demand from other farmer groups, then the market facilitator could add 5 more groups each season to achieve a final number of 20 to 30 groups within 24 months. With more than 20 to 30 groups, the market facilitator may find that the "quality" of capacity building is compromised and that other strategies need to be developed to support additional groups. Such scaling up strategies may include:

Using clusters: Building clusters of farmer groups who will focus on one commodity is one way for the market facilitator to work in a dedicated manner with a limited number of groups. These lead groups agree to provide market and production-based support to help another 5 farmer groups. This approach rapidly builds scale if the initial groups work on one product and then transfer the skills for this product to other farmer groups in the vicinity. This approach may be advantageous as it will allow the cluster of groups to gain from larger economies of scale in both input and output markets. The marketing committee member of the initial groups will be responsible for focusing on market dynamics and trends, particularly supply constraints. The disadvantage of this approach is that the skills learned by the secondary group may be less detailed and probably more production-based than the first group.

Linking clusters to associations: Once several farmer groups are working within a defined area or focusing on a particular product, there may be advantages in linking them with a larger apex group or association. The association will then represent them for services and input supplies. Although higher order structures have many advantages, based on economies of scale and sharing of resources and services, these can only be achieved if the producer groups and their associations have sufficient volumes of product and a truly democratic management that works for association members.

Working with partners: As mentioned in Section 1 ("Overview of the Participatory Agroenterprise Development Approach"), a major reason for establishing a working group is to identify organisations working in the area that have a common vision. Having identified these partners, the market facilitator can run a series of training courses to increase the number of market facilitators in the area. In this way, the partner organisations can identify their own farmer groups and thereafter develop cluster groups.

Short-term support: To enable the market facilitator to cover larger areas within a project site, the agency should consider limiting group support to two seasons before moving onto the next batch of groups. This would enable the market facilitator to increase both the number of groups supported over 2 to 5 years and the cover. In this case, the use of short-cycle crops may mean that up to 20 groups can undergo two enterprise cycles before direct support is withdrawn. This process may benefit from simple tests to evaluate learning of skills.

Information and communication technologies support: In most countries, farmers listen to radio and, in some countries; they have access to mobile phones and/or Internet cafés or tele-centres. If these are available, the market facilitator can use these media outlets to promote agroenterprise development and provide information on how to undertake this process through radio dramas or talk shows. This approach may create demand by farmers and hopefully more partners. A radio campaign should be supported by a hard copy "guide" so that interested service providers and members of a farmer group can read about agroenterprise development and implement it themselves.

In Uganda, the FOODNET marketing group developed two 10 part series of radio programmes to support marketing by smallholders. The first series was entitled "marketing together" which is adapted from the Collective marketing manual, written by Robbins et al. (2005). A second radio series was developed, entitled "market to market" comprising ten, 15 minute episodes based on scripts adapted from the work of Shepherd (2000) on "Understanding and using market information". Several partners have also taken FAO's DVD video on marketing extension and dubbed this with local languages for local viewing.

Whatever the case, planning will be vital at this stage, so that all team members are fully aware of how the process is implemented, of what works well in this project area, and what does not. The rest is down to hard work, determination, and some luck. Enjoy!!

Monitoring the Rural Agroenterprise Development Project

The final aspect of Agroenterprise development is to evaluate the entire process. This evaluation should be conducted by a research group, working alongside the market facilitator and working group. The overall monitoring should draw lessons from the experience and compare the level of progress with other approaches being undertaken in the project area and other

areas. For this type of analysis to lead to useful conclusions, some form of comparative analysis framework must be developed. It should also answer fundamental questions on the effectiveness of market-led approaches for rural communities. Three areas should be analysed: process performance; equity, wealth, or enterprise transitions for beneficiaries; and institutional change.

Process performance

1. To determine whether the agroenterprise development is an effective mechanism for empowering resource-poor rural communities to link with markets? These findings will be based on how outcomes such as how much income was generated by the enterprise team through the new business plan, what changes were made in product and market types and how did social interactions and networking change? Data should be collected to evaluate levels of success across different enterprise groups, and the simple evaluation tool in Table 22, may assist in collecting information on changes in horizontal linkages (i.e., within chain actors such as farmer to farmer) and in vertical linkages between chain actors.
2. What was the level of community participation and empowerment in the process of evaluating the market, designing the enterprise and monitoring the outcomes.
3. What type of product value or market type combinations work best with selected communities, using the CIAT approach, compared with other approaches being implemented by other development agencies? This activity may involve developing a matrix to assess process performance against product and market type (Table 23).
4. Does agroenterprise development develop new market or business entrances, including farmer groups, BDS providers, and entrepreneurial links?
5. What are the minimal/threshold resources and capacities needed to participate in community enterprise projects? How does capacity, levels of organisation, and competence affect process performance? The matrix in Table 24 may be used to evaluate the process's performance and evaluate the effect these factors have on the market facilitator's ability to scale up activities.
6. Does agroenterprise development facilitate better working relationships across development agencies? And between public and private-sector agents? How does agroenterprise development contribute to changes in rural livelihood strategies? At the community and administrative levels?

Equity, wealth, or enterprise transitions

Which community members benefited most from the agroenterprise development process?

Table 22. Changes in horizontal and vertical linkages.

	Give information on changes in group	Give information on type of buyer that you sold to in these years	Volumes of sales in MT
2005			
2004			
2003			
2002			
2001			
2000			
1999			
1998			
1997			
1996			

Table 23. Product value market type assessment matrix.

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

Table 24. Example of capacity framework for evaluation of process performance.

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

Does the agroenterprise approach improve the livelihoods of particularly vulnerable groups such as women and the poorer social segment?

For this type of analysis, a typology of beneficiary groups may be useful, and could be included in the baseline survey work. This type of ranking could incorporate relationships between current activities and economic engagement with markets. The typology should include some form of wealth, asset, or market access ranking, which will enable the project's staff to compare process performance across locations, enterprises, and partners. Transitions could be shown as in Figure 20.

Does the agroenterprise approach stimulate innovation cycles and streams?

Does the agroenterprise approach stimulate greater investment in sustainable natural resource management?

Institutional change

1. How can the agroenterprise approach be institutionalised?
2. How can decision support tools be integrated to develop improved market linkage for farmers?
3. What information and technical support do small-scale farmers need to make well-informed decisions?
4. What enabling institutional and policy arrangements (research–extension linkages) are needed for a more productive and market-orientated agriculture?

These are suggested evaluation approaches, and the market facilitator and working group should select the most appropriate area of questioning or adapt new questions to discover the value of using the agroenterprise development approach.

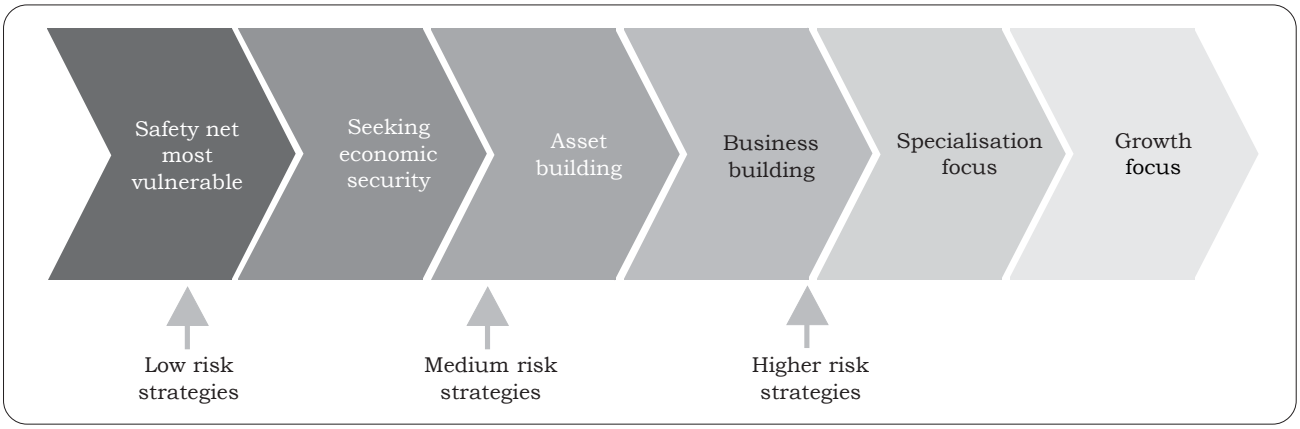

Figure 20. Wealth or enterprise transitions for clients in agroenterprise development.

APPENDICES

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Appendix 1

Criteria for Selecting Communities

Because working in all potential communities may not be possible, exploratory visits and community meetings will help identify communities that have potential for impact and for scaling up the process. The following questions can be used for decision making:

- Is there a real potential for working in this community? (agro-ecological and socioeconomic conditions)
- Do farmers see a good opportunity for investing time and resources to resolve their problems?
- Do farmers have issues that they consider important enough to commit their time and resources?
- How many farmers in the community and nearby villages face the same issues?
- Is the potential high for scaling up to include nearby villages?
- Are farmers already seeking solutions to their problems?
- Do potential options and technologies exist that can be offered to farmers and which may provide substantial benefits?
- Are there active groups, local social organisations, or farmers working together to seek solutions to problems?
- Are there development organisations working in the community, or any willing to work in the community and commit resources (human, financial, and physical)?
- Is there an active extension or development worker with sufficient motivation and skills to be a market facilitator? Or other person willing to learn new skills and tools?
- Is there potential for empowering women and promoting gender equity?
- Have farmers or partners expressed any demands?
- What are the lead organisation's research interests? What technologies can it offer? What are its research issues?
- What is the past history of communities working with organisations and external institutions?

Other criteria for selecting communities may include:

- Access to the village, that is, if the road to the village is passable during all seasons.
- Availability of basic development work, for example, agricultural activities already exist in the area that can intensify farmers' interest and willingness to do development work.
- Motivation of extension worker responsible for the area, that is, this person should be hard-working and have good relationships with farmers.
- The partner is willing to make an input in the development work, that is, it should be able to meet some of the project's expenses.

Appendix 2

Assessing the Capacity and Competence of Agroenterprise Personnel

Names of team members[a]	List the number of participatory skills you have	List the number of farmer groups you have established	List the number of market visits you have facilitated and evaluated	List the number of surveys for marketing that you have completed	List the number of enterprises that you have supported in the past	Overall score
Example John	(5) • River code • Pairwise ranking matrix • Venn diagrams • Market mapping • Visioning	(0)	(2) Taken two groups of farmers to local market and linked farmers with traders	(2) • Cassava market chain in local market • Cashew nut market from farmer to port, including all market chain actors	(3) • Cassava chipping to sell to local glue factory • Cabbage production for local market • Potatoes for local shopping centre	44
Michele	(4) All four stages of appreciative inquiry (dream, develop, design, deliver) for gender analysis	(3) Three farmer groups for experimentation	(0)	(Various) Have done many group surveys	(0)	19
Total score	X × 2	X × 3	X × 4	X × 5	X × 6	ΣXs

a. Add 10 for management level; 5 for senior field technician; 3 for assistant.

Appendix 3

Farmer Group Competence Checklist

1. Are farmers organised into a group or groups?

If farmers are not organised into groups, the market facilitator should work with the community to determine how it could best organise itself in this way. See Section 5 on organising farmer groups and see Robbins et al. (2005), *Collective marketing for smallholder farmers*.

If farmers are organised into groups

2. Why are the farmers organised into groups?
3. If farmers are organised for production, would they be interested to work together in group marketing and business investment?
4. Would the farmers want to re-group into different types of groups based on the type of product being produced, or the risk level of the enterprises identified?

For established groups

5. Does the group have a name? If so, what is it?
6. How many members are in the group?
7. Is the group expanding in numbers or declining?
8. For how long has the group been in existence?
9. Are the group members more or less of the same wealth ranking?
10. Does the group have elected positions? Name the posts.
11. How often are the posts re-elected?
12. Do the group members feel that the elected members are doing a good job?

Services received or given by the group

13. What types of services does the group receive?
14. Is the group linked to a full or part time service provider?
15. Are any of these services linked to marketing?
16. What types of records does the group keep? Production budgets, trader lists, etc.
17. What types of marketing skills have been learned?
18. Are these skills effective in increasing their incomes?

Group marketing

19. Does the group sell products collectively? Or as individuals?
20. What types of products are being sold into the market?
21. What quantities are being sold into the market?
22. Who is the person who negotiates for the sales of their produce?
23. Does the group have any contracts for supply to buyers?
24. What does the group do if they do not have enough products to supply a contract?
25. Are the levels of sales increasing?
26. Are the levels of profit increasing?
27. Is the group linked to any other groups?
28. Is the farmer group linked to a second order association?
29. How many products does the group sell to the market?
30. Does the group have contractual arrangements for product sales?

How formal is the farmer group

31. Does the group have a bank account?
32. Does the group have an internal savings and/or loans scheme?
33. Does the group use credit?
34. Does the group have a business plan?
35. Is the group registered with anyone?

Appendix 4

A Summary Description of "Appreciative Inquiry"

Definitions and primary purpose	• A strategy for intentional change that identifies the best of "what is" to pursue dreams and possibilities of "what could be". • A co-operative search for the strengths, passions, and life-giving forces that are found within every system and which hold the potential for inspired, positive change. • A process of collaborative inquiry, based on interviews and affirmative questioning that collects and celebrates "good news stories" of an organisation, community, or system; these stories serve to enhance cultural identity, spirit, and vision.
Potential uses	• Vision development. • Strategic planning. • Community development. • Evaluation.
Ideal conditions for use	Identified need or desire for: • Organisation or systems change. • Positive, solution-focused, energising approaches. Systems and situations possess: • Commitment to change as an ongoing process, not as a one-time event. • Leadership belief in the positive and affirmative process as a viable change driver.
Potential outcomes	• Change in basic orientation from problem-focused to possibility or solution-focused. • Established climate of continual learning and inquiry. • Renewal of group energy, hope, motivation, and commitment • Improved working relationships and conflict resolution. • Focus on results.
Key principles and assumptions	Four guiding principles: • Every system works to some degree; seek the positive and *appreciate* the "best of what is". • Knowledge generated by inquiry should be *applicable*; look at what is possible and relevant. • Systems are capable of improvement and can learn how to guide their own evolution; so, consider *provocative* challenges and bold dreams of "what might be". • The process and outcome of the inquiry are interrelated and inseparable; so, make the process *collaborative*. About reality: • Reality is created through language, thoughts, images, and beliefs about reality. • The act of asking a question influences the system's reality in some way, that is, questions are a form of intervention. • The types of questions we ask determine the types of answers we receive, with "the seeds of change being implicit in the very first questions we ask". • We manifest what we focus on and we "grow toward what we persistently ask questions about". About problem-solving . . .: • Appreciative inquiry (AI) is distinctly different from problem-solving; AI focuses on a desired future or outcome, built on the strengths and passions of the past and present. • Problem-solving attempts to analyse deficits, identify root causes, then fix problems or correct errors; because it searches for problems, it finds them. • AI does not ignore problems—it recognises them as a desire for something else, and works to identify and enhance the "something else". AI asks the question "what would it look like if it weren t a problem?"
Typical duration	Planning, inquiry, and interview phases: typically, 1 to 2 months.
Process: steps of implementation	The process usually takes participants through the stages of the "4-I cycle"[a]: • Inquire: Appreciating and valuing the best of "what is". • Imagine: Envisioning "what might be". • Innovate: Designing "what should be". • Implement: Implementing "what will be". AI principles are adapted and customised to each individual situation. The full AI process typically includes: • Selecting a focus area or topic(s) of interest. • Conducting interviews designed to discover strengths, assets, unique attributes. • Identifying patterns, themes, and/or possibilities. • Creating bold statements of ideal possibilities ("provocative propositions"). • Co-determining "what should be" (common ground on principles and priorities). • Taking or sustaining action.

a. Also known as the "4-D cycle": Discover, Dream, Design, Delivery.

Appendix 5

A Suggested Outline of a Project Site Resource Assessment Report

Report

The outline of a report evaluating a project area is given below. Such a report should not exceed 30 pages. Only summary tables are given in the main text, with detailed supporting information, production data, lists of organisations and individuals, and background data placed in the appendices.

The analyst should focus on the project area and avoid collecting or analysing information for a general perspective, keeping in mind the types of information that will be useful in terms of agroenterprise options and would interest the types of clients envisaged for the project.

Executive summary

- Brief introduction to the project area.
- Assets of main interest in the project area for an agroenterprise.
- Short list of agroenterprise options.
- Agroenterprise options, prioritised by:
  - Client type.
  - Market type (local, national, regional, and international or export).
  - Crop, livestock, or processing options.
- Investment opportunities.
- Experimental innovation opportunities.
- Critical constraints.

Introduction

- Rapid overview of the project area's economic status
- Economic development prospects
- Summary of main economic activities by scale, value, and client types

Rapid agroenterprise analysis

Review of the main enterprise or livelihood options followed in the project area:

Scale	Value	Client type
Local	Low	Low income
National	Medium	Middle income
Regional	High	Higher income
Export	High	Investors

Asset analysis

Use categories only if relevant to the prioritised agroenterprise(s).

Physical

- Geographic outline of project area (map).
  - Boundaries.
  - Roads.
  - Market towns.
  - Market linkages.
  - Agroenterprise locations.
- Climate (focus on agroenterprise group locations).
- Soil types.
- Water resources (rivers, boreholes, and access issues).
- Roads, paths, trails (indicate trends).
- Vegetation types (based on altitude).

Social

- Community members.
- Demography.
- Education levels.
- History.
- Shocks (environmental, political).

Economic

- Outstanding economic activities.
- Production capacity, specialisation.
- Predominant production and marketing systems.
- Main commercial activities in the project area.
- Main commercial activities of clients.
- Power sources, that is, level of electrification.
- Market locations.
- Demand channels.
- Conservation issues and natural resources.

Institutional

- Types of organisations in the area, for example, farmer co-operatives, trade associations, finance banking and micro-finance, and chambers of commerce (place lists in appendices).
- Governmental structures (provide administrative structure, evaluate strengths).
- NGOs and other development partners operating in the area (evaluate strengths and interest in joining a working group on specific commodities or entire process).
- Research partners and their interest in the project.
- History of intervention activities in the area: governmental, private sector (indicate trends of value to agroenterprise options).
- Information on past and current investment trends (who, what, where, and when).

Innovations

- List key innovations related to technology.
- Innovations related to communications.
- Innovations linked to production systems.
- Institutional innovations.

Conclusions

Recommendations for next steps

Appendix 6

An Example of a Questionnaire for Identifying Market Opportunities

Section 1. Information on contact and interviewer

1. Person interviewed: _____

2. Market chain position: _____

3. Job/position: _____

4. Business name: _____ Phone number: _____

   Address: _____

5. Interviewer(s): _____

Section 2. Strategy: Products showing good sales growth

6a. Compared with last year, how were the sales volumes of _____ (*BEANS*) _____ in your business?

☐ greater ☐ equal ☐ less

6b. To what extent have things changed? ☐ not much ☐ to some degree ☐ greatly

Do you know why things have changed? _____

_____

7. Which types of beans are in highest demand? _____

a. _____ b. _____

c. _____ d. _____

Section 3. Beans

	Red speckled	Red	White	Other
Price				
Volume of sales				
Quality				
Source				
Minimum purchase				
Other				

Would you be interested in buying beans from a farmer's group? ☐ yes ☐ no

If yes, please state your terms of business _____

Appendix 7

A Report Outline for the Market Opportunities Identification Study

Planning process

- Forming the survey team.
- Information from initial farmer meeting to find out what crops or livestock the farmers are interested in.
- Outline of plan (focus on existing products or full diversification process).
  - Strategy 1: Selecting existing crops with farmers (outline process is used).
  - Strategy 2: Selecting "product strategies" in survey.
- Discussion on level of participation (scope of survey, number of participants, involvement in particular markets, e.g., local, national, or export).
- Survey questionnaire.

Results from survey

- Long list of options from the open market survey.
- Selection criteria used to discard options from the long list.
  - Discard level 1 options.
  - Discard level 2 options.
  - Farmer criteria.
- Data for the production matrix.
- Data for the marketing matrix.
- Data for the financial matrix.
- Short list.
- Review of discussion with farmer groups.
- Selected products by farmer groups.

Discussion

- Review of final selection (reasons why).
- Next steps.

Answer to riddle on how to make your first $10. Get up and go and look for it!!

Appendix 8

Checklist for a Market Chain or Sub-sector Analysis

Topic	Subtopics	Questions and/or comments
Personal information	Name Physical address Telephone	For established firms, obtain a business card or mobile phone number for future reference
Type of business	Value addition Physical functions Experience	How does the respondent add value to the product, where is this in the market chain? Does he or she change its form (processor), move it (transporter), store it (wholesaler), sell it (retailer), or consume it? Does vertical integration exist?
Demand	Quantity Type of buyer Seasonality Variety Consumer preferences Price data	• Quantity sold normally, e.g., per day, week • To whom do you sell? • Do the volumes of sale change over time? • Are there different varieties? • If so, what is their respective demand or preference? • What is the price variation as per differences in varieties? • Do changes in prices occur over time? • If so, why? • Are there problems selling the products? • If so, what are they?
Supply	Source by area Source by type of person Price Quality	• Where are your supply areas (geographically)? • Who do you buy from? • Where do you buy from? (meeting point) • At what price do you buy the product? • Does the price change over time? If so, why? How? • Do you have problems getting products? If so, what are they?
Quality	Perishability Post harvest issues	• What is the quality of the product along the chain? • What is the product's shelf life?
Storage	Quantity Time Storage problems	• How much do you usually store? • For how long? • Do you have storage problems? • Do you experience storage losses?
Marketing costs	Forms Proportions	• What are your marketing 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 information, e.g., on prices? • If so, who from and how? • Is there a relationship between prices in different areas at given times?

(Continued)

Appendix 8. (Continued.)

Topic	Subtopics	Questions and/or comments
Price formation	Market power	• Who determines the price? • How is the price determined? • If the firm or 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, what are they and how do they affect your business?
Market structure	Competition	• Number of sellers • Is there price competition? • Is there non-price competition? If so, what for (e.g., interlocking markets)
Credit availability	Sources and type	• Are there any credit institutions? • Do you use them? • What are their rates of interest?

Appendix 9

A Summary Sheet for Market Interviews: An Example from a Banana Survey

Organisation and key persons	Basic information	Relation to banana	Current situation	Potential links to research	Next steps and follow up	General remarks
Camp farms African Organics, P.O. Box 29078, Kampala, Uganda. Managing director: Shiv Khan 077 506666	• Organic fruit and vegetable exporters • Own farm in Luwero and 62 outside growers in Rakai and Bugurari	• Export fresh and sun-dried variety 'Sukali Ndizi' to Germany (Frankfurt) and Switzerland • Sun-dried fruits used in breakfast cereal, ice cream, and snacks	Exports of 'Sukali Ndizi': • Fresh—about 2 tonnes per week • Sun-dried—about 400 kg/month • Volume is growing (problem is irregular and insufficient sunshine) • Volume could be doubled if overcome drying problem	• Collaboration on Fusarium wilt (Panama disease) • Research for a cure or prevention of spread • Need to know how to control ripening, i.e., how to start, stop, and restart ripening • Research on temperature control and packaging • Interest in exploring EU tastes	• Return visit to explore interest in research into control of fresh Sukali Ndizi' fruit ripening and packaging of dried products	• Keen to explore opportunities to experiment with 1-MCP (anti-ripening factor) • Keen to know how to organise farmer groups effectively • Market share increasing • Interested in more links with the Gulf States

Appendix 10

An Outline for Writing Up a Market Chain Report

Introduction

- Setting the boundaries of the study or market chain being analysed (partial or full).
- Economic development prospects for the selected chain.
- Trade and competitiveness: recent changes, performance, and market options.
- Prioritised enterprise opportunities for the selected product according to:
  - Market channel (local, district, national, regional, or export).
  - Scale of investment.
  - Client type.

Production issues

- Production zones.
- Seasonality of production.
- Importance of the product to income, rural livelihoods, and economic growth.
- Principle production and marketing constraints limiting the sub-sector[13].
- Medium and long-term market outlooks across the sub-sector for local, national, regional, and export trade.

Demand analysis

- Size and growth rate of market for this commodity or products.
- Price trends, including recent, past, short or medium-term, future (try to find trend data).
- Product type for which demand is growing or where.
- Principal buyers of this product (segment showing most interest).
- Buying conditions.
  - Market requirements in this product area, what customers or importers will pay for.
  - Quality and health standards that must be met.
  - Processing and packaging requirements.
  - Volume and delivery time requirements.
  - Product differentiation needed to succeed in the market.
- Chief competitors and the advantages they enjoy.
- Market barriers (e.g., skills required, volumes being sought, investment needs, costs of entry, taxation, collusion, intimidation, or high level of competition).

Supply analysis

- Analyse the supply chain including:
  - Production costs.
  - Margins down the supply chain (producer, assembler, trader, wholesaler, and retailer).
  - Assess possible changes that would overcome bottlenecks within the system.
- Principle constraints to producing this commodity.
- Costs of production.
  - Agronomic problems, e.g., disease, pesticides, seeds, and labour.
  - Infrastructure.
  - Inputs, e.g., fertilisers, pesticides, seeds, and labour.
  - Finance and credit.
  - Technical skills of labour force.
- Quality control measures.
- Real and relative returns.

Market barriers

- Marketing barriers (local, national, and regional).
- Finance.
- Price information.
- Grades and standards, health certifications.
- Market links.

Institutional arrangements and policy constraints

- Private-sector organisation and institutional set up along the production and marketing chain.
- Local administration barriers.
- Governmental barriers.
- Trade barriers.

Regional comparison of comparative or competitive advantages

- Highlight most competitive areas and products.
- Analyse the areas with a comparative advantage that is being exploited and other areas that may have comparative advantage but are not realising this potential.
- Given that future R&D investment is limited, suggest where specific types of investment would provide the most economic gain.
- Evaluate research innovation options.

13. See "Section 9" for a discussion of the terms "market chain" and "sub-sector".

The way forward: Production and market growth strategies for the sub-sector

Development strategies for the sub-sector on a national and regional advantage basis:

- Give a clear view on growth markets and product areas.
- Provide a simple breakdown of market options according to:
  - Market type (local, district, national, and export).
  - Relate this information to client types.
- Briefly analyse the priority requirements needed to enter these market opportunities (changes in production, processing, quality control and enhancement, product differentiation, technology, and investment).
- Provide ideas on who could contribute to making these enterprises happen, the respective roles and actions of private and public sectors (i.e., who could do what?).
- Short and long-term actions needed (balancing poverty reduction and growth objectives).

Priority areas of intervention to support enterprise options

Areas where project support will have the greatest impact on production and growth of selected enterprises:

- Capital and technological development.
- Improved planting material or product improvement.
- Processing and processing efficiency.
- Market information.
- Attracting additional investment and technology.
- Policy, legislative, and institutional support.
- Indicate costing, timing, phasing, and prioritisation of these proposals.

Conclusions

- Major findings for market size, trends, and opportunities by market type, that is, local, national, regional, and international.
- Recommendations and steps for future interventions.
  - Commercial enterprise development (based on client investment capacity).
  - Research opportunities.
  - Development needs.
  - Policy options.

Appendices

Current structure of production

Volume of production

Volumes sold in targeted markets

Number of farms or farmers involved in production

Principal inputs and supplies for production

Recent trends in the above and outlook

Current post harvest operations

Storage and processing

Transport

Principle actors in these activities

Technologies used for value-added processing and products

Recent trends in the above and outlook

BLANCA 120

Glossary

Advertising
Any form of marketing communication in the paid media.

Aflatoxins
Natural by-products produced by the *Aspergillus flavus* and related fungi.

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

Agri-business
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.

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

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.

Biomedicines
Medicinal products produced from plants and animal 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, 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 recognised 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 for 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, and advisory services.

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

Ceteris paribus
Holding some variables constant, whilst letting specific variables change.

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 specialisation.

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

Co-operative
A collection of organisations 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.

Differentiated product
A product that has undergone some form of value addition to distinguish it from other similar products, through means such as grading, sorting, packaging, branding, or specialised marketing, such that it attracts a higher price and targets a more specialised market.

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 organises 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.

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
These 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.

Future 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 organisations buying centre, or point in a market chain, who control the flow of information to others.

Global products
Products designed to meet global market segments.

Globalisation
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
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 future markets.

Horizontal integration
The combination of two of 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 quality purchased to a 1% 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, analysing 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 or new. 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 where inputs such as seeds, tools, fertilisers, and agro-chemicals are sold. These are generally sold through specialised dealers that only trade in input supplies.

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 whereby an organisation 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 such that no other producers or processors can use this name, title or logo, unless they produce the product within a legally recognised 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 organisation enters foreign markets either by direct or indirect export or production in a foreign country.

Market holding price
The charging of a price at what the market can bear in order to hold market share.

Market information services (MIS)
People, equipment and procedures to gather, sort, analyse, evaluate and distribute needed, timely and accurate information to marketing decision makers.

Market mix
The set of controllable tactical marketing variables including: 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-a-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 behaviour, 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 maximise 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 organisational 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 analysing 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.

Mycotoxins
Toxic or noxious chemicals produced by certain mychorrhiza that grow on food products that have been harvested and stored in sub-optimal conditions.

Net marketing margin
Excludes normal marketing costs, thereby providing a measure of the profit realised. Net marketing margins may however also include the remuneration of the trader or processor's labour, 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.

Nutracueticals
Products that have medicinal/pharmaceutical and/or nutritional value, that are derived from plant or animal products. Examples include high iron producing beans, bananas that contain insulin.

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 future 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 organisations.

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, organisations 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 or 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.

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. Published accessible data from a variety of sources.

Sector
Relates to the all activities under the mandate of one government ministry, such agriculture, health, education, justice.

Services
Activities or benefits 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 favourable price movements.

Standardisation
Same goods or services marketed in either product, distribution or advertising form, unchanged in any country.

Strategic business unit
A self contained grouping of organisations, 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 firms goals and capabilities and its changing market opportunities.

Sub-sector
A part of a sector, which can mean, within agriculture that 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, 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 rate on a 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 formalised food markets.

Trademark
Legally recognised 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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