



Getting to Market

FROM AGRICULTURE TO AGROENTERPRISE



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Edited by Shaun Ferris, Paul Mundy, and Rupert Best

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FOREWORD

For the past 50 years, Catholic Relief Services has supported the needs of agricultural communities throughout the developing world. Using a combination of private funds and substantial grants from USAID and other sources, we have assisted millions of poor people suffering from acute and chronic food insecurity.

CRS is known for excellence in emergency response. We take pride in our ability to get food, medicine, water and shelter to those in need when disaster strikes, anywhere in the world. But our goal is not simply to provide emergency assistance. We aim to help people in ways that go beyond restoring basic needs. We try to restore hope, purpose, and dignity to communities, so that people can lead more fulfilled and productive lives.

CRS has a longstanding commitment to promoting agriculture in developing countries. From reforestation projects to integrated watershed management to fighting crop disease, we have drawn upon the latest in technology and research to provide assistance to farmers and rural communities. For so many who live in rural poverty, agriculture is their livelihood and lifeline. Supporting and improving it is crucial to eliminating hunger.

Sadly, overall funding for agricultural development has been declining for many years. Lack of investment by governments and other donors has led to stagnating productivity and a missed opportunity to take advantage of improved technologies. Productivity gains and innovation have been particularly low in Africa, due to lack of basic infrastructure, limited financing, and poorly structured market access.

These are difficult issues. But in an ever-changing world, being effective requires that we listen to others, adapt to new conditions and develop ways to do things better. The shift from agricultural production to agroenterprise that is laid out in this volume is an example of such a fundamental change. We are excited about this new approach and believe that placing markets at the heart of our agricultural work is an essential step in helping poor communities find those elusive but sustainable pathways out of poverty.

We also recognize that there will be many challenges as we continue our work in agroenterprise development, as the past three years—which saw world prices for agricultural goods rise from all-time-lows to historical highs—have demonstrated. Nevertheless, we are committed to making markets work better for the poor. Our highly dedicated staff is very motivated by this new approach and is already showing great progress in the field.

Although CRS is a relative newcomer to this specific focus on agroenterprise, we are one of the most experienced humanitarian agencies working internationally on agricultural development. We are building on a strong foundation in our collaboration with the International Center for Tropical Agriculture, and have trained a sizable cadre of specialist agroenterprise staff through our “agroenterprise learning alliances.” CRS is on track to becoming one of the leading agencies in agroenterprise, with our focus on helping families living in the most vulnerable communities become more economically viable.

This review of our work so far is an attempt to share our experiences in agroenterprise development. We hope that by doing so we will encourage more communities, partners, and development agencies to take on the marketplace, empower local communities, and improve the market performance of millions more poor farming families.

A handwritten signature in black ink, appearing to read "Ken Hackett". The signature is fluid and cursive, with a large initial "K" and "H".

Ken Hackett
President

PREFACE

This book, *Getting to Market*, presents a series of case studies describing how CRS and its partners have over the last five years worked with groups of farmers and other stakeholders to develop agroenterprises. During this work, we have learned from experience, developed new skills, and reviewed our approaches. This book reflects that learning and the results of the review. It presents a series of cases, drawn from a range of value chains and across a range of countries. Each case focuses on a particular stage in the agroenterprise development process, following a new “agroenterprise development cycle” that outlines how to go about helping farmers improve their market performance.

Our agroenterprise journey began in 2002, with learning programs in Latin America and Eastern Africa. This learning phase followed a stepwise agroenterprise road map developed by our technical assistance team from the International Center for Tropical Agriculture (CIAT). Adaptations to the original methodology came as CRS field staff met challenges. In applying the methods, we found that some steps were missing or were not sufficiently detailed. CRS staff invested considerable time devising ways of integrating existing skills with the agroenterprise thinking. In many countries, staff rediscovered in-house expertise, such as watershed management, which fits naturally with the agroenterprise process. We needed to rethink how we work with farmer groups, and we have made a start in bringing together the worlds of microfinance and agroenterprise.

CRS began with relatively limited experience in agroenterprise development. We have trained staff, adapted the agroenterprise approach, and institutionalized it in various national programs through a “learning alliance”—a structured series of training workshops and collaborative activities involving staff from different countries. This story is captured in another book, *Working together, learning together: Learning alliances in rural development.*”

In developing the new CRS agroenterprise development cycle, we have also realized the need to strengthen our partnerships both at the field level and with specialized service providers. To do this we are building more effective relationships with national and international research institutions. We are also improving relationships with the private sector and developing new business models for more durable trading relationships. Recently we have also started working with information technology companies, which are helping us learn more about business development services and how we can use information technology for better communications, data management, and scaling systems.

The agroenterprise approach has helped reinvigorate core areas of our agricultural work. It has enabled us to view the traditional areas of crop and livestock production in new ways, link with new partners, and foster collaboration between programs in agriculture and in other sectors, such as microfinance, emergency response, health, HIV and AIDS, and water.

However, the most important changes have been in field staff and farmers. Our staff have been motivated by the need to find market opportunities with farmers, rather than simply providing seeds, tools, and fertilizer. Farming communities are also keen to learn about agroenterprise approaches, even when this requires them to take on more responsibility and use their own resources to achieve successful market outcomes. It is at the community level that the shift to agroenterprise thinking needs to take place, and that is the direction in which we are moving.

ACKNOWLEDGEMENTS

This book was written through a writeshop process, described in chapter 1, using a methodology that was first developed by the International Institute of Rural Reconstruction, (IIRR). The writeshop was led by Paul Mundy, who formerly worked with IIRR and was a co-developer of the writeshop approach. Paul and Rupert Best led the editing of the many manuscripts and helped the CRS team go from concept to product; we are heavily indebted their hard work and good humor.

Sincere thanks to the United States Agency of International Development, which funded the writeshop event and subsequent editing.

For conceptual guidance the CRS team would like to sincerely thank the various members of the agroenterprise development team at the International Centre for Tropical Agriculture for their strong support over the past five years. Specific thanks go to Rupert Best, Shaun Ferris, Mark Lundy, Carlos Ostertag, Veronica Gottret, Dai Peters, Chris Wheatley and Tiago Wandschneider.

We would also like to thank the many people who made this event successful:

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- The editorial team of Rupert Best, Shaun Ferris, and Paul Mundy.
- The authors and participants, who gave a great deal of their time before the writeshop to prepare drafts, for locking themselves away for seven days of very intensive writeshop to present and revise these drafts, and for the extra time after the meeting to finalize their chapters.
- The staff of the Brackenhurst International Conference Centre, Limuru, Kenya, where the writeshop to produce this book was held.

Finally we would also like to thank and extend our appreciation to the many thousands of farmers, traders, partners and researchers whose knowledge and experience are reflected in this book.

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1

From Agriculture to Agroenterprise

SHAUN FERRIS

Most of the agricultural investments made by Catholic Relief Services in the past focused on finding ways to increase crop and animal production. But all too often this approach proves unsustainable, as farmers become dependent upon service providers (typically NGOs using short-term project funding) to supply improved technologies and market access. In many cases, short-term success in raising production without complementary support to marketing can result in oversupplying local markets, which translates into volatile or reduced incomes for farmers. The result is that farmers do not learn how to compete in markets or work together to increase their market leverage, and see little value in investing to upgrade their products and market links.

A key principle of the agroenterprise process responds to this common chain of events:

Produce what you can sell! Don't try and sell what you have produced.

There are countless cases where support agencies have encouraged farmers to produce for markets without understanding market conditions. After considerable investment and effort, farmers are stuck with unwanted crops that they are forced to sell at very low prices. In some sense this is a result of a simple imbalance of inputs: it is relatively easy to introduce improved technologies, but more difficult to empower communities with the skills required to understand, access, and adapt to dynamic markets.

The agroenterprise approach is a means of refocusing production-based efforts within a market-based framework. It does not replace traditional agricultural development, but it does require a new way of thinking about agriculture: one that recognizes the market as the driver in the system and requires that investments be aligned with market needs and evaluated against market performance—i.e., sales volumes, product quality, profit, and timeliness.

Why Use this Approach?

The economic prospects of millions of poor rural families in many parts of the developing world, and particularly in Africa, are not improving rapidly or even steadily. In many locations farm incomes are falling rather than growing, due to a combination of outdated production technologies, poor infrastructure, and increasing competition from global markets. Millions of farming families do not know how to improve their market performance and remain trapped within an agricultural marketing system that they do not understand. The decline of government buying boards and their associated farmer cooperatives has left many farmers working on their own, supplying small amounts of poor-quality goods at irregular times to unfamiliar buyers. This opportunistic approach to the market can only result in low returns. Unless farmers can become more engaged in markets, their economic prospects are unlikely to improve.

In the poorer areas of Africa and South Asia, few farmers receive visits from extension workers. Those extension workers who do enter those areas are trained in production and generally know very little about market linkage. Farmers therefore have limited access to improved production technologies, little information on markets and opportunities, and limited or nonexistent options for financing. There is, therefore, an urgent need for development agencies such as CRS, which seek to improve the prospects of smallholder farmers, to acquire marketing skills. The task for CRS being to empower local communities with the ability to harness the benefits of new production technologies with new forms of organization and market knowledge to engage with local, national and international markets.

The Agroenterprise Approach

The agroenterprise approach that forms the basis of this book is a systematic method of shifting from a food-security strategy focused on production to a market-oriented approach that emphasizes income generation and profit based on market demand and sales of agricultural products. Agroenterprise aims to support poor farming communities. It is not commodity-specific. It incorporates ideas on chain-wide thinking, competitive production, collective marketing, product diversification, and adding value to construct a path out of poverty for farmers.

The term “agroenterprise” refers to a business venture, typically small-scale. It may be an on-farm venture or a service that adds value to agricultural goods. An agroenterprise generally involves groups of farmers and individual actors who provide services within the market chain, and builds relationships with the traders who buy the enterprise’s products.

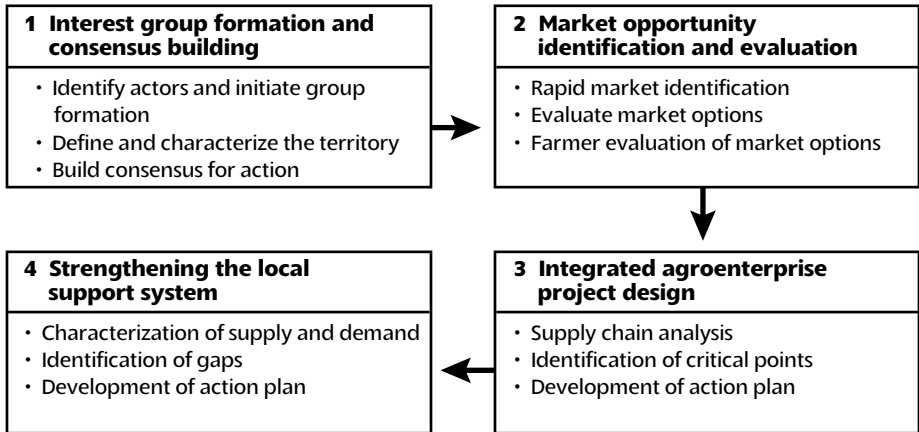


Figure 1. Agroenterprise development “version 1.0”: CIAT’s original road map.

The starting point for CRS in taking on agroenterprise development was a “road map” developed by the International Center for Tropical Agriculture (CIAT) (Figure 1). This map identifies four steps that a development agency such as CRS can follow to understand a local business climate, help farmers to identify market opportunities within a defined geographical area, and then produce agricultural goods or provide services based on market demand.

The bullet points at each step in the road map name activities facilitated at that point in the process by a lead development agency and its partners. This sequence of agroenterprise tasks is ordered so that results from one activity form the starting point for the next. To teach the skills needed at each step, CIAT developed a four-week training program for CRS staff, which became the “agroenterprise learning alliance.”

The Agroenterprise Learning Alliance

The CRS agroenterprise learning alliance was set up to overcome some shortcomings in other training program designs. CIAT had previously developed agroenterprise courses with other agencies, but found it difficult to follow up on the progress of the participants and review impact at the field level. It was sometimes impossible to determine whether participants had the right pre-existing skills, and frequently participants found it hard to put new skills into practice because of other commitments and the limitations of their field partners. CRS, in contrast, wanted an arrangement where staff within a region received iterative training that would cascade down to their partners. CRS also wanted training that could be applied within existing and new projects. As partners in the agroenterprise learning alliance, then, CRS and CIAT had joint goals and shared costs and responsibilities.

The training process (Figure 2) began with a five-day session on area selection, interest group formation, and resource analysis. Over the following 6 months, participants applied the methods they had learned. CRS and CIAT agroenterprise specialists monitored their progress and followed up as required. After completing the first set of tasks, the group reassembled to review progress and learn a new set of skills on market-opportunity identification and selecting the most promising enterprise options in their project areas. Once again they then practiced what they had learned over the ensuing 6 months, monitored by the CRS/CIAT team. A third session, in which participants learned about market-chain analysis and how to design an agroenterprise, followed the same theory-then-practice model, as did the fourth, focused on evaluating and strengthening local business-development services that would support the agroenterprises within the specified market chains.

This four-stage program was repeated in several CRS regions around the world to train regional and country-level staff on the agroenterprise approach. Several country programs took the approach further, adapting the training materials to local conditions, translating them into local languages, and then organizing learning alliance workshops with their partners.

This learning-by-doing approach allowed the country teams to test and adapt the methodology to local contexts, meeting the specific needs of their farming communities. On average, the group training sessions were given in intervals of five to six months, the interval depending on the complexity of the task and the timing of the agricultural season.

More information: See *Working together, learning together: learning alliances in agroenterprise development*.

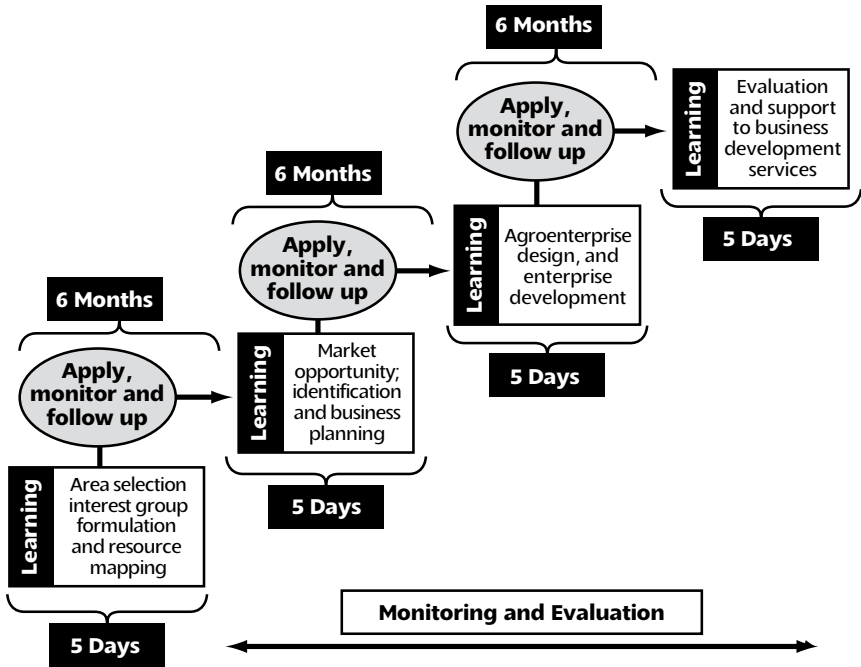


Figure 2. Process followed by the agroenterprise learning alliance.

Transition to a New Agroenterprise Cycle

The original agroenterprise approach was fully tested over the past six years. The first road map (Figure 1) helped shift CRS' agricultural teams from their supply-based comfort zones to market-led approaches, and provided a framework for successful project proposals to expand the agency's investments in agroenterprise projects.

But over that period of testing the original road map required some adaptation. Some activities that CRS follows were not covered at all, or not in sufficient detail for the field teams to apply them effectively. The need for other activities emerged as the agroenterprise teams gained experience. The likelihood for such change was anticipated, and one of the outcomes of the learning alliance was the creation of a new, five-step "agroenterprise development cycle" (Figure 3).

Purpose of this Book

This book illustrates the processes that CRS has used and adapted in its approach to agroenterprise development. The agroenterprise methodology, as described in the

preceding pages, rests on a structured series of steps and associated tasks. This book presents examples of each step and activity, taken from CRS agroenterprise projects. These case studies cover issues such as project site selection, partnership development, community involvement, market-opportunity identification, value-chain analysis, enterprise planning, investment, scaling up, project evaluation, learning, and advocacy. Of course, these brief summations cannot present the whole story of each case. Instead, they focus on a particular phase in the process. Readers who want to know more about a particular case are encouraged to contact the case-study authors. Additionally, a series of field guides available at www.crs.org/agriculture/ provides much more detail on the procedures to use at each step in the process.

Reality is often not quite as neat as theory. While this book presents the agroenterprise methodology systematically, in some cases some tools may not be necessary, and in others additional activities may be needed. In all cases the method requires adaptation to local conditions. The approach described in this book should not be considered a fail-safe recipe for market success, but rather seen as a toolkit that requires a good dose of practical thinking, hard work, and entrepreneurship.

“Agroenterprise is not just a methodology. It’s an entire approach to doing agriculture. For CRS the agroenterprise journey has been a transformational change for the better, for us as an organization and for the communities which we serve.”

—Tom Remington, principal agricultural adviser, CRS

Target Audience

This book is intended for use by international NGOs contemplating a similar shift in agricultural development programming, from a strategy based on production and food security toward a market-driven approach. It gives managers and potential market facilitators an overview of how CRS approached this challenge, and the results of this work.

How this Book Was Produced

The body of this book was produced through an intensive participatory “writeshop,” held 15 to 19 September 2008 in Limuru, Kenya. The writeshop involved over 30 staff of CRS and its partner organizations, as well as agroenterprise specialists, artists, and editors.

Before the writeshop, a steering committee identified experiences of CRS and its partners that illustrated the agroenterprise process. The committee invited individuals who had managed or participated in these interventions to write them up, following guidelines and using a sample case study as a model. Each author

was asked to focus on a single step in the agroenterprise process. The authors' draft manuscripts were then screened by the steering committee and CRS agroenterprise specialists, and returned to the authors for clarification or expansion if necessary. Each contributor brought his or her revised draft to the writeshop.

The writeshop began with an introduction to the process to be used, followed by a presentation of the first case. The author presented the manuscript, and the other participants were then given an opportunity to ask questions, make comments, and critique it. Both the author and an editor assigned to the manuscript took notes of the discussion. The author and editor met after the presentation to discuss changes needed in the text, then revised the manuscript to produce a second draft. They also discussed how best to illustrate the case, and commissioned line drawings from one of the two artists in residence.

While the first author and editor were discussing their case, another author presented the second case, with another editor taking notes. The next author then gave a presentation, and so on until all the authors had presented their manuscripts.

After all the first-draft presentations, the process was repeated, with each author presenting the second draft of his or her case. The other participants again had the opportunity to comment on the draft, and the author and editor again took notes. They incorporated these comments into the manuscript after the presentation.

There were too many cases for all to be presented in plenary, so for many of the presentations the participants divided into two parallel groups. Plenary sessions were held periodically to review progress and discuss themes of overall interest. Breaks and evenings were used for small group meetings or by individuals to work on their manuscripts. By the end of the writeshop, the participants had completed drafts of their manuscripts that required relatively minor editing before they could be published. These cases form the bulk of this book, chapters 3 to 7.

Several sessions were held to develop additional synthetic materials that became other parts of the book, such as the introduction and conclusion. In these sessions, small groups brainstormed ideas on a topic, which they then wrote up as text. These drafts were also presented to the plenary, and participants were able to provide comments and suggestions. Still other additional material was gathered using forms, including the small cases in boxes featured throughout this book, the participants' profiles, and other items in the resources section.

As this writeshop was going on, a second was also meeting in the same location. That group focused on the "learning alliance" method used to train CRS and partner staff in agroenterprise development. The results of the second writeshop

are published in a companion to this volume, *Working together, learning together: Learning alliances in agroenterprise development*. Participants from the two writeshops took part in several joint sessions to exchange ideas, particularly on revising the agroenterprise development cycle.

After the writeshop, considerable restructuring and rewriting were necessary to ensure the style and content of the various chapters was clear and consistent. The editorial team of Paul Mundy, Rupert Best, and Shaun Ferris wrote additional material and were responsible for finalizing the book.

Eight Key Messages on Agroenterprise Development

LEGESSE DADI, JESSAN CATRE, SUNIL VISHWAKARMA, KAMAL BHATTACHARYYA AND SHAUN FERRIS

What can we learn from CRS' five years of involvement in agroenterprise development? Here are eight key messages that encapsulate the value of the approach. Agroenterprise development:

1. Helps poor rural households attain food security
2. Increases farmer incomes and improves access to food
3. Is highly participatory and empowers farmers
4. Has incentives, risks and rewards
5. Links smallholder farmers with local, national and global markets
6. Accelerates integration of sectors and partners within rural communities
7. Supports reinvestment and growth
8. Supports sustainability

1 AGROENTERPRISE DEVELOPMENT SUPPORTS FOOD SECURITY

Growing enough to eat is a major concern for many rural people, and food security is a priority concern for CRS. Some fear that agroenterprise can only support the already economically viable and that it may detract from efforts to help the poorest achieve food security. But CRS' experience does not bear out these fears. In some cases (as illustrated, for example, by the case study on Niger in chapter 5), extremely poor farmers have benefited from agroenterprise projects, helped both to meet their household needs and to sell in local markets. The agroenterprise approach does not replace the need to work with farmers on improving their agricultural productivity; indeed, the two goals are closely linked. But it does take market forces into account, it does help people to grow products that are in demand, and it does help farmers to become more effective so they can reap rewards from their efforts.

2 AGROENTERPRISE DEVELOPMENT IMPROVES INCOMES AND ACCESS TO FOOD

The primary reason for an agroenterprise approach is to find ways that farmers can grow crops and sell their surplus. At a minimum, that will let them pay for things they cannot produce themselves, such as medical services and school fees. Virtually every farming family already sells part of its produce and buys food at certain times of the year. Not participating in markets can only lead to paralyzing poverty and reduced food security. Agroenterprise approaches help farmers focus their skills, knowledge, and resources on producing more efficiently and effectively, thereby increasing their access to food and thus their food security. In Uganda, for example, where agroenterprise methods have been introduced in refugee camps, displaced persons were able to supplement their irregular food rations by growing cassava to sell at the local market.

3 AGROENTERPRISE DEVELOPMENT IS PARTICIPATORY AND EMPOWERING

The tools in the agroenterprise approach are participatory. They encourage development agency staff to facilitate market linkages instead of stepping into the market chain themselves. The approach also empowers farmers to understand their markets and analyze their opportunities. In partnership with agency staff, farmers learn how markets function, build relationships with other market actors, and learn how to use basic financial and business skills to improve their market performance. The process empowers them, rather than treating them as passive recipients of new ideas and opportunities. Using participatory methods takes time, but if the local field agents and farmers help discover information through market surveys and test ideas themselves, they are more likely to understand and invest in them. When the development agency leaves, the farmers retain this commitment and these skills, and can use them with greater confidence.

4 AGROENTERPRISE DEVELOPMENT HAS INCENTIVES, RISKS, AND REWARDS

Markets provide a strong driver for change, with clear financial incentives that focus people's minds on using limited resources and skills more efficiently. Agroenterprise development helps market facilitators and poor smallholder farmers navigate markets to meet real demand.

However, there are risks. As with any business venture, a failure to meet commitments can lead to failure to sell—as the calamansi farmers in the Philippines profiled in chapters 6 and 7 found. Dangers arise when contracts fail due to volatile market conditions. The rewards for the farmers are also clear,

however: the more successful their agroenterprise endeavors, the higher and more stable their incomes.

For the development agency, the rewards of an agroenterprise development approach include greater demand for its services from communities, an ability to deliver a full range of services more effectively, and greater confidence in competing for funding and in developing new agricultural projects.

5 AGROENTERPRISE DEVELOPMENT MATCHES PRODUCERS WITH LOCAL, NATIONAL, AND GLOBAL MARKETS

The agroenterprise development approach is flexible: it can be applied from different entry points (see chapter 3). Depending on the marketing skills of the development agency and its partners, the capacity of the farmer groups, and the market opportunities, the agroenterprise methodology can be adapted to different levels of risk and different rates of return, using simple techniques such as the Ansoff matrix (Table 4). This tool enables farmers and development agents to assess a product's risk: the lowest risk is for an existing product and an existing market, while the highest risk is associated with products that farmers do not yet grow, and markets they do not yet serve. Development agencies and farmers with limited marketing experience are advised to choose lower risk options, while more experienced farmers can venture into more sophisticated markets. The contrast can be seen in comparing the Burkina Faso case study (chapter 5), where farmers focused on cowpeas, with the Filipino calamansi farmers.

6 AGROENTERPRISE DEVELOPMENT INTEGRATES SECTORS AND PARTNERS

Successful implementation of the agroenterprise process requires a range of skills and knowledge: of new varieties, new crops, seed supply, pest management, fertilizer rates, marketing techniques, farmer group formation strategies, natural resource management, transport, business planning, financial management, communications, negotiation tactics, leadership, gender, innovation, and more. Development agency staff with the right skills are probably scattered across different units: The agriculture team typically deals with farmers' groups, natural resource management, production and perhaps market-related issues. Microfinance is probably the responsibility of a dedicated unit. Other units deal with community development and gender. Research is done by specialist government bodies or universities; veterinary services, transport, communications and input supplies may be in the private sector.

Providing farmers with these services means that several agencies have to come together to provide their expertise. As the Indonesian case in chapter 5 shows, a “working group” is a way of bringing together such a range of actors. It is the role of the lead agency to draw upon the specialized skills as they are required. In the India case study (chapter 7), teams from at least three sectors (water, agriculture and microfinance) came together to support the formation and commercial activities for thousands of self-help groups. The water teams were working to overcome a critical impediment: regular droughts. The microfinance and agriculture teams assisted the self-help groups to invest part of their dormant savings into their agroenterprises so that funds would grow rather than be depleted. Such layered support serves rural communities better. Integration of such diverse sectors is beneficial for the growth of agroenterprises.

7 AGROENTERPRISE DEVELOPMENT OFFERS PROSPECTS FOR REINVESTMENT AND GROWTH

Poor agricultural systems can improve if farmers reinvest in their farms. In the past 20 years, millions of poor smallholders have neglected their farms because they have not earned enough. However, as farm incomes increase, so do the possibilities for reinvestment. This can lead to a virtuous circle: better yields, better incomes, still more reinvestment, leading to yet higher productivity. The agroenterprise methods developed by CRS and CIAT highlight the need to use sustainable farming methods and to continually upgrade the agroenterprise, which includes such reinvestment. More efficient production and better management enable successful farmer groups to scale up their production, and with strong links to traders, they can adapt to market conditions.

8 AGROENTERPRISE DEVELOPMENT PROVIDES SUSTAINABILITY

Markets are highly resilient. They operate even in the most extreme conditions and provide communities with an essential point of exchange to access goods and services. But farmers often do not fully appreciate the opportunities that markets offer, and many have not learned how to work with markets to maximize their profits. The agroenterprise approach provides a systematic method of identifying market opportunities and empowering communities with the skills to understand and respond to market opportunities. Marketing is a skill that, once learned, farmers can apply in many different future situations. When outside funding ceases, the farmers will have the skills to meet the dynamics of markets they have already invested in, and they will be more aware of the possibility of switching to other commodities depending on the market conditions.

Development agencies all too easily fall into the trap of providing free services that undermine the ability of local market actors to offer the same options. To achieve more sustainable outcomes, external agencies need to pay more attention to local market systems and work with farmers within their marketing context. Agroenterprise development is a model that can be adopted by government, the private sector and local people, so they can improve the situation of rural people on a long-term, sustainable basis.

2

The Agroenterprise Cycle

TERRY TUASON, AMRUT KUMAR PRUSTY, JOAN UY,
RUPERT BEST, AND SHAUN FERRIS

The CRS agroenterprise development cycle includes more steps than the original “road map,” and provides more detail in the areas of farmer group formation, financing, collective marketing, scaling and monitoring and evaluation (Figure 3).

Table 1 lists the five steps in the process, along with their sub-steps.

Table 1. Steps in the CRS agroenterprise development cycle

Chapter	Step	Sub step
5	1 Getting organized	1.1 Choosing where to work 1.2 Forming partnerships 1.3 Selecting communities and farmers 1.4 Organizing farmers 1.5 Choosing products
6	2 Enterprise design	2.1 Analyzing the value chain 2.2 Evaluating business development services 2.3 Planning the enterprise 2.4 Test marketing
7	3 Marketing	3.1 Financing and business relationships 3.2 Collective marketing 3.3 Innovation and value addition
8	4 Scaling up	4.1 New farmer groups 4.2 Co-op development 4.3 New markets and business models
9	5 Learning and sharing	5.1 Monitoring and evaluation 5.2 Knowledge sharing 5.3 Advocacy

This agroenterprise development cycle is intended as a guide for development agencies (like CRS), so includes more activities than would be applicable to a farmer group perspective. Farmers and farmer groups are actively involved from Step 1.3 through to Step 3.3. The other steps are those that the development agency will undertake to plan the intervention and subsequently to scale-up and learn from the experience.

This chapter provides a brief introduction to each of the steps in the cycle. The case studies in the Chapters 5 to 9 illustrate these steps in more detail.

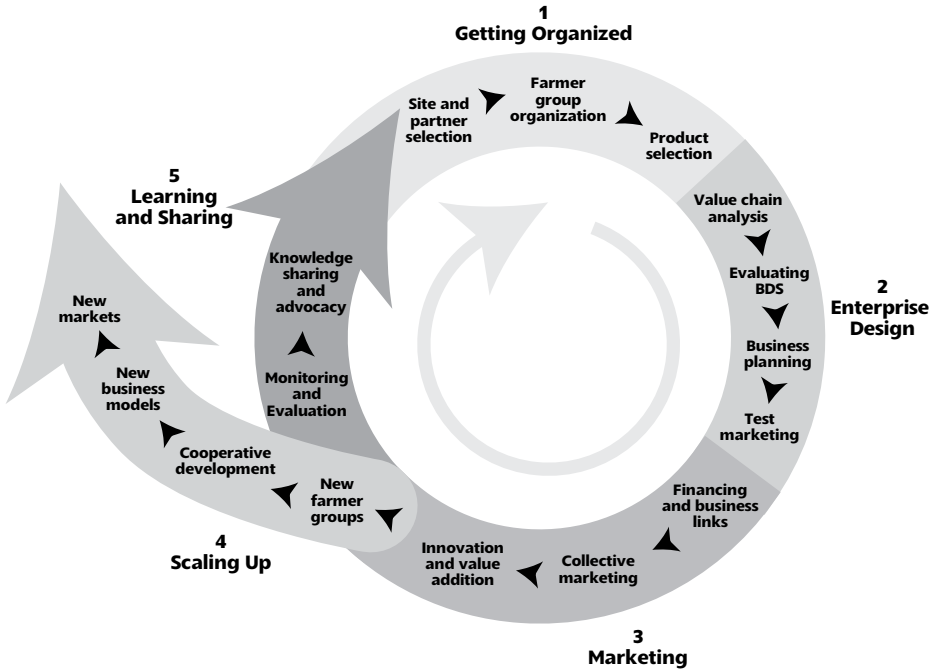


Figure 3. CRS' agroenterprise development cycle

STEP 1: GETTING ORGANIZED

The first step involves deciding where to start the agroenterprise intervention, who to work with, and what product(s) to work on.

The agroenterprise approach focuses on a particular geographical area or “territory”: it aims to build on the assets, skills and options in this target zone. As information is gathered, the agroenterprise team and farmers review the types of products that are being sold in the area and begins to match product options with the farming community. It is helpful to identify clearly the entry point where the agroenterprise

process will begin, and to assess the agroenterprise skills of the agency's own agriculture team. Other important considerations include the levels of investment the project has available, the timeframe, and the skills and opportunities of private and public-sector partners which can be integrated into the project design.

This step is broken down into five sub-steps or activities, which focus on information gathering and assets available in the target site.

Guide: *A participatory guide to developing partnerships, area resource assessment and planning together* (available at www.crs.org/agriculture) describes this step in detail.

1.1 Choosing Where to Work

This sub-step answers the question, where should we work? The area of intervention or “territory” can be a cluster of villages, a district or part of a country. CRS increasingly uses a watershed or part of a watershed as the intervention area due to the importance of water in agricultural production and market linkages. Initial studies will assess the site assets, products and competitive advantages for local business. They provide a basic understanding of the target site in terms of:

- **Biophysical features:** soil, water, major crops and livestock, vegetations, climate, rainfall, temperature, irrigation schemes
- **Human and social characteristics:** culture and traditions, demography, education levels, history, social and economic organizations
- **Economic characteristics:** outstanding economic activities, production capacity, specialization, predominant production and marketing systems, main commercial activities, commercial activities of clients, power sources, market locations
- **Institutional features:** technology providers, access and costs of inputs, access to appropriate technologies

The information gathering should focus on issues relevant to agroenterprise development, potential business investments, and the expected employment and income impact in the target area. See Box 1 for list of information needs.

Box 1. Outline of a project site resource assessment 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 organizations and individuals, and background data placed in the appendices.

The analyst should focus on the project area and avoid collecting or analyzing 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, prioritized 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 prioritized 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, access issues)
- Roads, paths, trails (indicate trends)
- Vegetation types (altitude-based)

Social

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

Economic

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

Institutional

- Types of organizations in the area, e.g., farmer cooperatives, trade associations, banking, microfinance, 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: government, 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

1.2 Deciding on Partners

Agroenterprise processes are complex and it is rare to find one organization that has all the skills required to fully support a new business venture. Therefore at the outset, rapid informal surveys are undertaken to evaluate local partners and businesses to ascertain their interest in joining the agroenterprise process. To support partnership formation and define roles and responsibilities, the lead agency team will establish a “working group”—an informal group of like-minded agencies that want to support an agroenterprise process in the target area. Depending on the size of the anticipated project, the working group (Figure 4) may include a limited number of representatives from other development organizations, such as church partners, local NGOs, farmer organizations and government agricultural staff. The working group may also include local service providers that support agricultural activities or provide general business support, such as microfinance, banks, input suppliers, traders and researchers. Participation of the more specialized personnel is usually on a “when required” basis. The working group is essentially a resource group that can provide knowledge and facilitate interventions, and can be drawn upon to support and guide the emerging agroenterprise(s). The group will support the lead agency, provide contacts to service providers and assist the project.

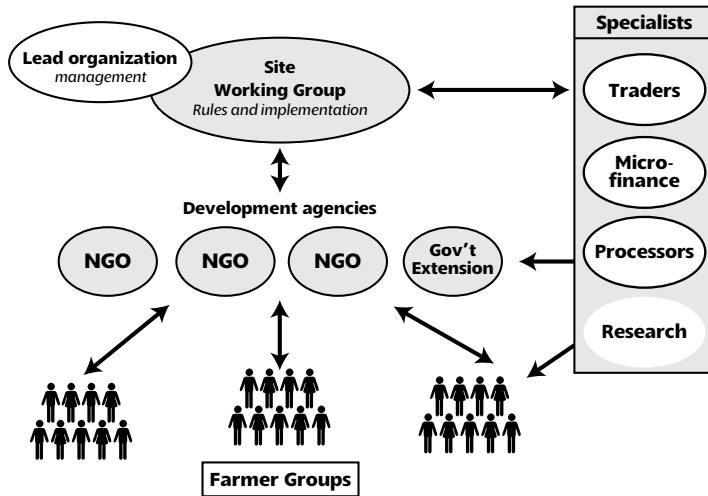


Figure 4. Relationship between lead organization, working group, specialist agencies and development agencies assisting farmer groups in agroenterprise development

1.3 Selecting Communities and Farmers

Choosing the farmers to work with in an agroenterprise project should be based on pre-defined selection criteria. These criteria maybe outlined in the project design or together with the partners. Box 2 lists possible criteria for selecting communities.

Box 2. 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? (agroecological 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 organizations or farmers working together to seek solutions to problems?
- Are there development organizations 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 organization's research interests? What technologies can it offer? What are its research issues?
- What is the past history of communities working with organizations and external institutions?

Other criteria for selecting communities may include:

- Access to the village: is the road passable at all seasons?
- Availability of basic development work, e.g., do agricultural activities exist in the area that can intensify farmers' interest and willingness to do development work?
- Motivation of extension worker responsible for the area, e.g., is this person hard working; does he/she have good relationships with farmers?
- The partner is willing to make an input in the development work, e.g., is it able to meet some of the project's expenses?

Typically, farmers are selected based on the focus of the intervention. Criteria include location, wealth ranking, ethnicity, gender, crops or animals produced, and the existence (or not) of farmer groups. The selection should also include an assessment of the farmers' marketing skills and degree of organization, their business relations, risk profiles and market ambitions. Wealth, access to water and proximity to markets are particularly important criteria in agroenterprise selection processes.

CRS has found a number of advantages in working with small farmer groups (rather than with large groups or individuals).

- They make collective learning easier.
- They reduce the transaction costs of providing services.
- They can gain better access to markets because they can bulk their produce.
- They have lower costs of doing business.
- They can work together and help one another in both learning and doing.

While not all situations and market sectors benefit from farmer groups, and there are considerable costs in establishing and maintaining farmer groups, CRS has found that not working with organized farmers is more difficult, time consuming and costly.

1.4 Organizing Farmers

A limitation of the original agroenterprise road map (Figure 1) was that it did not mention farmer groups or organizing farmers. It was assumed that the development agency had protocols on forming farmer groups, but CRS did not yet have a suitable set of techniques to form groups focusing on markets. So a step was added on supporting the formation of farmer groups and upgrading their basic skills.

If farmer groups already exist, it will probably still be necessary to work with them to build their capacity and skills, as often groups will have been formed for social rather than economic reasons. See chapter 3, especially Box 7, for more information on assessing the capacity of existing groups.

It is one thing to bring together farmers to provide inputs; it is a quite different matter to work with farmers to engage in markets effectively. In the latter case, farmers need to understand markets and work together to produce goods that will sell. This requires trust among the farmers, common goals and transparent financial transactions. Taking lessons from the world of microfinance, CRS is working with

its partners to establish more durable farmer marketing groups that are more accountable and have clear economic incentives to work together.

Based on a study tour in Africa, India and Latin America, CRS proposed that farmers with similar backgrounds should self-organize as groups of 15–25 people. The small numbers encourage members to build the mutual trust needed to enter agroenterprise transactions.

The project then provides these groups with basic training on up to five sets of skills:

- Democratic group formation and decision making (social)
- Savings and loans (finance)
- Profitable production methods (natural resources)
- Agroenterprise (market engagement)
- Innovation (adapting to change)

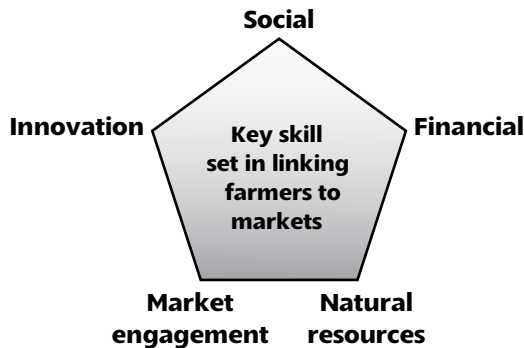


Figure 5. Five skill sets for linking farmers to markets

These five sets of skills are not a prescriptive list, but provide options to improve farmer group cohesion and social capital, build leadership, manage resources effectively, make production systems more competitive, and boost market performance.

Poor farmer group performance has been a recurring problem, particularly if the members work together only occasionally. However, members become much more motivated and the groups more cohesive if they are also involved in savings and lending groups. Financial bonds bring people together and provide a greater incentive to work in collaboration. CRS is now testing a layered approach to skills formation; combining internal savings and loans and agroenterprise seems to be one promising method.

1.5 Choosing Products

The first market survey in the agroenterprise approach focuses on market opportunity identification. This survey is a filtering process which seeks to evaluate a range of products that are either grown locally or sold in the local or other target markets and have market potential. The process aims to match the risk of investing in a product with the skills and entrepreneurial capacity of both the support agency and the farmers.

The types of products and markets that come under serious consideration depend on the skills and experience of the agroenterprise team, and the capacity and organization of the farmers. The support agency needs to review its own market facilitation skills and match the risk of an intervention with the skills of the market facilitators and the producers. See chapter 3, Table 3 and Figure 13, on how to assess these.

The market opportunities identification study is a rapid review undertaken by a small team of two or three people, which typically reviews up to 20 products. The survey gathers information on products which show strong demand and match the investment and skills base of the target farmers who intend to invest in this product. Box 3 gives an example of a questionnaire to use with traders once the products that have a good sales growth have been identified. Sections 2 and 3 of this questionnaire can be adapted as required for different products.

Box 3. 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

Having evaluated a long list of products, the market survey teams discuss options with the members of the farmer group(s) and use product selection criteria to reduce the long list down to a short list. There are three levels of selection, or filters. Products are filtered out of the selection process initially based on obvious de-selection criteria, such as the crop cannot be grown in the area, initial investments are too high, or there are no services in the area to support the crop.

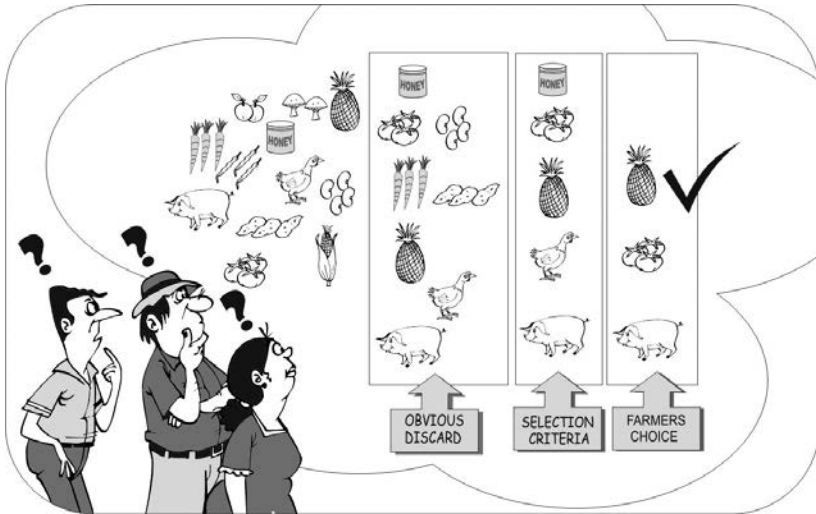


Figure 6. Choosing from among a long list of possible products

Based on a first round of selection, the survey team returns to the market to gather more detailed information on a reduced number of products, normally three to five. CRS encourages survey teams to include farmers at this stage to involve them in the market survey work. In this second round of market visits, the survey teams collect information on production, finance and marketing requirements. The information gathered is then presented to a larger farmer group, where discussions lead to the selection of one or more products for project investment.

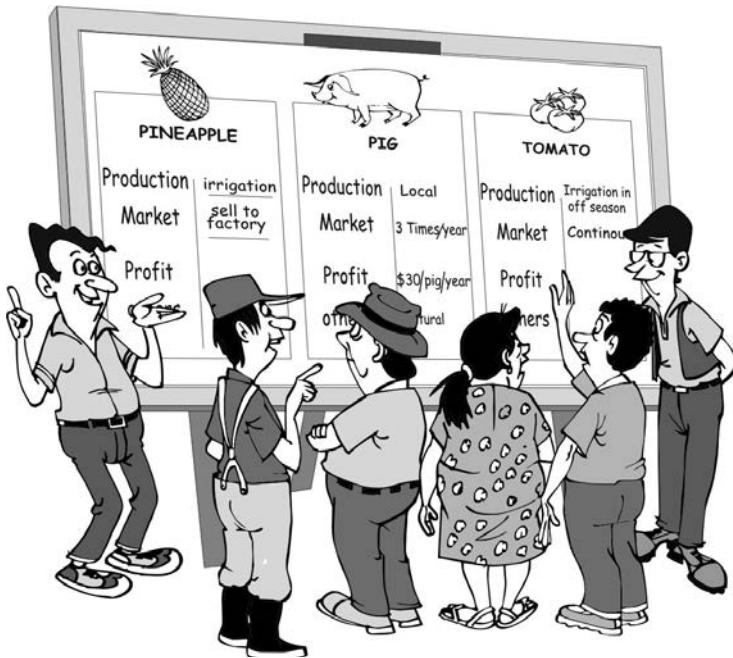


Figure 7. Choosing from among a shortlist of products

Guide: *Identifying market opportunities for rural smallholder producers* (available at www.crs.org/agriculture) describes this step in detail.

AT THE END OF STEP 1

At the end of this step, the agroenterprise team will have selected an area of intervention, and completed a local resource report. The team will have discussed ideas with like-minded agencies and made choices on who to partner with: church organizations, government extension agencies, local NGOs, etc. Generally partnership agreements are informal and pertain to overall design and implementation measures. The team may also have identified local service providers, such as a research station to access new technologies. The team will have selected farmers to work with and established a staff of field agents to work with them.

In many projects, the choice of a product may come as part of the project design—in which case the team will work with farmers who already grow a particular crop or raise a particular type of livestock (or who can do so). However, in the agroenterprise approach, it is best to involve the project team and farmers in selecting the product. That gives the project staff and farmer groups a better understanding of the local market dynamics. If farmers are involved in the selection process, they will have a

stake in investing in the agroenterprise from the outset. They will be able as a group to prepare for considerations such as financial plans and options for collective marketing.

STEP 2: ENTERPRISE DESIGN

The second step in the agroenterprise development cycle guides the farmer groups in designing and piloting an enterprise. They build on the information and organization established in Step 1. They gather information to plan their enterprise, organize the finance and test market the product. The activities include analyzing the value chain, evaluating local business development services, preparing an activity plan, and pilot testing. This stage brings the farmers and the agroenterprise team to a point where they can make an informed decision about whether their agroenterprise idea merits further investment, whether they should take the product to a more commercial scale, or whether they should drop this opportunity.

2.1 Analyzing the Value Chain

Development agencies such as CRS are increasingly using the value chain framework (Figure 8 and Box 4) to help staff and farmers make sense of the market system in which they are engaged. It identifies three types of actors that support the marketing of a product, or “good,” from the producer to the consumer:

- **The core market chain actors.** These are actors who produce and add value to a product up until the time it reaches the final consumer (the middle row in Figure 8).
- **Business development services.** These are service companies that improve the efficacy and efficiency of production and marketing activities. They include input suppliers (for seeds, fertilizers and agrochemicals), research and extension (for new production technologies) and market information services (for updates on product prices, quality parameters and price trends). These services are specialized and tend to serve needs of particular actors along the chain. For example, seed suppliers service the needs of growers, and certain types of financial institutions may only serve larger wholesale traders that have capital assets.
- **Regulatory bodies.** These provide the legal and policy framework that supports business transactions and determines the rules for trade.

Development agencies increasingly use this framework to help farmers understand their market position and to assist them in producing more competitive products and work towards longer-term business relationships. The framework shows where farmers and other actors are within a chain, and allows development agencies to focus on critical constraints in the chain and find ways to resolve them. It helps service providers and farmers quickly identify the role of business development services, both nonfinancial and financial, and to see what farmers need to be more commercially viable.

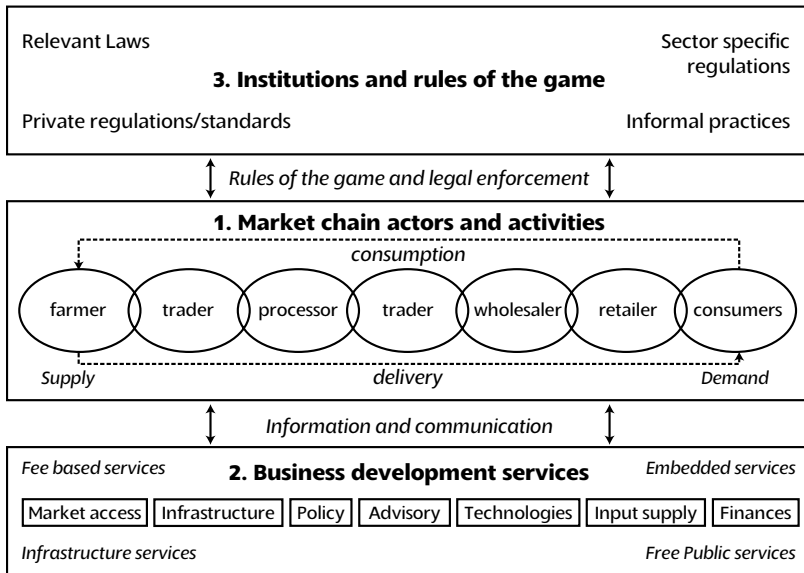


Figure 8. Three types of actors in a value chain: market chain actors and activities, business development services, and institutions and rules of the game. (Adapted from Ferrand et al., 2004.)

Box 4. Agroenterprise decoder

Value chain. The series of linkages between all those that work together in producing, processing, and trading a particular product to satisfy a market demand. It includes the farmers who grow the crops or raise the animals, traders, processors, wholesalers, distributors, retailers and restaurants, as well as the consumers who eat or wear the end product. The actors in the value chain buy or handle the product. Some authors distinguish between market chains, supply chains and value chains. This book does not make a distinction between these terms.

Business development services. The services that are necessary for the value chain to function. They include market information, market linkages, research, extension and advisory services, credit and financial services, warehousing, input supply (seeds, fertilizer, etc.), transport, certification, health and quarantine, and so on. Unlike the value chain actors (see above), business development services do not buy or handle the product.

A value chain analysis is more specialized than the market opportunities study, and is often best tackled with the support of a trained economist. It gives a more

detailed understanding of the actors, activities, services, costs and opportunities related to the flow of a particular product and the associated services, starting with farmers and ending with the target buyers or consumers. Table 2 gives a checklist of questions for a value chain analysis.

Table 2. Checklist for a value chain or subsector 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 variety? • 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	<ul style="list-style-type: none"> • What is the quality of the product along the chain? • What is the product's shelf life?

Storage	Quantity Time Storage problems	<ul style="list-style-type: none"> • How much do you usually store? • For how long? • Do you have storage problems? • Do you experience storage losses?
Marketing costs	Forms Proportions	<ul style="list-style-type: none"> • What are your marketing costs? • What is their proportion?
Grading and sorting	Grading incentive	<ul style="list-style-type: none"> • Do you grade or sort? • Do better grades fetch higher prices?
Market information	Sources Spatial arbitrage	<ul style="list-style-type: none"> • 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?
Price formation	Market power	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Number of sellers • Is there price competition? • Is there non-price competition? If so, what for?
Credit availability	Sources and type	<ul style="list-style-type: none"> • Are there any credit institutions? • Do you use them? • What are their rates of interest?

A full value chain analysis is complex and time-consuming. It can be simplified, however, by studying just one section of the value chain, or by confining the study to a certain geographic area or a limited number of market channels and products. Many farm products can be sold through multiple channels with highly diversified end uses: soybean, for example, can end up in products as diverse as cattle feed, cooking oil and printer's ink. For most farming situations this is not essential to know, so selecting the dimensions and scope of such a study is an important early decision.

A value chain study results in a report which highlights critical constraints and opportunities along a market chain and helps the reader to position a new agroenterprise within it. The value chain study will also provide specific information on issues such as technology options, market options and product requirements, organizational needs and any relevant local laws or policies. The

information gained through value chain studies will help to identify appropriate market channels for a specific client and in some cases can help to locate buyers. The knowledge obtained will play a critical role in preparing a business plan.

Guides: *Participatory market chain analysis for smallholder producers* (www.crs.org/agriculture/) describes this step in detail.

2.2 Evaluating Business Development Services

Core market actors directly handle the transfer of produce through the market chain. In addition, a number of business development services are critical to support effective and long-term marketing performance. For an agroenterprise to function competitively it generally requires strong links to such business development services. In agriculture, these services include input suppliers (seeds, hoes, fertilizer, agrochemicals, etc), research, advisory and extension services, transport, communications, market information and finance.

Many NGOs are tempted to fall into a paternalistic role by providing farmers with these services in order to accelerate market performance and project success. However, when the project resources are withdrawn, any dependency upon supplied services can lead to the failure of what seemed to be a thriving agroenterprise. To avoid supplying such services unwittingly, CRS and its partners now evaluate the capacity of local business development services to support emerging agroenterprises with essential services such as seed, fertilizer, transport, finance and market information. In some cases these services are weak or absent. That means additional support is also needed to strengthen them so as to increase the sustainability of the enterprise.

The role of business development services in marketing and agroenterprise development should not be underestimated. Not only do they enable the market to perform efficiently; they also are responsible for a large part of the new innovations and value addition that can occur in a market chain. Business development services also increase local competitiveness and therefore sustainability.

Guide: For further information on business development services, see www.bds-forum.net/bds-reader.htm.

2.3 Planning the Enterprise

Information from the value chain analysis and business development service review provide the ingredients to write an enterprise plan. As with the marketing studies, an enterprise plan can range from basic to very complex. At the outset the types of enterprise plans that will be developed are likely to be fairly simple, focusing on the buyers' requirements, the cost of production and the anticipated returns over one

season. Depending on the type of product, this projection can be made up over a season or over a five-year period with costs discounted over time. A basic enterprise plan framework (Box 5) shows the types of information that is required.

At this stage the agroenterprise design is fairly advanced and at this point the farmers need to consider how they might work on collective marketing to bulk their produce, or to sell produce to a buyer over an extended period of time. The team should also review the costs and financial requirements. In some cases finance can be obtained, through local savings, from community investments, or from a range of informal and formal lenders. Rural finance is often significantly higher than urban finance and in many areas, formal lending agencies are absent. CRS is experimenting with savings led approaches as a means of building financial skills and providing seed funds for agroenterprise inputs. In situations where farmers have no alternative to start up their businesses, CRS is in a position to make decisions on whether pump priming funds are justified. In most cases, we believe this should not be done, but we recognize that in cases of extreme poverty, some form of start up goods or capital is required.

Once the enterprise plan has been decided upon, a concrete action or implementation schedule can be prepared. This disaggregates all the activities needed to achieve specific outputs. Here it is important to negotiate and agree on who is going to be responsible for which activity, and by when it needs to be carried out. Box 6 provides a format for developing the implementation schedule.

Box 5. Framework for an enterprise plan (marketing checklist)

Marketing

- Who is our buyer?
- Sales targets
- Define the product
 - What is the quality class? A / B / C
 - What are the alternative markets?
 - Packaging
 - Labeling of farm produce for traceability
- Price
 - How will farmers / business development services be paid?
 - Promotion (what will attract the buyer?)
 - Distribution (what are the logistical 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 operations?
- 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 3–6 months
- Compare targets. Are they well linked?
- What changes are needed?
- More regular review process as the product increases in value

Box 6. Implementation schedule for an agroenterprise plan

Area of intervention	Activities	Expected output	Persons/ institutions responsible	Timeframe
Marketing				
Business organization				
Production				
Post-harvest handling/ processing				
Monitoring				

2.4 Test Marketing

Before investing at commercial scale, even one that is modest, it is common practice to consider a pilot or pre-test of the agroenterprise. This gives the support team and agroenterprise members a chance to see if their assumptions and projections are reasonable. In many cases a pilot test can reveal issues and needs that were not initially considered in the plan. It provides in addition an opportunity to collect more realistic data on costs and prices. Negative results on a small scale can enable the team to make less costly remedial action than at the

commercial stage. Therefore a pilot is a strategy to minimize risks, test market linkages and build team confidence prior to full investments. The pilot phase also enables a farmer group to cement relationships with buyers and assess the buyers' needs for subsequent seasons.

AT THE END OF STEP 2

At the end of this step, the support team and agroenterprise members will have made considerable progress in their understanding of local market conditions, partner strengths and weaknesses. The team will have made market visits and paid calls on local businesses to learn more about what the market requires and how existing businesses are meeting market needs. The process of value chain evaluation and business planning provides rigor and builds confidence as the team and the farmers move towards the day when the decision to invest is made. From this point onwards, the agroenterprise groups are committed and their success or failure in the marketplace will depend on how well they have done their homework.

STEP 3: MARKETING

This step has three activities that help link farmers to markets. At this stage the farmers in the agroenterprise are committed and the role of the support team is to work alongside them, providing encouragement and monitoring progress in terms of production, organization and business relations. The agroenterprise group needs to realize their venture must be feasible and financially viable. They have to cement links to their buyers and make plans for collective marketing. As the group enters the first stages of marketing, it needs to monitor market information (if available) to assess price fluctuations in its products and choose the right time to sell. Innovation is particularly important at this point, and the group needs to review and make changes where required to maximize its profits.

At the end of the marketing season the support team will help evaluate the outcome of the first sales and help plan for the next sales. From this point the process of market analysis, production, upgrading and sales is a continuous process. Markets are highly competitive and dynamic, and producers as well as support teams need to keep a constant eye on market shifts, better alternatives and consumer preferences.

3.1 Financing and Business Relationships

Businesses thrive on capital and trust. The agroenterprise managers therefore need to focus not only on meeting cash flow needs and ensuring that team members

meet their commitments: they also need to monitor the market conditions, find ways of strengthening links with existing buyers, and seek opportunities with other buyers. The marketing checklist (Box 5) is an important tool at this stage in the process. It can help keep close records of product performance in the field and any changes in the marketplace. The agroenterprise team should also evaluate the support they are receiving (or need) from other business services, and maintain close links to their financial providers—both formal institutions and local lenders or savings groups.

Mobile phones have become an incredibly important means of connecting to suppliers and buyers. With mobile telephony spreading into ever more remote areas of developing countries, it will not be long before virtually everyone who wants to be connected can be. Using the phone to maintain links with buyers is one way to gather market information and improve business relationships. Buyers will clearly trust those who maintain contact more than those who remain silent.

3.2 Collective Marketing

Individual smallholders can achieve economies of scale by bulking their produce with others to sell to a buyer who purchases large quantities. In many countries, poor farmers have become accustomed to selling as individuals after the collapse of the farmer cooperatives that used to supply government marketing boards. Farmers who are not linked into farmer groups are often faced with the prospect of offering the market small amounts of low-quality produce, at times when thousands of other individuals are doing the same. One of the basic skills that NGOs can provide farmers is to show them how they can organize themselves to provide commercial units of sale to larger, more commercial traders. In the case of staple grain crops, this would mean selling sufficient grain to fill a 2–3 ton pickup or a 5–10 ton truck.

Larger traders lose money when they have to drive to many farms to collect produce. Such traders prefer to buy from farmers or groups who can offer a commercial lot for sale. Quality is clearly a major issue in collective marketing, so the group needs to understand the quality specifications of the buyer and ensure it meets them. Failure to do so will lead the buyer to pay less, or perhaps reject the shipment altogether.

Guide: *Advice manual for the organisation of collective marketing activities for small-scale farmers* (www.crs.org/agriculture/).



Figure 9. The rationale of collective marketing

3.3 Innovation and Value Addition

To remain competitive and avoid losing market share, agroenterprises continuously have to upgrade their operations. Markets and buyers seek value, and most traders will retain links only with suppliers who seek to raise standards and reduce costs. As markets change, producers need to adjust their production and keep a close eye on market options. In its simplest form, adjusting to the market may mean supplying the buyer at a specific time in the season, changing a crop variety or type, improving storage to reduce losses, or positioning produce at different collection points or markets. Being able to watch markets change and respond to these changes is key to the longer term success of any business. In a rapidly changing environment, even the most remote farmers need to be aware of changing market demands and develop strategies to meet these changes.

Innovation is therefore an important part of identifying opportunities and responding to new demands. The support team can assess how to increase overall profitability by making small adjustments in the current practice. Such adjustments may include changing the variety, staggering planting times, changing the plant spacing or use of fertilizer, or investing in irrigation or other technology improvements. A critical difference between smallholder farming in Africa and Asia is that Asia has invested in large-scale irrigation systems that enable farmers to produce through erratic climatic conditions. Given the increasing volatility of the climate, such measures may need to be considered more widely in Africa.

Successful innovation adds value to a product. In many cases value can be added with basic changes, such as bulking, getting farmers to produce the same variety, selling the produce to a more distant market, or storing it to achieve a higher price when supplies dwindle. More sophisticated forms of value addition can include changes in production techniques, such as switching to organic production, or differentiating the product on the market due to specially identified traits. Branding is part of this value adding process. Very simple branding of a farmers' group can be enough to distinguish a product enough to create a premium in a market where other produce is sold as an undifferentiated commodity.

Farmers often make few attempts to maximize the value of their produce because they do not appreciate the needs of traders or consumers. For higher value produce (e.g., meat or fresh fruits rather than sorghum grain), greater attention is needed to value addition, and more effort should be placed on all the marketing factors—price, product, promotion and position—that can increase sale values.

Agroenterprises can add value to basic commodities (such as roots, tubers and some grains) by processing or milling them. These types of operations are typically done by a service provider, and agroenterprise support teams should also evaluate the prospects of either working with local traders to add value nearer the farms or to explore the options for processing on farm.

AT THE END OF STEP 3

At the end of this step, the agroenterprise team will have information on whether their planning was effective and how much profit was made in their first marketing season. Depending on the success of the marketing phase, farmers can plan for subsequent seasons or seek to invest in new crops, products or markets. The farmers will measure their success through their profit margins, and based on this can make decisions on whether to invest in new agroenterprise ventures.

The role for the development agency at this stage is to record what went well and what did not. It uses these experiences as a benchmark to plan with the farmers for consolidation, quality improvements and expansion.

STEP 4: SCALING UP

How fast can an agroenterprise be scaled up? That depends on factors such as market size, demand, past performance, partner support, resources, and the farmers' determination. Clearly, processes should only be scaled up if there is tangible evidence that it is worth doing. The development agency should try to scale up ideas and opportunities with partners who understand the agroenterprise process. Additional

training at this stage may be more profitable with partners rather than with new farmer groups. The development agency can therefore support partners, bearing in mind previous efforts in developing partnerships in the working group. The following section does not contain sub-steps, but rather offers some examples of how the agroenterprise support group or the farmers can scale up their businesses.

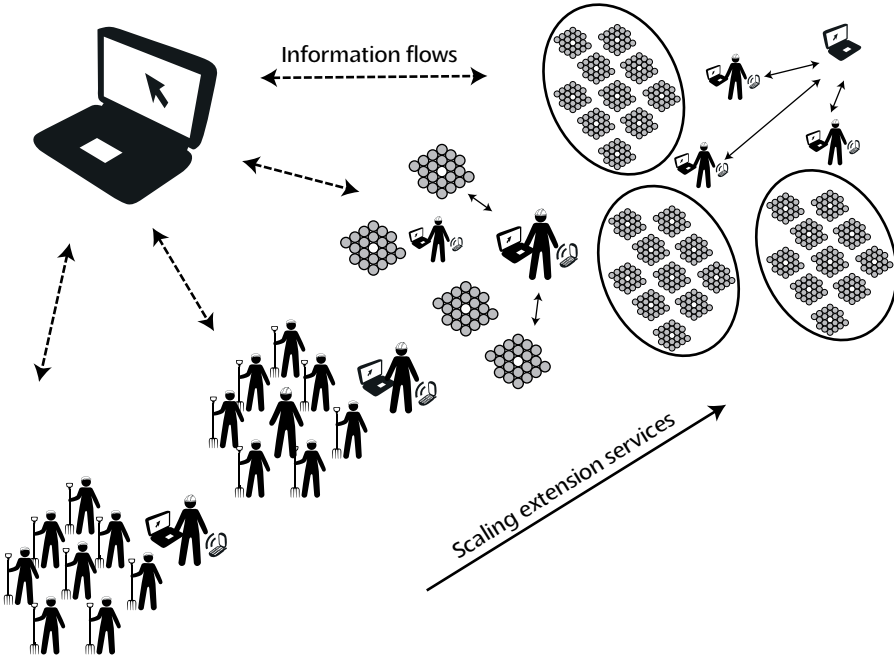


Figure 10. Scaling up from one farmer group to an association

4.1 New Farmer Groups

Using staff to train new groups. In a season, a trained field agent or market facilitator can probably work with 5–10 farmer groups, each consisting of 20 farmers. One option is therefore to add five more groups per field agent per season. CRS aims to provide a farmer group at least 2 years (or 2 seasons) of support before moving onto new farmer groups. Field agents find that working with more than 20–30 groups lowers the quality of facilitation.

Using lead farmers or community agents. It may be possible to expand more quickly by paying field workers on a group basis, or if lead farmers take on a voluntary expansion role. One option developed by CRS Philippines is to cluster

farmer groups that focus on one commodity. Lead farmers from established groups then provide market and production-based support to five other groups. For the formation of savings and lending groups, local “community agents” are trained to help new groups get established and provide the training and mentoring they need to consolidate.

Guide: See the CRS Philippines guide, *The clustering approach to agroenterprise development for small farmers* (www.crs.org/agriculture/).

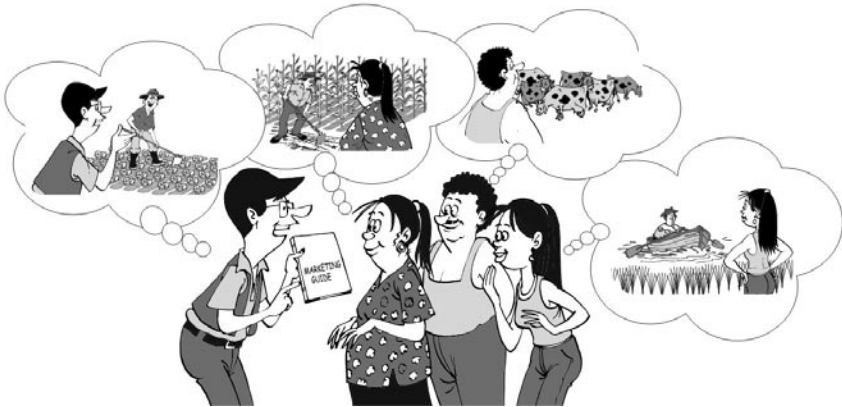


Figure 11. Marketing skills can be used to scale up many different types of products

Organic expansion and splitting of groups. Another approach is to work with farmers to expand the number supplying a particular product. This approach is being used by CRS in Africa. Lead farmers are trained to support the partner field agent in attracting new members and creating new farmer groups. Over time this builds a pyramid of farmer groups which can split into more groups according to market demand. This approach has a lot of potential in large sectors such as maize or rice, as long as the lead farmers have some financial incentive to keep supporting their members. This can be generated by deducting a small premium from the sales of goods at the end of the season. The lead farmers have to provide particularly effective marketing links to maintain their groups’ support.

Working with partners. Similarly, partnerships that were established within the working group can be leveraged at this stage to link in additional existing farmer groups. Partner organizations can train their own market facilitators to identify new farmer groups and develop clusters.

Guide: *A market facilitator’s guide to participatory agroenterprise development* (www.crs.org/agriculture/).

4.2 Co-op Development

Once several farmer groups are working in a particular area, they may be able to associate with each other into larger apex groups or cooperatives. Initially, they may come together only at the time of sale, so that members can bulk their produce and collectively market their goods to fill up an entire truck. This simple form of association has limited costs and can significantly raise the unit price of the goods being sold. The marketing committee is made up from one or two representatives of all the farmer groups. That helps ensure that decisions can be made and messages relayed to the members quickly, and members do not feel they are being cheated (Figure 12).

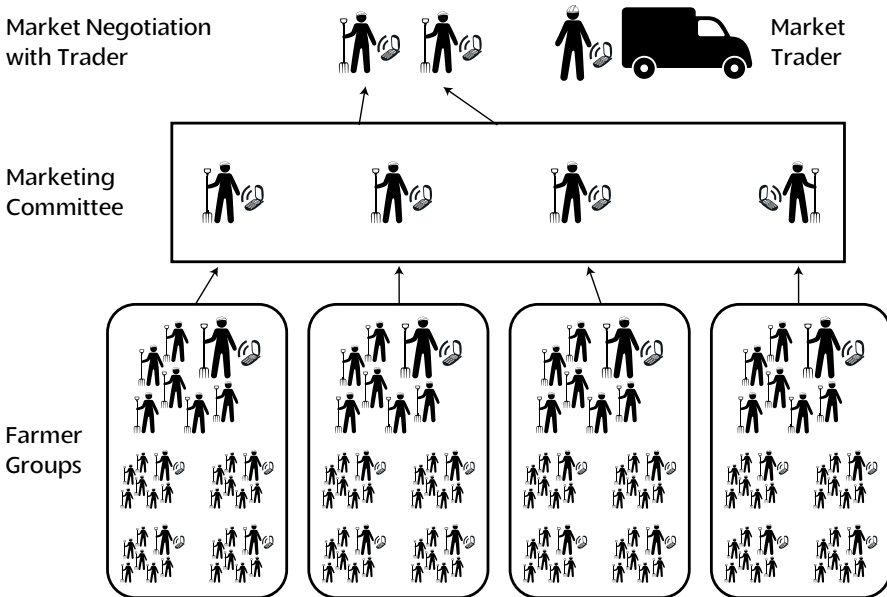


Figure 12. Role of a marketing committee in a farmer association or co-op

If this approach is successful, a more formal cooperative may form out of a collective marketing group. Such a cooperative may provide additional services to members, such as low-cost input and financial advice.

Higher-order structures have many advantages, based on their economies of scale and sharing of resources and services. But these can be achieved only if the producer groups and their associations have large enough volumes of product and a truly democratic management that works for the association members. However, caution is needed when investing in second-order associations: they can take a great deal of time to become functional business units, and in most cases will

require considerable and specialized management support. Plus, many farmer-based cooperatives collapse due to financial mismanagement. This is particularly common in countries with weak legal structures and local political agendas that seek to transform cooperatives into political machines. Caution and transparent management systems are critical to success in this type of scaling.

4.3 New Business Models and Markets

CRS has long been involved in alternative trading approaches such as Fair Trade and has an active program that links the products of Fair Trade producers with buyers in the United States. This model has proven very successful, but the scale that can be achieved is limited because of the exacting business standards it demands. Therefore development agencies are seeking new business models that incorporate the attractive aspects of Fair Trade—providing producers with a durable trading linkage—but in a way that will attract erstwhile commodity trading houses.

If successful, such new models will provide a powerful means of achieving scale by bridging the world of small-scale production operating in the informal economy, with modern “downstream” agribusinesses. If smallholders can be incorporated into new types of relationships and can meet the more exacting standards of a formal market player, they may be able to lock into lucrative markets that provide access to technology, strong business support and more durable and competitive business links.

Farmers can respond rapidly to new market signals if they are able to access and act on them. As with scaling up within a product market chain, there are also great possibilities for investing in new markets if farmers get to hear about the possibilities. Smallholder farmers are quick to diversify and often choose to invest income from one venture into a new product rather than expand in the first venture. When asked about this, farmers often say that it helps smooth incomes over the year, or that they prefer to invest in many ventures as a hedge against loss in any one venture. Many farmers invest windfalls in livestock, as animals are a means of savings, production and prestige.

The market opportunities identification process, outlined in Step 1, provides a simple means of reviewing markets. This is a sound way of re-evaluating the market for higher value and higher risk products. It uses skills that farmers and service providers will have gained in the first market product selection.

AT THE END OF STEP 4

At the end of this step, farmer groups will have tested a collective sale, or associated with one another to sell to a larger buyer. In some cases farmers will choose to form a

higher-level association or cooperatives. These second-order organizations will handle certain aspects of marketing, including identifying new markets, negotiating prices and delivery schedules, allocating production quotas and ensuring quality standards. They may provide services to their members such as product storage and processing, transport, extension advice, cheap farm inputs, credit for production and small enterprises, payment on delivery for produce, and insurance against emergencies.

The production and marketing will have been scaled up, with larger numbers of farmers reliably supplying a uniform, higher-quality product to a wider range of buyers. Relationships with buyers and business development services will be strong and deepening.

STEP 5: LEARNING AND SHARING

Performance at every stage in the process must be monitored, of course. But this final step provides an opportunity for project staff to evaluate the overall changes that have taken place in the target area. They should write up the findings in a form that can be shared with a wider audience. It is time to let others know about the successes so they can be replicated widely, and to develop policy messages in support of smallholder agroenterprise development.

CRS is starting to use computers and the internet in its field monitoring work. It has developed basic systems that capture data online through websites and offline in forms, either on laptop computers or on paper forms that can easily be transferred to the computer. It is also exploring the combination of mobile phones and computer technologies.

5.1 Monitoring and Evaluation

Once an agroenterprise group has started a new business venture, new activities or problems almost inevitably arise that must be addressed quickly and decisively. Perhaps some of the initial assumptions did not work out as expected. Maybe unexpected events harmed performance. To be able to address situations quickly, the group must follow events closely. It must meet regularly to discuss progress and resolve problems that arise. The learning process is assisted enormously if the agroenterprise groups have plans for monitoring and keep regular records of production, finances, discussions and decisions. These records are invaluable for the production and marketing phases and for managing financial transactions.

Similarly the development agency needs to collect monitoring information for a number of reasons: to assess how well the market linkage process is working, where changes are needed, and to provide basic management data on progress. The more

commercially interesting this data are, the more useful they will be to the project and in advising farmers.

To track agroenterprise development, CRS has developed and piloted an online minimum data set to capture and collate field data. This approach is being piloted in two countries, Kenya and Tanzania, in an effort to assess how CRS can use new technologies to increase its ability to collect field data and use them not only to monitor progress in the field but also to provide useful analysis and reports to field staff. For more details see www.farmergroupspace.net

5.2 Knowledge Sharing

Whilst there are few substitutes to getting out there and trying things, there is always room for learning and sharing knowledge that has proven useful. Staff fill in reports and send them to a limited number of managers and donors. But others often miss the successes, and a great deal of relearning goes on, even within the same organization. The development agency should find ways to share the results of its endeavors in more effective ways.

There are three main audiences for sharing information about agroenterprises. Different mechanisms are useful to reach each audience:

- **Managers and staff of the development organization and its partners.** Appropriate mechanisms include training (perhaps through learning alliances, focus groups, mini-conferences), monitoring and evaluation (see Step 5.1), and reports and books (like this one), and digital formats.
- **Farmers, traders and other local stakeholders.** Appropriate means to reach them include field days, training, meetings, focus groups, and even games (such as that described in the Madagascar case study in chapter 9).
- **National government officials and donor agencies.** Here, advocacy methods are useful (chapter 9).

Learning alliances. CRS shifted to an agroenterprise approach using the “learning alliance” method. See chapter 1 for details.

Focus groups. These are useful for sharing information with farmers, and especially with busy traders. Focus groups are short, 1–2 hour sessions to which specific actors in a market chain are invited. A facilitator, typically from the lead NGO, presents information and invites the group to discuss challenges and opportunities. Focus groups are informal arrangements; people can come and go, but information can be socialized relatively quickly.

Workshops and papers. For sharing information with government officials and donor agencies, a more formal approach is generally used. This may take the form of a short presentation to a small group of involved officials or to a broader audience. In both cases, a written document to support the talk is appreciated.

5.3 Advocacy

CRS has gained a wide range of experience in agroenterprise development. CRS-supported efforts have generated information and developed methods that could be useful input for improved government policies at national and local levels. But CRS currently has little experience in policy advocacy for agroenterprises, either directly or in support of local communities, but is interested in working with local communities to present their case to the right types of government and business forums. The CRS agroenterprise group is working with other sectors at CRS to understand how to present this information to policy makers in appropriate ways.

AT THE END OF STEP 5

At the end of this step, the development agency will have gathered a range of information on various aspects of the agroenterprises it has supported. It will have analyzed this information and distilled lessons from it for internal learning and to guide future activities. It will also have shared information on the approach and on particular experiences with others—partners, new and existing staff, peer groups—and will have built their knowledge about and skills in agroenterprise development. It will also have identified helpful and hindering government policies at national and local levels, and where appropriate will have assisted community groups and partners to advocate for changes in bylaws and national policies to ease the formation and operations of agroenterprises.

3

Choosing an Entry Point

SHAUN FERRIS

Agroenterprise teams need to answer two important questions when starting a new agroenterprise project:

- How to pitch the level of challenge or risk in the marketing process?
- Where in the process should the project begin?

This chapter deals with these two questions.

Matching skills with markets

CAPACITY OF THE FACILITATION TEAM

Where to pitch the level of risk in the marketing process depends on the capacity of the marketing facilitation team and of the farmers. The capacity of the facilitation team depends on its skills and experience. Table 3 shows an example of a scoring system for assessing its capacity.

Table 3. Assessing the capacity and competence of agroenterprise personnel

Experience and skills	Team members	
	John	Michele
List the number of participatory skills you have (score 2 per skill)	<ul style="list-style-type: none"> • River code (role play on situation analysis) • Pairwise ranking matrix • Venn diagrams • Market mapping • Visioning <p style="text-align: right;">(5 x 2 = 10)</p>	All four stages of appreciative inquiry (dream, develop, design, deliver) for gender analysis <p style="text-align: right;">(4 x 2 = 8)</p>
List the number of farmer groups you have established (score 3 per group)	(0)	Three farmer groups for experimentation <p style="text-align: right;">(3 x 3 = 9)</p>
List the number of market visits you have facilitated and evaluated (score 4 per visit)	Took two groups of farmers to local market and linked farmers with traders <p style="text-align: right;">(2 x 4 = 8)</p>	(0)
List the number of surveys for marketing that you have completed (score 5 per survey)	<ul style="list-style-type: none"> • Cassava market chain in local market • Cashew nut market from farmer to port, including all market chain actors <p style="text-align: right;">(2 x 5 = 10)</p>	(0)
List the number of enterprises that you have supported in the past (score 6 per enterprise)	<ul style="list-style-type: none"> • Cassava chipping to sell to local glue factory • Cabbage production for local market • Potatoes for local shopping centre <p style="text-align: right;">(3 x 6 = 18)</p>	(0)
Level (add 10 for management level; 5 for senior field technician; 3 for assistant)	Senior technician <p style="text-align: right;">(5)</p>	Assistant <p style="text-align: right;">(3)</p>
Overall score	49	20

Capacity of the farmer group

The capacity of a farmer group to undertake various types of marketing depends on how well it is organized, the types of services it offers or receives, its past experience in marketing, and its formal organization and access to finance. Box 7 lists some questions to assess the capacity of farmer groups.

Box 7. Farmer group competence checklist

1. Are farmers organized into a group or groups?

If farmers are not organized into groups, the market facilitator should work with the community to determine how it could best organize itself in this way.

If farmers are organized into groups

2. Why are the farmers organized into groups?
3. If farmers are organized for production, would they be interested to work together in group marketing and business investment? Or...
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. How often does the group meet?
10. How often did it meet in the last 6 months?
11. Are the group members more or less of the same wealth ranking?
12. Does the group have elected positions? Name the posts.
13. How often are the posts re-elected?
14. Do the group members feel that the elected members are doing a good job?

Services received or given by the group

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

Group marketing

21. Does the group sell products collectively? Or as individuals?
22. What types of products are being sold into the market?
23. What quantities are being sold into the market?
24. Who is the person who negotiates for the sales of their produce?
25. Does the group have any contracts for supply to buyers?
26. What does the group do if they do not have enough products to supply a contract?

27. Are the levels of sales increasing?
28. Are the levels of profit increasing?
29. Is the group linked to any other groups?
30. Is the farmer group linked to a second order association?
31. How many products does the group sell to the market?
32. Does the group have contractual arrangements for product sales?

Formal organization and access to finance

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

Matching capacities with type of intervention

After assessing the capacities of the facilitation team and the farmers, it is possible to determine the type of approaches that make sense.

- If the facilitation team is relatively inexperienced and the farmers poorly organized, the agroenterprise should not be too ambitious. It is better to start with some modest goals, such as helping the farmers get organized so they can sell their existing products (**Level 1** in Figure 13).
- As the team becomes more experienced, other possibilities become realistic, and it can work with farmers on higher-risk, higher-return options. Similarly, if farmers are already well organized and making progress in their market performance, the team may help them supply more diversified products to higher value or higher volume markets (**Level 2**).
- If the support team has strong experience in marketing, it can help the farmers to cut their costs by bulk-purchasing inputs, and increase their income by bulking their produce and marketing it collectively. The farmers can earn more if they all grow the same variety, meet key quality criteria, sort and grade their produce, and store it until the price is right. The team may also support the farmers group to obtain financial and other specialized services. Such support will allow the farmers to invest more effectively and supply more lucrative markets (**Level 3**).
- Finally, if the team is very strong in developing marketing services, it may help the farmers supply specialized, more sophisticated, value chains with large volumes of high-value products. It may assist them to process the product to add value to it. The team will also seek to link the producer groups with more specialized service providers. Often these will be private-sector firms which provide essential technologies and market intelligence but that require payment for their services (**Level 4**).

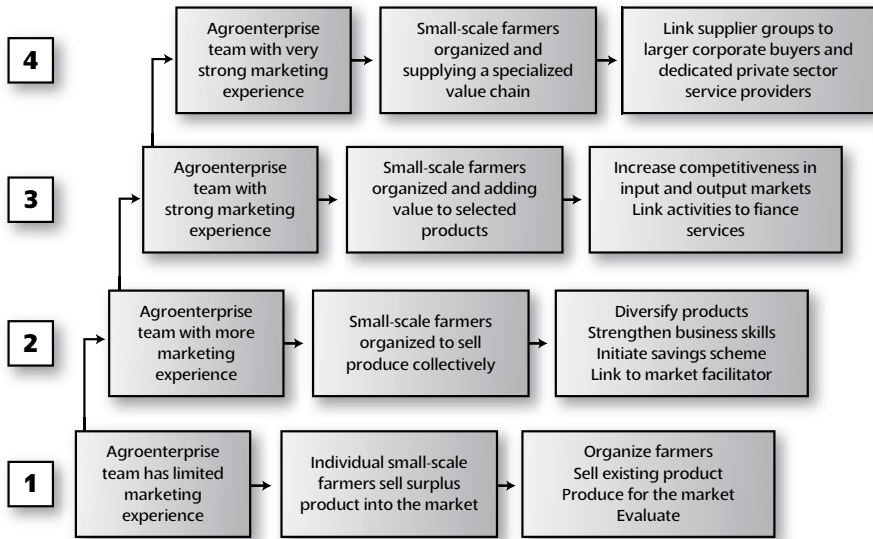


Figure 13. Matching agroenterprise team's and farmers' capacities with type of intervention

Ansoff's product/market matrix

Another way of deciding the type of intervention is to use Ansoff's product/market matrix (http://en.wikipedia.org/wiki/Product-Market_Growth_Matrix). This matrix considers two issues, market type and product type (Table 4).

1. If the market or product is familiar, the intervention is likely to be low risk. For example, the agroenterprise team may help farmers who already sell (for example) cassava to improve their product's quality, organize into groups to bulk their produce and get a better price, and so on (**Cell 1** in the matrix).
2. Selling a familiar product to a new market is a more risky undertaking. An example of this is organizing farmers to sell their cassava direct to wholesale traders in the city at a higher price rather than to local buyers (**Cell 2**).
3. Selling a new product to an existing buyer is also an option. The new product may be a new crop (potatoes as well as cassava) or a processed form of the old product (dried cassava chips rather than fresh roots). This approach is also more risky (**Cell 3**).
4. If both the product and market are new, the intervention is likely to be high risk. An example of this is where the cassava farmers decide to start producing and selling medicinal plants to a processing factory or to an exporter (**Cell 4**).

Table 4. The Ansoff product/market matrix

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

Less experienced agroenterprise teams and farmer groups are advised to stick to the less risky options. This was true for CRS: when it was learning about agroenterprise, it generally began investments in Cell 1, focusing on the lowest risk option that includes an existing product and an existing market. As their skills improved, support teams started to explore other options with producers (so moving to other cells in the matrix).

CRS' experience with diversification (Cell 4) has been mixed, and it has been most successful when it has had additional support from a more experienced market linkage organization or has worked with a friendly trader. CIAT also found that the rate of business failure was highest in Cell 4

Entry Points

Where to enter the agroenterprise process also depends on a number of factors. This decision may be guided by the project document, in-house assessments or as part of the site assessment work (see step 1.1).

Projects, however, rarely start from zero. In most cases, farmers are already in place, growing crops and livestock. Traders are already doing business, markets are functioning and consumers consuming. Even after a severe crisis such as a drought or civil war, markets can rebound very quickly, and support agencies should find ways to support the rejuvenation of marketing systems.

Whatever the condition of the marketing system, the agroenterprise process will help the agroenterprise team and farmer groups decide how best to fit these ingredients together and where to start. Some guiding questions on the best entry point include:

- Are there any **natural resource** problems that must be addressed before starting agroenterprise activities?
- What is the in-house **agroenterprise capacity** of the lead organization?
For CRS, this related to the marketing capacity of CRS' staff and partners.
(See table 3.)

- What are the skills, wealth ranking and level of organization of the intended **communities and farmer groups**?
- What is the level of **participation** that will be used in the approach? High, medium or low?
- Has a **product** already been selected for the project before starting the field work?
- What is the anticipated **scale** of intervention? How many farmers groups or market chains are to be supported?
- What are the **financial resources, manpower, and timeframe** for the project intervention?

These factors need to be discussed at the outset of an agroenterprise development process, so the partners are clear about their roles and responsibilities, and the target 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, and level of organization. This mix of skills and opportunities means that agroenterprise activities should be tailored to local conditions. A project may start at one of various entry points.

ENTRY POINT 1: NATURAL RESOURCE MANAGEMENT

Before a project can begin its agroenterprise activities, it may first have to deal with some critical natural resource issues. For example, it may have to evaluate the performance of a new variety before promoting it, or find ways to lengthen a crop's production season using mulch or plastic greenhouses. CRS has spent considerable time with some communities using food-for-work schemes to build dams and bunds before investing in cropping in the restored watershed. In marginal areas, remedial work on natural resources, particularly to protect, maintain and regulate water use, is likely to be common when initiating agroenterprise activities (Box 8).

Box 8. From watershed to agroenterprise in Burundi

JEAN-MARIE BIHIZI



Once Burundi's breadbasket, Kirundo suffered a series of severe droughts in the 1990s. This, along with ethnic and political strife, meant that crop production declined at the same time as the population was growing.

Farming practices in the province had remained unchanged for many years. Farmers relied on rainfed cropping, cultivated in a haphazard way in the lowland valleys, and failed to protect soil in the uplands. They sowed low-yielding varieties

that were susceptible to drought and pests. Drought, flooding and erosion kept productivity low.

In 1998 CRS started a project in Kirundo's Muhembuzi watershed. Staff worked with farmers to reclaim 150 hectares of lowland valley for cultivation. A local engineering firm, Projet Marais Muyinga, installed an irrigation system with four small dams and two reservoirs, supplying water to 150 hectares through a series of canals. To conserve the soil on the nearby hillsides, nearly 1,000 km of contour bunds were built, and nearly 2 million trees planted. Local farmers provided materials and much of the labor for these activities. About 1,800 farmers can now cultivate irrigated land.

CRS and Burundian research institutes tested and multiplied improved varieties of rice, cassava, beans, groundnuts, soybeans, sweet potatoes, and potatoes. CRS trained the farmers on improved farming techniques such as crop rotation, sowing in lines, composting, leaving land fallow, and irrigation.

Rice is a major crop in the area. Beginning in 2002, farmers tested 16 rice varieties in collaboration with CRS, the researchers and the extension service. The farmers selected those varieties that performed best, and multiplied the seed for planting in the next season. The yields of 8–10 t/ha were far higher than the 1–2 t/ha yielded by local varieties before the project.

From Watershed to Agroenterprise

What started out as a watershed project to reclaim land and ensure food security has evolved into an agroenterprise project focusing on rice. CRS began promoting agroenterprise initiatives in 2003. Many of the farmer groups involved in watershed management decided to form agroenterprises. These farmers received CRS' agroenterprise training, as well as technical training on agricultural techniques to increase their production and to improve organizational skills.

In 2007, CRS, the government research institute and the Food and Agriculture Organization of the United Nations provided over 6 tons of improved rice seed to these associations. The associations all have accounts with a bank or COOPEC, a savings and credit cooperative that has branches in urban and rural areas of the country. Members have to save seed for their own use, as well as reimburse a certain amount to a central seed bank. FAO buys certified rice seed from the associations to distribute to farmers in others provinces as seed relief. The associations are trying to establish linkages with traders and markets that pay premiums for improved variety seeds.

Results and Lessons

The farmers have benefited from a combination of improved variety seed, natural resources management, and farmer organization and agroenterprise support. They have increased their rice production, linked to markets and increased their

incomes. Some farmer groups are fairly cohesive. Most have accounts in a local bank. They give credit to needy members, who reimburse the loans at harvest time. The soil and water are better managed, and flooding seems to have become less severe. And the farmers now have both the motivation and the skills to protect their natural resources.

ENTRY POINT 2: PILOT TESTING

This is a first level of entry, targeting agencies who are using the agroenterprise development approach for the first time, or who are working with farmers that are not well organized. Farmers in this category tend to operate as individuals, occasionally selling small amounts of surplus produce to the market. This approach will focus on:

- Sensitizing partners in the selected area that a project will be using the agroenterprise development approach
- Organizing farmers into marketing groups
- Initiating the approach through a pilot project
- Using existing products grown by most farmers in the target community.

The main tasks are to do some basic marketing studies and initiate a pilot enterprise project in the next cropping season. This pilot will allow both the agroenterprise team and farmer groups to learn how marketing works and how farmers can work together.

ENTRY POINT 3: PRE-SELECTED COMMODITY

Development projects are often based on a decision that has already been made to invest in a particular commodity or product. If a product has been pre-selected, then the starting point in the process will be to identify input suppliers, strengthen or form farmer groups, and study the value chain of that product in detail. This approach skips the market opportunity identification (Step 1.5). It enables the agroenterprise team and farmer group to get to the business planning stage more quickly. This approach tends to focus on

- Improving productivity
- Farmer group organization
- Finding ways to scale up production.

ENTRY POINT 4: MORE ORGANIZED FARMERS

This entry point is for farmer groups that are already selling products on a regular basis. The intervention should focus on strengthening market linkages or use the

market opportunities identification method (Step 1.5) to identify new markets or products. The agroenterprise design should focus on improving business linkages, bulking goods or collective marketing, linking with more lucrative markets and identifying financial services. An important task in this approach is to maintain regular profitability and financial records of investment options, build group trust and prepare for linking with formal financial services.

ENTRY POINT 5: WELL-ORGANIZED FARMERS

In this case, farmers are regularly supplying higher value or high volume markets. The focus of this entry point is to:

- Improve competitiveness of existing products
- Increase scale of operations
- Evaluate new opportunities for higher value options
- Strengthen the groups' business skills
- Increase links with more specialized 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 the groups' financial management systems. The agroenterprise team or market facilitator should seek ways to optimize existing markets, investigate new, higher value options, strengthen financial skills, and improve links to financial, marketing and business services.

ENTRY POINT 6: EXISTING BUYER OR CONTRACT FARMING

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

ENTRY POINT 7: SUPPORT FOR BUSINESS DEVELOPMENT SERVICES

Discussions with farmer groups and traders, or findings from marketing studies, may reveal that the most important constraint for improving a marketing chain is

access to a particular business support service. This service may be related to inputs, milling, processing, storage or market linkage. In this case, the market facilitator should work with other players in the market chain or with local entrepreneurs to develop or provide the necessary service. The value chain analysis can reveal this type of need. By investing at a higher level in the market chain, a relative low-cost intervention may have positive benefits on many farmers and other upstream chain actors. The agroenterprise support team will need to determine the most cost-effective way of enhancing the provision of specific services and work to strengthen the business unit at this level.

4

Gender in Agroenterprise

JENNIFER OVERTON AND DINA BRICK

In many developing countries, women are often the primary growers of food crops. They spend much of their day in the fields and provide up to 90% of the labor needed to produce food crops. Men are often in charge of livestock, growing cash crops and marketing of produce.

But women are often not involved in negotiating with buyers about crop prices and terms of the sale. They are often sidelined when it comes to deciding what to grow, how to spend the money earned from selling the crops, how to use the family's resources, and how to invest income. So while women are responsible for the health, education and overall well-being of their families, they often have no money from the farm to buy food or pay for their children's schooling.

Why Are There Not More Women in Agroenterprises?

Gender inequality is often more pronounced in agroenterprise than in other areas. In many places, selling produce is traditionally a man's job. Women face many social barriers to their generating income, especially in agricultural markets. Such barriers are culture-specific and vary from country to country, but they include the following:

- **Traditional social dynamics** may keep women from deciding how to use the family's resources, including deciding about farm production. Customs determine who has access to and control over agricultural inputs, business development services and income from the sale of produce. This economic marginalization also hinders women from seeking credit or starting their own business.
- **Land tenure and inheritance restrictions** often block women from receiving land titles in their own names.
- Women have **severe time constraints** because they have so much to do at home and in the fields. They have no time left for marketing and related

activities. In some cultures women are not able to leave their homes unless accompanied by a male relative.

- Women's **social roles** also give them limited access to market information, extension services and skills training, as this knowledge is typically directed to men. Participation and leadership roles in farmer groups and other rural organizations are also often reserved for men.

Households would benefit greatly if women participated more equally in agricultural production decisions (Box 9). A study in Kenya estimated that if women were given the same education and agricultural inputs as men, overall yields could rise by 20% (United Nations, 2002).

Box 9. The cost of inequality

"Gender inequalities limit agricultural productivity and efficiency and in so doing undermine development agendas. Failure to recognize the differential roles of men and women is costly as it results in misguided projects and programs, foregone agricultural output and incomes, and food and nutrition insecurity. It is time to take into account the roles of women in agricultural production and to increase concerted efforts to enable women to move beyond production for subsistence and into higher-value, market-oriented production."

—World Bank (2008b)

Households could also gain considerably if women had better access to farm income. Poor women in Burundi who earned money from a CRS cash-for-work project were more likely than men to buy food and other immediate household needs. The men tended to spend their money on ceremonies (reflecting their standing in the community) and agro-pastoral activities (implying they may be readier to invest in agricultural development than women, whose primary interest may be feeding their families in the short term).¹ Many other studies have shown similar results.

¹ CRS Burundi final report for ECHO Cash-for-Work project, 2007–2008.

Box 10. Gender jargon

Gender equality. This is the goal of gender-sensitive programming. Gender equality requires equal enjoyment by women and men of all the opportunities, resources, rights, rewards, goods and services that a society values. Gender equality also means equal responsibility in terms of workloads and energy expended in caring for families and communities. Gender equality does **not** mean that men and women become the same, but that their opportunities and life chances are equal and that the differences that do exist in their talents, skills, interests, ideas, etc. will be equally valued.

There is no single model of gender equality for all societies, all cultures, and all times. Rather, this goal reflects the concern that women and men have equal opportunities to make choices about what gender equality means and work in partnership to achieve it in their particular society.

Mainstreaming. Mainstreaming means considering how to address gender inequalities throughout the entirety of a project, not simply adding pieces here and there that aim to promote gender equality. If gender is considered from the beginning of project design, projects may make small changes to activities so to work around the cultural gender barriers and facilitating women's and men's more equal involvement. Mainstreaming also means the institution itself promotes gender equality in all aspects of its work, including its own offices. Gender mainstreaming should be the process used in agroenterprise programming.

Agroenterprise development can result in greater gender equality (Box 10) by involving women in the facilitation and encouraging them to contribute at various stages in the analysis, planning and engagement of the supply chain. Involving women in discussions can also make the contributions of women in production and marketing more visible, so that more men recognize them and other women copy them.

However, agroenterprise programs cannot solve all the problems of gender inequality. Barriers to women's involvement may be so entrenched that they will take a long time, and sustained effort, to overcome. Agroenterprise activities should be part of a comprehensive program that supports other justice initiatives, such as campaigns against sexual and gender-based violence.

Promoting Greater Roles and Participation for Women

How do we do this? NGOs often promote gender equality by encouraging women to participate in farmer groups and cooperatives. They sometimes require groups to set targets and include women, and even setting quotas that must be filled for the group to get the NGO's services.

That is an important first step. But membership in a group does not always mean that women actually participate. Quite often women may be present but have no say in decisions.

Many CRS projects take this one step further: they encourage women to take on decision-making roles in the groups and cooperatives, often in the face of cultural barriers. They may build the women's capacity to produce and market the produce, and they may monitor such groups closely to ensure that women do indeed have decision-making responsibilities. In other situations CRS is working to build exclusive women's groups.

These approaches have met some success:

- In **Indonesia**, programs encourage women to take on senior positions in farmer groups or cooperatives. Here, they help prepare the groups' bylaws and statutes of association. "Men were not willing to accept the presence of women in marketing; it is seen as funny," says a CRS project manager. Project staff have found it necessary to guide communities so they come to see gender equality as applicable to marketing.
- In **Afghanistan**, CRS has successfully promoted the involvement of women in marketing groups (chapter 7).
- In **India** the rise of women's self-help groups has been highly successful in building the confidence of women in their communities. When these groups were linked to savings schemes, the women became financially empowered, and as a result their voice was heard in other spheres, such as agroenterprise and local decision making.

However, these methods are challenging and require significant NGO involvement. If the NGO staff are not present, there is a risk that the women will revert to a more passive role. For real change to occur, it is necessary to promote gender awareness within the community in other ways, as well as to advocate for just policies. In many cases, special projects designed to support women's roles are a means to opening people's minds to the role that women play.

Building Gender into Project Design: Mainstreaming Gender

IDENTIFYING BARRIERS TO EQUAL PARTICIPATION

Ideally, or where circumstances allow for a full gender analysis, projects can undertake an initial analysis of barriers to women's participation in agroenterprise.

This type of analysis looks at women’s roles in the market and in decision-making, and how local people view their roles in the community. This helps project managers understand the men’s and women’s (and boys’ and girls’) roles and the power relationships that affect them. It can help determine the “optimum” level of women’s participation that will reduce poverty and increase incomes the most (Bill and Melinda Gates Foundation, 2008)

Various tools already exist for project staff to use in this analysis. These tools have proven useful for understanding the gender context and developing appropriate responses. They can help project managers to find entry points for women to engage with markets more fully and incorporate such strategies into the project design and implementation.

Based on the analysis, the next step would be to design agroenterprise activities so as to lower the barriers preventing women from participating. It is necessary to consider the cultural norms, traditional gender roles, division of labor, and gender-specific policies within the target area when designing project. That allows the project to be built around these realities, rather than trying to work gender considerations into an existing project.

This strategy is called “mainstreaming” gender (Box 10). It means incorporating gender considerations at all levels and stages of an organization and its programs. CRS’ agroenterprise programs that have more equal participation by men and women have this common thread: they have designed their business plans so that women can take part in agroenterprise activities more equally.

Mainstreaming gender into business plans includes the following:

- An initial assessment to identify gender priorities and barriers to participation of both men and women
- Thoughtful project design that factors in these considerations from the outset.

DESIGNING BUSINESS PLANS THAT PROMOTE EQUALITY

Men and women face a different market environment, so it is possible to work with farmer groups to develop business plans that maximize their incomes by taking advantage of the qualities men and women bring to the table. Likewise, it is possible to develop business plans that are responsive to gender roles, have women’s workloads in mind, reflect women’s access to land, and promote aspects of agroenterprise that are more acceptable for women.

Responsiveness to gender roles. Where opportunities exist, CRS staff seek to work with farmer groups to plan business and production goals with women’s needs in mind. This enables specific plans to be developed that suit women’s commercial

opportunities and limitations, and also meets cultural norms. This type of planning encourages groups to choose crops that are traditionally grown by women, and to go into business activities that could easily involve women.

- In **Ethiopia**, for example, CRS found that many women grow potatoes for the local market, but very few grow crops on a larger scale, such as for export. As a result, the project team included the potato value chain in their subsequent analyses, and farmer groups incorporated these results into their business plans.
- In **Niger** (chapter 5), a CRS agroenterprise project focused on sesame, a crop almost exclusively grown by women.
- In **Burkina Faso** (chapter 5), a project held separate focus groups for men and women to ensure that the women had a chance to have their say on what crops to select.

Keeping women’s workloads in mind. A UN study of smallholder banana and coffee farmers in Tanzania reported that if women had fewer time constraints, their labor productivity could rise by 15%, household cash incomes by 10%, and capital productivity by 44% (United Nations 2002). In Ethiopia, CRS found that women often do not have time to participate in production and marketing, so it ensured that farmer groups’ marketing plans reduce the workload of women. That lets them devote more time to the producer groups—and to the home.

Box 11. Women already work hard enough

In all its programming, CRS strives to ensure that project activities do not increase women’s workloads, a common but frequently overlooked risk in development programs.

CRS tries to ensure that its projects to empower women—providing them with more opportunities for skills training, committee participation, and others—do not inadvertently add hours to a woman’s very long day.

Reflecting women’s access to land. In Madagascar, by tradition, single mothers cannot own or inherit land. But they can rent it. So CRS Madagascar’s agroenterprise project helped women rent land and grow their own crops. As a result, 51% of the participants in the agroenterprise project are now women.

Promoting agroenterprise aspects that are acceptable for women.

“Marketing” and “business” are typically men’s roles, so it may be inappropriate to push women into such roles. But it may not be necessary. Women may see income generation and savings as livelihood-builders rather than “businesses.”

Seen in this light, agroenterprises may be viewed as compatible with women's traditional roles.

Women have more say in decisions if they also manage money and other resources. Putting women in charge of a group's savings, for example, can be very empowering. It gives them more control over how the money is spent. It lets them improve their knowledge and skills in production and marketing. It boosts their reputation in the family and gives them a bigger voice in decisions both in the home and in enterprises.

Other Successful Approaches

There is no single approach to promoting gender equality in an agroenterprise, and more research is needed to find effective ways to do so. Here are some other methods to consider:

- **Educate both men and women on gender.** “Gender” does not equal “women.” Sensitization should be conducted for entire communities: women, men, girls and boys.
- **Create spaces for women and men to speak and learn openly.** In countries where cultural barriers prevent women from speaking freely in group settings, separate groups may be needed for men and women.
- **Use traditional systems to find ways for women to participate.** To bring more women into agroenterprises in Ethiopia, CRS works with traditional groups instead of creating new ones. CRS trains community trainers and sensitizes them especially about gender equality. It is these trainers, already within the traditional system, who can encourage women's and men's equal involvement in ways that are the most culturally appropriate.
- **Use reward systems.** Projects can promote actions that reward the contribution of women in farm production and marketing activities.
- **Develop gender policies.** The policy environment is an integral part of an agroenterprise development effort. CRS country programs, farmer organizations and local NGO partners should adopt gender policies as part of their organizational capacity strengthening.

What Comes Next?

Gender equality needs attention at all stages in an agroenterprise development effort. Any step in the process may be modified to promote gender equality. This could be particularly important for cultures where gender barriers are highly entrenched. Mainstreaming gender issues in agroenterprise development requires a long-term commitment.

Follow up progress. Projects should be continually monitored and evaluated using indicators that show real benefits to women and communities, not just the number of female participants. Monitoring and evaluation systems should measure the impact on women's incomes and on their roles and status in the community. Such systems should break down data by sex and age, and measure the direct and indirect impact on gender equality.

Ensure that even successful projects still promote gender equality. When an agroenterprise run by women becomes successful and starts making money, there is a danger that men will take it over. For example, chickpea in Tanzania was known as a “women's crop” when women dominated the traditional production and subsistence sales. Now it is a commercial success, men are taking over in some cases. Project staff need to be vigilant and help farmer groups and cooperatives to avoid this danger.

Advertise successes. Women's success in marketing can be the best advertisement for their continued participation. In one agroenterprise activity in Indonesia, 40% more women are involved than before the project. In Tanzania, if women help make decisions about how to use family assets, their housing is generally better, and more children—especially girls—go to school. If communities recognize such successes, it may become easier for women to participate in similar agroenterprise activities.

As some women benefit from participating in agroenterprises, they open the door for others—both men and women. Ultimately it is hoped that through their agroenterprise successes, the status of women can be raised, and the community will recognize their ability to do this kind of work and the benefits it brings.

Share lessons. It is important to disseminate news about how women contribute to agroenterprises and the market chain. That will improve the position of women in commercial transactions, promote female entrepreneurship, encourage their involvement in various activities along the chains.

Summing up

Agroenterprise activities should seek to address social inequalities with respect to gender.

Interventions must promote increased participation and greater decision-making for women on agricultural production and assets.

Projects should aim to promote the genuine participation of women as a vehicle to achieve just and equitable livelihoods improvement.

Programs should take extra measures to ensure equal participation by women in business planning and other steps along the value chain if there is to be long-term change and successful gender mainstreaming.

NGOs have an important role to play to achieve greater gender equality in value chain development, agricultural production and income generation.

Box 12. Involving women is vital for development

“Enabling women to move beyond subsistence production and into higher-value and market-oriented production is an important element of successful agriculture for development strategies.”

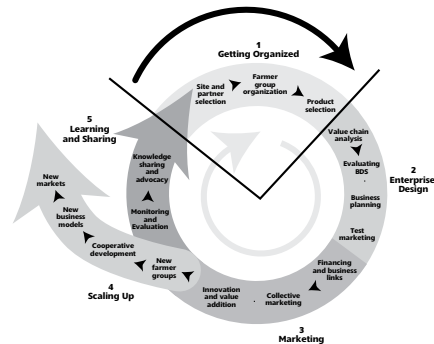
—World Bank (2008a)

5

Step 1: Getting Organized

THIS STEP INVOLVES:

- 1.1 Choosing where to work
- 1.2 Forming partnerships
- 1.3 Selecting communities and farmers
- 1.4 Organizing farmers
- 1.5 Choosing products



The approach to agroenterprise development is area and not commodity based. It aims to improve the livelihoods of the inhabitants of a selected rural community, district or municipality (the “territory”) by improving production-to-market linkages. The commodities or products to focus on are selected by matching the demands of the market with the area’s endowment of resources and the needs and wishes of the local people.

Agroenterprise development is a complex process which requires many skills. It is unlikely that all these skills will be found in one organization. Therefore the lead agency should collaborate with other like-minded organizations that share the same development goal. Together these partners form a “working group”, an informal support group. The working group also includes representatives of producer organizations and NGOs, as well as public and private sector actors. The working group helps plan and implement activities, one of which is to assess the area to identify opportunities and constraints for agroenterprise development.

CRS has found many advantages in working with farmers who are organized, rather than with individuals. This accelerates learning and builds social capital and trust. A key part of this step is therefore to strengthen existing groups, or where there are no groups, to help form farmer marketing groups and train them in marketing and other skills.

The last item in this first step is to decide on what crop, livestock, or other natural resource-based products are most likely to generate positive results and improved incomes for local people. To do this, the agroenterprise team undertakes rapid market opportunity identification studies to identify products that are in high demand, can be produced in the area, and are of interest to the farmers.

The chapters in this section show how CRS and its partners implemented the first set of activities.



Step 1.1 Choosing Where to Work

At the beginning of an agroenterprise development project, it is necessary to understand the area where the project is to take place and begin to get to know the local people and their problems. What crops and livestock do farmers produce? What crops might they grow for market? What is the institutional set-up? How about the market situation?

During the project, there will be other opportunities to get to know the area in much more detail. At the beginning, though, project managers need an initial set of information so they can decide on how best to proceed with the project—and indeed, whether to initiate the project at all in this area.

The case below describes how CRS conducted a project site or “territorial” evaluation in northern Ghana.

Project Site Evaluation in Northern Ghana



MOSES ADUKU

CRS has been working in northern Ghana for many years. The agency has implemented various types of projects on food security and agroenterprises, focusing on soybeans, but evaluations revealed that these projects had less impact than was hoped. Farmers in one area, Bunkpurugu-Yunyoo district, seemed to

prefer a range of other crops such as cowpeas, millet, groundnuts and hot pepper to soybeans due to the low prices and limited number of buyers interested in soybean. CRS had developed good relationships with a strong local NGO partners in the area, and the CRS staff knew the area well. The management of CRS Ghana wanted the organization to continue its work in northern Ghana, but was looking for a new, more effective approach.

At that time one CRS staff member and a member of one of the partner organizations had attended an agroenterprise learning alliance training session in Niger, run by CRS' West African Regional Office. When they returned to Ghana, the two participants ran an in-house training course on agroenterprise management for CRS and its partners. CRS Ghana managers were impressed by the initiative. They liked the idea of evaluating the project site and doing surveys to select a product with market demand and farmer interest. So, they asked the recently trained staff to use their new skills to design a new program for agroenterprises in northern Ghana to help improve farmers' incomes there.

The first step in the project design was to evaluate the project site or "territory." Even though the staff were familiar with the area, CRS realized that it needed to gather further detailed information so it could design an agroenterprise program. The territorial evaluation consisted of three steps:

- Formation of a partnership
- Reconnaissance survey
- Data summary and analysis.

Formation of a Partnership

Wherever possible, CRS works with local partner organizations to implement its activities. It collaborates with these partners right from the beginning of a project to ensure that they co-own the program. CRS already had two strong partners in the region as a result of its previous work: the Navrongo Bolgatanga Catholic Diocesan Development Office, and the Bimoba Literacy Farmers Co-operative Union. These partners pointed out that West Mamprusi district was a second promising area for agroenterprise development and that a farmer training center built there by the Catholic Family Health Reproductive Project, was already involved in promoting a range of grains including cowpeas, groundnuts and maize. CRS agreed to bring this organization on board, and to explore the possibility of promoting agroenterprises of crops that farmers in the two districts, West Mamprusi and Bunkpurugu-Yunyoo, were growing and interested to develop.

CRS signed memoranda of understanding with the three partners to define their roles and responsibilities. It trained eight staff (one woman and seven men) from

these organizations in the agroenterprise development approach. These staff then formed the core of a team to manage the project.

Reconnaissance Survey

The next step was to conduct a rapid profile of the districts to gain an overview of the situation there. The agroenterprise training materials contained an initial list of types of information to collect. The team reviewed this list and adapted it to suit the local situation. On the basis of this they developed a questionnaire guide for the survey (see Box 13).



Figure 14. The reconnaissance survey gave the team an idea of the situation in the target area

Box 13. Items in questionnaire for reconnaissance survey in West Mamprusi and Bunkpurugu-Yunyoo districts

1 Social context

- How was the district created?
- When was the created?
- Why was it created?
- What are the main historical facts/events in the district? (chieftaincy, agriculture, migration, land acquisition etc.)

2 Population

- What is the total population of the district?
- How many are male?
- How many are female?
- How many are youth?
- What is the growth rate?
- What is the literacy rate?
- What percentage of population is engaged in agriculture?

3 Communities

- How many communities/villages are in the district?
- How many electoral areas are in the district?
- What types of groups exist in the district?
- Are there any tourist sites?

4 Education

- How many schools are in the district? (junior high, senior high, boarding, etc.)

5 Departments

- How many departments are in the district?

6 Natural resources

- Types of soils in the district
- What water bodies exist in the district? (rivers, boreholes, springs, dams, dug outs, waterfalls)
- Are these water bodies perennial, annual or semi-annual?
- Brief description of vegetation (any economic trees?)
- Any wildlife?
- Brief description of climate
- Are there mineral deposits? What types?

7 Major/common crops cultivated in the area

- What types of crops are cultivated in the area? (cash crops, food security crops...)
- What types of livestock are reared in the area?
- Any specialization in animals?

8 Local productive resources

- What are the major means of transport in the district?
- Number of tarred roads, number of feeder roads
- How many markets are there in the district? (big, small, temporary)

9 Local networks

- Brief overview of inter-community/schools activities
- Inter-group activities

10 Business assets/traders

- List major goods that are traded in the area
- List major services (transportation, traction, input services, microfinance etc.)
- List of major challenges of traders and service providers
- Any large-scale entrepreneurs/processors?
- What are the raw materials?
- What are the sources of the raw materials?
- List banking and financial institutions
- Type of agricultural credit and credit services to the rural people
- What are the current recovery rates?
- What are the current interest rates?
- Loan acquisition and repayment procedures
- What linkages/services exist with processors/farmers?

11 Input dealers

- Types of inputs
- Main clients: rural, urban, large-scale farmers
- Sources of input supply
- Demand trends
- What are the minimum cost of input and prices?
- Describe any input credit schemes

12 Transport union

- Are there any transport union in the area?
- Where do the lorries operate? Within the district, interdistrict, within the region, interregional
- What major goods are usually transported?
- Major challenges
- Major opportunities

13 Animal traction operators

- Are there tractor/bullock operators in the area?
- Any tractor/bullock associations?
- Any credit scheme by tractor operators?
- Cost of plowing one acre
- Number of acres plowed per day
- Types of clients rural, urban, large scale farmers
- Any plowing scheme in place
- Major challenges
- Major opportunities

14 Department of Cooperatives

- Briefly describe what the department does
- What services are provided?
- Which communities does it work in?
- Number of cooperative societies
- Major challenges
- Major opportunities

15 Ghana Cotton Company

- Any input credit scheme with cotton farmers?
- Description of experience with input credit system
- What are the major challenges working with farmer groups?
- What are the opportunities?

Secondary data. Some of these data were easy to gather: each district assembly maintains a profile of the district with data such as the population, literacy rate and number of schools. Members of the project team visited each district assembly to collect these data and to interview district-level ministry officials responsible for agriculture, education, cooperative development, etc. The team also gleaned information from government reports and other documents.

Primary data. Other types of data were harder to gather: it was necessary to interview farmers, traders and other local people. The team divided the two districts into four zones: north, south, east and west. In each zone, the team conducted focus group interviews with groups of about 15 farmers at a time, as well as some 30 individual interviews with key informants such as assembly members, opinion leaders, women leaders and traders. In all, the team talked to several hundred people.

The team also invited local people to walk with them through the village and its fields. These transect walks helped the team understand the resources, problems and opportunities in each location.

Data Summary and Analysis

The team transferred all this information into a laptop using a word processor for text and a spreadsheet for tables. They summarized the information and analyzed it in the form of a 15-page profile of each district, covering nine non-governmental organizations, 12 government institutions, two rural banks, two input dealers, and the target farmer groups.

Results of the Territorial Evaluation

The territorial evaluation revealed (or confirmed) various aspects that helped guide the agroenterprise development project. It confirmed that the two districts were growing a range of pulses, and were importing vegetables that could be grown in the area. In both districts, cowpeas and groundnuts were valued crops for marketing, and farmers were interested in finding new market opportunities for their groundnuts, cowpea, millet and maize. There was enough unused land around many villages for farmers to expand their crop production without reducing their acreage of other crops. The market reconnaissance also revealed that products such as hot pepper and dry okra were of interest to traders. These early findings indicated that whilst farmers were not particularly interested in soybean, which is difficult to process at the household level, they were clearly interested in ideas that would enable them to expand production and marketing of other crops.

The survey further revealed that some communities had self-help savings groups—both indigenous and formed through other development initiatives—that the project could build on. Some of these farmer groups had formal organizations and bank accounts. However, it was also found that these groups tended to break up easily when a project ceased its support.

The team members also benefited from doing the survey. They learned a great deal about the two districts and its institutions. They learned skills such as leadership, interviewing and analysis that were useful during the rest of the project. And the common experience of designing and implementing the territorial evaluation formed a strong team spirit and developed productive working relationships among the team members and with members of the communities.

Outcomes

This rapid survey provided a clear answer to why farmers had not responded to efforts to promote soybean, and whether there were other crops they would be interested to take to market. Previous projects had chosen to promote soybean based on an external analysis; their poor market response may have resulted from a lack of local market research and discussion with farmers. The rapid site analysis showed that farmers were keen to expand production, and they were interested in a range of crops other than soybean. The logical next step would be to undertake a more detailed market opportunities analysis to prioritize the best options for the farmers.

Following the site analysis, the teams went on to undertake a market opportunities study. This revealed that in Bunkpurugu-Yunyoo district, groundnuts, millet and cowpeas were favored, while in West Mamprusi, groundnuts, cowpeas and hot

pepper were selected. Further analysis and discussions with the farmers and CRS staff resulted in the decision to select groundnuts for commercial development.

The value chain analysis identified a number of buyers and led to the design of an agroenterprise. As a result, the farmers planted and sold groundnuts to an exporter and two major traders. In the 2007 season, the farmers sold 87 “maxi bags” (weighing 94 kg each) of shelled groundnuts for \$52 per bag, for a market value of \$4,524. In 2008, the farmers sold 63 maxi bags at a value of \$72 per bag for a market value of \$4,536. Individual families earned in the range of \$30–60 per season.

Challenges

Reliability of secondary data. Data collected by governments and other agencies are frequently out of date or inaccurate. It is necessary to cross-check them with primary data gathered from the field. This sometimes means duplication of effort, but it is worth it to avoid costly errors later in the project.

Time and staff required. Gathering primary data takes time and skilled staff. Northern Ghana is sparsely populated, and it was necessary to travel long distances over rutted roads to reach remote villages. It is necessary to train staff first so they know what information to gather and how to gather it.

Representativeness. This was not a problem in northern Ghana, but may be in more diverse areas. It is important to ensure that the villages where the data are collected are representative of the whole area. It is all too easy to visit villages close to the road, and talk to the rich, young and male (rather than the poor, elderly and female). One way to guard against this is to hold meetings with the whole community, and to hold focus group discussions with men and women separately.

Key informants. In some cases it is difficult to gather information from certain key informants, such as traders and local officials. They are busy, may be hard to find, and may be reluctant to divulge sensitive information. It may be advisable to pre-arrange meeting dates, times and venues with them, and to orient all chain actors on their roles in data collection.

Suspicion and false expectations. Local people sometimes view outsiders carrying notebooks with suspicion: they fear that the data gatherers are tax collectors in disguise. There is also the danger of raising the hopes of the community that a wealthy organization will bring in lots of money or free handouts. Ways to avoid this are to explain carefully the purpose of the survey, to get the support of village leaders, and to work with individuals who are known and trusted in the village.

Inaccurate data. Few farmers keep records, and even fewer keep accurate records. That makes it difficult for them to respond honestly and accurately to questions about prices, costs, yields, and so on.

Lessons

Lessons for CRS at this stage of the agroenterprise process included the following:

- When farmers and other stakeholders see real benefit from an activity, they are interested to work on it.
- Transparency and openness are necessary to win farmers' confidence. Cultivating this confidence begins right at the start of the agroenterprise process.



Step 1.2 Forming Partnerships

Developing agroenterprises relies heavily on services from a range of stakeholders including sources of funding and credit, input suppliers, training providers, agricultural advisory agencies, sources of market information, business linkage services, policy makers, and so on. Assembling all these services is difficult even for large-scale farmers and entrepreneurs, and it is impossible for individual smallholders: they lack the skills, capital and necessary connections.

The agroenterprise facilitator can play a key role in bringing these players together to collaborate on developing an agroenterprise with and for small-scale farmers. One way of doing this is to create a formal, multiagency organization of stakeholders that supports the agroenterprise process from start to finish. Another is to form a working group: a loose association of stakeholders where each member provides support when needed in their own area of expertise.

The purpose of such a working group is to:

- Bring together partners with a shared interest in linking farmers to markets
- Leverage additional resources through partnerships and business alliances
- Foster political goodwill and community support for the agroenterprise work
- Accelerate learning and lay the groundwork for scaling up successful interventions
- Provide access to specialized skills from research and improve business linkages

During the agroenterprise development process, membership of the working group is unlikely to remain constant. Some members may be asked to join the group when their skills and contributions are required. Others may drop out as their task is completed, or

if they lack the resources or interest to continue. Some members may join the group as the process achieves tangible results. Others such as traders may become more interested in playing an active role once the market chains are operating.

The case below describes how a CRS partner in Indonesia established a working group of stakeholders to support the development of tamarind and groundnut in the province of East Nusa Tenggara. This working group was formed early on in the project and did not play a major role for some time. But as progress was made, members saw more clearly how they could contribute. Many of the founding members of the working group at the beginning could only provide their services once the agroenterprise had become established and needed their support.

A Working Group to Support Agroenterprise Development in Indonesia



KUSDIJONO SALIM AND YOSEF SUMU

Preparing for the Market

Yayasan Mitra Tani Mandiri, a local Indonesian NGO, had been working with CRS in East Nusa Tenggara, part of the string of semi-arid islands in southeastern Indonesia, since 1997. The organization's program originally focused on sustainable agriculture, but in 2005, it was expanded to include agroenterprise development. The project worked in the district of North-Central Timor, one of four districts in the Indonesian half of the island of Timor.

Neither the Yayasan's staff nor the local farmers were experienced in this new field, so the first step was to train them in agroenterprise methods and hire a local consultant on marketing. The staff then trained groups of farmers they had already been working with on subjects such as entrepreneurship, marketing, product identification and selection, and how to calculate costs and benefits. The Yayasan and farmers conducted a rapid market survey which identified several local products with market demand. They discussed the findings, and the farmers chose to focus on marketing tamarind.

A test-market resulted in 30 tons of tamarind being sold—an encouraging result. The farmers realized they would have to be better organized to produce sufficient volumes of the right quality, so they decided to cluster the existing farmer groups into a farmer association.

Some farmer groups went on to test-market other crops identified in the market survey. Groundnuts were one of these. Most farmers were not yet growing this crop, but they decided to develop an enterprise plan and ask the Yayasan to organize training on how to produce it. They planted and harvested the crop and sold the yield collectively.

These successful sales of tamarind and groundnuts encouraged the farmers to identify further products with high demand and to plan to sell higher volumes. The new commodities included candlenut, cashew, garlic and red bean.

Organizing Support

The Yayasan realized that for the association's agroenterprise efforts to be sustainable, the farmers would need more support. At the beginning of the project, a working group had been formed of organizations interested in building the farmers' business capacity. Its members were three local government organizations (dealing with agriculture extension and food security, trade and cooperatives, and agriculture and estates), the Yayasan, and the farmers' association.

The project team had used the working group to inform the other organizations about progress, but most of the other members had not been very active. As the project progressed and members saw the advances made, they became more involved in the work, and other organizations joined: other district government agencies, the local council, a university, private businesses, and other NGOs. The working group would come to benefit the farmers in various ways: by improving their farming and marketing skills, legalizing the status of the farmer groups, assistance in raising funds, and supplying commodity price information. Not only the farmers benefited: the Yayasan and the farmers' association had limited experience in managing business relationships, so working with other partners in the working group was a way for them to learn about these.

Working Group Members

The working group members were divided into three categories:

- **A core team.** The core team's role was to initiate, design, drive and maintain the working group. It comprised the Yayasan, the farmer association, and the local government's office of agricultural extension and food security.
- **Major supporters.** These were directly involved in improving the farmers' ability to market their produce. This group consisted of the district services for industries, trade and cooperatives, agriculture and estates, and livestock, as well as the University of Timor, an NGO called Yayaysan An Feot Ana, as well as village and clan leaders.
- **Followers.** These were initially observers, but they joined the process after they saw how the agroenterprise process worked, and they became involved in scaling up. This group included members of the local district council, the district government secretariat, the district tax and revenue office, and the local diocese.

Table 5 lists the members of the working group and their roles. At the beginning, only five organizations were members of the working group. By the fourth year of the project, membership had expanded to 14.

Table 5. Working group members and their roles

Institution	Relevant program/activity	Type of institution
Core team		
Yayasan Mitra Tani Mandiri	Strengthening farmer production and marketing groups at village level, facilitate the working group	NGO (initiator and facilitator)
Farmers' association	Organizing collective marketing, build relationship with private	Community
Office of agricultural extension and food security	Farmer group strengthening, extension	Government agency
Major supporters		
District industrial, trade and cooperatives service	Improve the performance of cooperatives, provide legal status and admission	Government agency
District agriculture and estates service	Extension, improve farming productivity of farmers	Government agency
District livestock service	Technical assistance on improving livestock production and animal health care Policy on local marketing of livestock (cattle)	Government agency
University of Timor	Research and development on agricultural marketing	University
Yayasan An Feot Ana	Strengthening farmer group at village level	NGO
Village and clan leaders	Local political support and community ownership	Community
Followers		
District council	Ratification of development budget	Legislature
District government secretariat	Development support management	Government agency
District tax and revenue service	Policy on tax for agriculture commodities	Government agency
Diocese	Provision of technical support through field staff; spiritual support and replication elsewhere	Church
Private businesses	Input supplies Capital investment Packaging and transport	Private companies
World Vision	Projects in other areas	International NGO

Forming the Working Group

The Yayasan and the farmers' association formed a core team to initiate the working group. The agricultural extension office also joined this core team. The core team then identified organizations and individuals with a similar vision, interests and program directions, and invited them to establish the working group.

At the group's first workshop, each organization described its programs and policies. The participants then identified areas where they had similar interests and complementary activities. They then discussed the challenges they faced and the potential to work together to assist rural communities on agriculture development. They made an informal commitment to do so.

Subsequent meetings were held each quarter, and followed a similar pattern, with each member given the opportunity to present its work. From the beginning, the working group was designed to be a partnership of equals, with an informal structure, no bureaucracy, and where everyone's voice could be heard.

The next step was to determine the strategy and decide who would do what. Small groups discussed these issues in depth, then reported their recommendations to the plenary. The information in Table 6 presents the implementation strategy and the roles of the different group members.

Table 6. Strategy and roles of stakeholders to strengthen the farmer association

Roles					
Strategy	Government	District council	NGO	University	Private business
Promote association's functioning through general assembly and farmer forums	Resource person	Resource person	Resource persons, facilitator, funds	Resource person	Resource person
Develop promotional materials	Fund, facilities (local radio, TV, mass guidance), expert, market info	Information	Expert, funds	Expert	Market info
Propose legal status for farmers' cooperative	Assist in legal registration, product labeling, etc.	—	Facilitator	Mediator	—

Train on accounting and business	Resource person, funds	—	Facilitator, funds, training facility	Resource person	Resource person
Business planning of farmer association	Resource person	—	Facilitator	Resource person	—
Strengthen association management	Resource person, funds	Favorable policy	Accompaniment, resource person, funds	Resource person	—
Improve production (quality, quantity, continuity)	Production inputs, resource person, incentive funds, facilities	—	Accompaniment, production inputs, funds	Research and publication	Capital, quality standard info
Strengthen association's working capital	Easy-access fund	Budget, policy on agric	Accompaniment, funds	Resource person	Funds

Starting simple. Building collaboration among many stakeholders works fine on paper, but it is challenging when it comes to implementation. The working group decided to begin with simple activities that would attract others to contribute in their own areas of expertise. The Yayasan and the farmers' association took the lead in identifying potential commodities, identifying market opportunities, organizing farmers into groups, and implementing collective marketing trials.

Regular coordination meetings. The working group held regular 3-monthly coordination meetings, convened at each of the members' offices in turn. At these meetings, the core team informed the other members of the working group about these activities and their results. The group members reviewed progress and planned the next activities. These meetings stimulated the supporting members of the working group to take on a role of their own to assist the marketing effort.

Actualizing the members' roles. Transforming the members' commitment into concrete activities took time: more than 3 years passed before benefits of the collaboration were fully visible. The core team played a vital role in realizing this. The working group members did not conduct joint activities. Rather, they adapted their existing programs and targeted them to reach the same areas and groups of farmers as the agroenterprise program, in response to requests from the farmer association during the coordination meetings. The working group members incorporated these community proposals into their annual program plans and budgets.

Table 7 lists the activities undertaken by each working group member in support of the agroenterprise effort.

Table 7. Related agroenterprise activities carried out by working group members

Institution	Activities
Core team	
Farmers' association	<ul style="list-style-type: none"> Improving commodity production Organizing commodity marketing Developing association financial and administrative system Conducting market survey and distributed market information to farmers Lobbying, negotiation, and building relationships with private businesses Negotiating deals with private businesses Managing funds
Office of agricultural extension and food security	<ul style="list-style-type: none"> Strengthening farmers' groups/association Mentoring farmers to increase crop production Providing farming inputs Building infrastructure to support farming Providing information on technical and farm management
Major supporters	
District industrial, trade and cooperatives service	<ul style="list-style-type: none"> Technical assistance to five credit unions towards cooperative performance Providing legal status as cooperatives to two credit unions Training farmers on agriculture product processing Distributing agriculture market information through local radio
District agriculture and estates service	<ul style="list-style-type: none"> Allocating project funding to farmer groups on orange, coffee and corn
University of Timor	<ul style="list-style-type: none"> Providing technical and market information Sharing publications on dryland farming
Yayasan An Feot Ana	<ul style="list-style-type: none"> Adoption of approaches to improve production and strengthen farmer groups in other areas

Followers	
District council	Formal council discussion of concept of commodity marketing by farmers' associations
District government secretariat	Influencing district policy on choice of commodities to promote
District tax and revenue service	Distributing information on taxation system
District livestock service	Training on making cattle feed supplement from palm sugar
Private businesses	Providing grant to organize production by farmers' association Providing truck to transport commodities Providing commodity packaging Distributing market information
World Vision	Replicating association model in other areas

Box 14. Selling groundnuts to buy cattle

"My neighbors usually call me Aunt Bea. I am a housewife, 33 years old with 4 children. When my husband and I joined a farmer group guided by the Yayasan Mitra Tani Mandiri, we started growing vegetables. That made us some money, but I was still worried because we still didn't have any meaningful savings. So I was really excited when the Yayasan suggested we market our produce as a group.

"We used to sell our produce at low prices, and the traders made a good profit. The price of tamarind used to be Rp 500/kg (about \$0.05), and groundnuts were Rp 5,000/kg (about \$0.55). Through collective marketing, we got Rp 950 (about \$0.11) for tamarind and Rp 8,000 (about \$0.89) for groundnuts.

"The collective marketing really helped us. My husband and I sold 300 kg of groundnut and made Rp 2.4 million (about \$267). We used some of the money to buy a cow. The next season we increased the area of groundnut we planted to 2 ha. We calculate that when we sell the groundnut, we may be able to buy three more cattle and save for our children's education."

Farmers' Achievements

The farmers have made significant progress as a result of the agroenterprise project.

Higher incomes. Approximately 3,500 farm families have increased their farm-based income by an average of 70% during a period of 3 years. This is well above the cumulative inflation during the same period (36%). In 2005, the average farm

income was Rp 1.7 million per person (about \$189); by early 2008 this had risen to Rp 2.9 million (about \$322).

Improved technologies. Some 4,000 farm families (including indirect project participants) have switched from slash-and-burn to permanent cultivation and from monocropping to diversified cropping. They have started using techniques such as terraces, improved tillage practices and farm planning. They produce their own seed for food crops in 181 group-run nurseries. Farmers in five villages have developed nurseries to produce eucalyptus and gmelina seedlings on 7.5 ha of farm land. The farmers also produce their own organic fertilizer and bio-pesticides. They exchange seeds and seedlings of groundnut, maize, mungbeans, oranges and eucalyptus.

Access to markets. The 4,000 families have increased their access to markets, sales and profits. They have boosted their crop production and improved the quality of their produce. Through collective marketing they have been able to sell a total of about 437 tons of tamarind, groundnuts, candlenuts, garlic, corn and cashew. They have also sold 9 tons of processed products such as banana, taro, sweet potato and cassava chips.

Organization. Farmers' associations have been established and strengthened. They provide farmers with market information and opportunities and organize the collective marketing activities.

Contributions of the Working Group

The working group has provided vital support to these efforts.

Credit. The office of agricultural extension and food security and the district agriculture and estates service have provided the associations with a total of Rp 343 million (about \$38,000). The associations use these funds to buy produce from farmers so they can sell it on to buyers. These funds are a significant boost to the associations' own capital of Rp 17 million (about \$1,900), raised from members' savings.

Technology skills. The working group members have trained the farmers on various aspects of agricultural production, infrastructure such as roads and irrigation canals, and produce packaging.

Organization and marketing. Working group members have strengthened the farmer associations' organizational management, helped them develop relationships with private traders, helped them learn how to lobby and negotiate, worked with them to conduct market surveys, and helped them organize collective marketing.

An example of lobbying work is the general assembly of West Timor farmers. This major event is held every 6 months in North-Central Timor. Begun by the

Yayasan, it aims to influence local governments and councils to develop policies to promote sustainable agriculture practices and agroenterprise development in ways that increase the income of rural communities and conserve natural resources. During the meeting, the farmer associations describe their activities and government agencies share their programs and policies. The event enables the farmers to voice their interests and address requests to the government and other parties. The April 2008 assembly was attended by the head of the district of North-Central Timor, government agencies and farmers from all four districts in West Timor.

Lessons

Maintaining interest and commitment. Many projects establish working groups of supporters, but fail to generate sufficient interest in or commitment to its activities. The core team built such commitment by inviting other working group members to participate through their existing program activities, rather than developing new activities specifically for the project. That encouraged further members to participate, since they could implement their own programs more effectively and efficiently through the project. Regular meetings and workshops enabled the working group members to see the progress they had contributed to.

Attention to contract details. Traders sometimes pay less than they had promised when picking up the produce, claiming they had to pay for transport. The association renegotiated the price, but it was still below what had originally been agreed. The association learned the importance of settling these details and getting a firm commitment from the trader beforehand.

Need for infrastructure. Delays in picking up a load of fresh tamarind meant that it had dried out and lost weight by the time it was handed over. That meant less income for the farmers. Building storage facilities would help overcome such problems.

Learning by doing. The marketing activities and working group have provided an excellent opportunity for all involved—farmers, the Yayasan and the working group members—to learn about collective marketing. In particular, they have learned the importance of being able to supply sufficient produce of the right quality at the right time to meet the market’s needs and build trust with the buyers.

Increased bargaining power. Collective marketing improved the bargaining power of the farmers, helping maintain the commodity price at acceptable levels and avoiding the problem of farmers being mere price takers in the market.



Step 1.3 Selecting Communities and Farmers

An agroenterprise development project needs to select certain communities where it will work. And within these communities, it needs to select whom to work with.

Organizations that promote agroenterprise development have different criteria for selecting whom to work with. Some organizations do not focus on any specific group or commodity; they work not only with the poor but also with the better-off. A focus on high-value export crops makes it difficult to work with the poorest farmers (who cannot acquire the necessary skills or capital) or the remotest communities (that lack the transport and other infrastructure necessary to ensure success). This segmentation of clients has led to some development organizations differentiating between the “vulnerable,” “viable” and “economically active,” and devising investment packages to suit these groups.

However, differentiating population segments in poor rural areas is not simple, especially when the communities are aware that investments are being made. If such selection methods are to be applied, agencies much work with the community to explain the purpose of the support and how the targeting is intended to operate.

CRS, works on a relief-to-development continuum, and therefore tends to focus on the poorer segments, assisting those who are recovering from disaster or living in chronic poverty to improve their livelihoods by developing their production and marketing abilities.

The case below, from western Niger, shows how CRS identified communities, and selected poor farmers in those communities, to participate in a sesame production and marketing project.

Sesame in Western Niger



BOUKARI HAMA AND OUSSEINI SOUNTALMA

CRS started a pilot project on sesame in five villages in the rural county of Gothèye in the department of Téra in western Niger in 2002. This pilot project showed that sesame was a profitable crop: an evaluation found that the target households who produced and sold sesame had substantially improved their incomes by between 50 and 100%. This allowed some producers to branch out into other enterprises, such as fattening sheep, goats or cattle. Most of the women involved in the pilot

project became economically self-sufficient and earned greater respect in their communities.

Encouraged by this success, CRS decided to expand the project to a larger number of producers in another 25 villages in the same area. Sesame is an important crop in the area. It is almost exclusively grown by women, who use it to make a sauce to season the mashed maize, millet and sorghum that forms the staple food. They also sell it in weekly village markets, where it is the most important cash crop for women.

How did CRS select which villages and farmers to include in the expanded project? This selection procedure fell into four steps:

- Selecting the agroenterprise intervention zone
- Information and sensitization
- Selection of communities
- Selection of producers

This process was implemented gradually over 3 months. It involved the project team, the decentralized authorities, the government technical services, and the communities themselves.

Selecting the Agroenterprise Intervention Zone

The first task was to determine what area was suitable for sesame production. CRS drew on studies by the Nigerien Ministry of Agriculture which identified the best areas of growth and development of various cash crops, among them the sesame. CRS staff visited three areas identified in this study and checked the level of poverty in each area. The poverty criteria used included the literacy rate, access to fresh water, malnutrition of children under 5 years old, access to health centers, and the degree of food deficit during the previous 5 years. The project also considered the existence of similar projects in the area.

CRS decided to focus on Gothèye because the people there were the poorest and most vulnerable, and there were no similar projects serving the area.

Information and Sensitization

Government in Niger is decentralized, with local authorities responsible for many aspects of development. That meant that CRS had to work with the authorities at each level: Region, Department and County. CRS approached the leaders at each level of government to explain the project concept with them and explore their interest in collaboration. CRS also discussed the project goals and objectives with the agricultural and environment services at each level of government.

CRS signed a memorandum of understanding with the mayor of Gothèye, who managed the technical services in the county, and discussed the project with the technical service staff. These technical staff would be responsible for selecting the villages and (later in the project) for some technical training and monitoring and supervising activities.

Selection of Communities

CRS and the County staff formed a team to brainstorm a set of criteria for selecting communities. The main criteria agreed on were:

- The community had to be a **fixed, “administrative” village**, with a recognized chief. This is because in this area of Niger, land scarcity forces some communities to move to a new location every year to grow crops during the rainy season. Such villages do not have a chief recognized by the government. Both this mobility and the lack of a recognized chief make it difficult to promote sesame production and marketing.
- No **similar project** was planned or implemented in the village. CRS did not wish to duplicate efforts by other development agencies.
- The village was officially recognized as in chronic **food crisis** (as specified by the government’s early warning system). This was a way of ensuring that the project served those communities that needed assistance most.
- A village had **potential for agricultural development**. It had to have sufficient land for expanding sesame production, and the soils had to be suitable for sesame cultivation.
- **Interest among villagers** and the local leaders to participate in the project.
- The villages had to be **close to each other** so farmers there could be organized into cooperatives or unions. That meant selecting several clusters of villages.



Figure 15. The project team brainstormed a set of criteria for selecting villages

The project team also agreed that women should be the focus of the project, since sesame is such an important crop for women in Niger.

Based on these criteria, the project team made an initial selection of 35 villages (including the five villages already in the pilot project). The team then visited each of these villages and discussed the project with the village chief and local leaders. These leaders (all of whom were men!) had heard of the success of the pilot project, so all were eager to have their village participate in the follow-up.

But would the women farmers—who would do the work and stand to benefit most from the project—be interested? In each village, the chief called a village assembly to introduce the project idea and discover the level of interest. Representatives of the other stakeholders—the mayor, village chiefs, and government technical services of agriculture, environment, and community development—were also invited.

Again, all of the villages said they were interested. However, the project team realized that several villages close to the river grew rice rather than sesame, and some other villages were too far away to belong to a cluster. As a result, the team decided to drop five of the initial 35 villages, leaving 30 in all.

Selection of Producers

This process showed that very many farmers were interested in participating in the sesame project. But the project could not serve everyone, and in any case wished

to focus on the poorest people. The team set a limit of 50 farmers per village that it would be feasible to serve.

The team decided on criteria for who would be eligible to participate in the project. The participating farmers had to be:

- Among the poorest people in the village
- Willing to work in a group.

Preference was given to widows who headed their households.

How—in a poor village—to identify who was the poorest? Local people know each other very well: they are clearly the best people to decide. So the team held general community meetings in each village. They asked the villagers themselves to come up with criteria to put the villagers into three groups:

- Less poor (**group A**)
- Poor (**group B**)
- Very poor (**group C**).

The criteria differed slightly from village to village. As an example in the village of Touré, the criteria were as follows:

- **Group A:** Households with 3 fields or more, 2 wives or more; owning a mud house (i.e., not made of sticks) with a fence, at least one ox-cart, and cattle; self-sufficient in cereals for at least 8 months in a normal year.
- **Group B:** Households with no more than 2 fields; owning sheep and goats (but no cattle), a mud house and self-sufficient for 4–8 months on normal cropping season.
- **Group C:** Households with 1 field (or landless), living in a hut made of sticks, owning poultry and no more than 2 sheep or goats, and able to feed the family no more than 3 months of the year. They survive by working for others for cash, and members of the family go to cities to earn money during the dry season.

The villagers knew that the people selected to participate in the project would get benefits: loans for seed, fertilizers and other inputs, training and skills improvement, and help in organizing to market their produce. So everyone wanted to be selected, and everyone wanted to be classified in Group C—even the village chief.



Figure 16. Everyone wanted to be classified as “very poor”

To make sure that only the poorest people were chosen, the team asked a general community meeting to nominate three or four trusted individuals who knew everyone in the community and could be relied on to give an honest, unbiased opinion. The team then met with these representatives to classify each household in the village into one of the three groups, A, B or C.

Results of the Selection Procedure

The rural County of Gothèye is composed of 46 administrative villages with a total of 8,693 households. The process of community selection identified 30 villages with 1,500 sesame producers, 95% of whom were women. Among these 1,500 producers, 86% were in group C, 12% in group B, and 2% in group A (these slightly better-off farmers were often the wives of chiefs; it was important to include them to gain the chief’s support for the whole project).

Each group met to decide on how to organize themselves, elect leaders, plan activities, and so on. The project team helped them do this and provided them with training on how to do so.

As the agroenterprise development activities progressed, the 1,500 producers were grouped into 30 cooperatives, with about 50 people in each. These 30 co-ops were then organized into 6 unions of 5 co-ops each. Each cooperative elected a managerial committee composed of a president, a general secretary, a treasurer, local experts in production and marketing, and an independent committee controller. The committees of each cooperative in turn held a general assembly at the union level to elect a managerial committee for the union and to decide where to locate the union's office. Each union employed an extension agent to build the producers' capacity in agriculture, environment, and agroenterprises.

Successes Relating to the Selection Procedure

Empowerment of women. In Niger, men traditionally make most important decisions. Women have little say. For example, a woman who wanted to join a group had to have her husband's approval. The formation of the groups almost exclusively composed of women enabled them to take on leadership roles. The success of the sesame marketing effort gave them an independent income, and raised their status in the community.

Existing organizations. In the project area, there were no organizations focusing on sesame. However, several vegetable-growing cooperatives did exist, and the members of these co-ops also joined the sesame co-ops. The management and organization skills that the vegetable co-op members had proved to be very valuable in kick-starting the sesame co-ops.

Building social cohesion. All of the people in the project area belonged to the same ethnic group, and there were no major conflicts over land or other issues. But there was no strong tradition of working together on common activities. The sesame groups stimulated such cohesion: group members started helping each other do field work, sharing equipment and even collaborating on social events.

Some conflicts did emerge later among the co-ops as they formed the higher-level unions: each co-op wanted to make sure that its members were in leadership positions in the union. It was possible to reach compromises in such situations through open discussion or with the help of the local authorities.

Building new organizations (as happened here) may not be possible in other areas, where serious differences exist between ethnic groups or conflicts arise over resources. In such cases, it may be better to rely on existing organizations as a basis for agroenterprise development.

Transparent and democratic management. The creation of the groups and the training provided by the project introduced a new, democratic and transparent style

of management. This gave the poorest people an opportunity to express their opinions and take part in making decisions—a possibility they previously did not have.

Community involvement in selection. The community's involvement in the selection process ensured that local people made the decisions as to who would be selected—but at the same time ensured that the poorest people would benefit (as CRS wished). Local people felt that the groups were not imposed on them but were generated by the community itself.

Involvement of partners. A project cannot succeed without the commitment and involvement of partners such as the local authority and the technical services. Involving them in selecting villages, determining the selection criteria and managing the process of participant selection ensured two things: it ensured their buy-in into the project, and it trained them in participatory approaches to development—which they will be able to use in their other activities.

Unions' empowerment in negotiation. Two of the cooperative unions, those of Hondobon and Tourey, negotiated a lucrative price for their sesame: 650–1,150 CFA francs (\$1.35–\$2.40) per kilogram. Selling 100 kg of sesame at these prices fetches enough money to buy 400–500 kg of maize and sorghum, or enough to feed a household of 5 people for 5–6 months.

In addition, some of the women from Garbey Kourou and Hondobon started processing their sesame into cookies, ointment, oil and soap. A liter of oil costs 1,250–2,400 FCFA (\$2.60–\$5.00) to produce, and sells at 2,500–5,000 FCFA (\$5.20–\$10.40) to wholesalers in markets in Niamey (Château 1 and Hadad) and at national and international fairs. The value added through processing amounts to around 1,000 FCFA (\$2) per kilogram of grain. Sesame oil produced by the women of Gothèye won a first prize at Tillabéry Regional Fair and third place at the Niamey National Fair.

In 2007, more than 15 tons of sesame were processed into oil and cookies, of a total production of around 250 tons. This total production is worth some 250 million FCFA (\$520,000), or an average of around 85,000 FCFA (\$175) per household.

Challenges

Literacy. Only about a quarter of the women in this area of Niger can read and write. Literacy rates are even lower among the poorest people that the project targeted. This created problems later on in the project—for example in book-keeping, training and monitoring. This meant that the better-off people in each cooperative (those from Group A), who tended to be better educated, took on many of the responsible positions in the cooperative. The cooperatives and unions

have designated college-level members to handle book-keeping and secretarial activities. The cooperatives would not have worked as well as they did without these key individuals.

Land ownership. The women grow sesame on two types of land: household-owned, and collective land reclaimed through food-for-work activities. It may be that the collective land is taken away from the women when the menfolk start to realize that sesame is a lucrative cash crop. To forestall this, the communal authorities have pressured the communities to permit the women to cultivate the land for at least 10 years. Male landowners have already agreed to yield 0.40 ha of land to landless households for at least 2 years. In return, the landless users agreed to pay the landowners 5% of the net income from the land.

Working with poor people costs money. The process shows that it takes considerable effort and focus to work with poor and disadvantaged people within communities. To work with the poorest, requires that project staff use rigorous methods for targeting and spend time to ensure that all of the local councils and committees, understand why this targeting is being done and the types of benefits that are expected. Agencies need to consider the costs of working with specific segments, in many situations start up costs maybe higher if the project seeks to work with for example poor women and this needs to be clearly factored into project design and budgeting. CRS has some advantages in dealing with poor communities as the agency has a wide network of church partners that have sunk costs into areas where poor communities live. This enables CRS to have bases from which to support remote rural interventions at lower costs than agencies who must incur costs in establishing local networks first.

Box 15. Identifying core-poor households in India

Amrut Prusty



The Orissa project described on in chapter 7 under step 3.1 used these criteria to choose where it should work:

- The percentage population of scheduled castes and tribes (groups officially designated as disadvantaged) was more than the state average for Orissa.
- The infant and maternal mortality rates were above the state average
- The percentage irrigated area was less than the state average
- The percentage literacy rate was below the state average

After identifying the project area, the project identified the core-poor. The government identifies households who are below the poverty line, but this misses some families. CRS used different criteria, developed in consultation with the community. Some of them are:

- Single-woman-headed households with no assets
- Elderly people with no assets and no help from children
- Landless families, mostly dependent on daily wages
- Handicapped and mentally challenged members.



Step 1.4 Organizing Farmers

Farmer marketing groups are composed of individual farmers with a common interest in marketing their produce collectively. By forming groups, farmers can achieve economies of scale: they can aggregate their produce to achieve volumes that buyers need. By negotiating as a group, the farmers can get a better price for their produce. The farmers save the time and expense of taking their produce to market by themselves, and they run less risk of being left with piles of unsold produce rotting in the fields while they wait for a buyer. They can grade and sort their produce, and perhaps store and process it before selling it. Groups of farmers may help each other with field work such as land preparation, weeding and harvesting. They can also try marketing their own produce if they are dissatisfied with the prices that traders offer.

Traders benefit by dealing with farmer groups because of the lower transaction costs. They can arrange to pick up a whole truckload of produce at the same time, instead of having to go from farm to farm and negotiating with individual farmers. They can be assured of a more reliable supply of graded, sorted produce.

The farmer groups can access services such as training, bulk supplies of inputs, storage and market information. Such services are out of reach of individual farmers with small amounts of produce and limited capital. Collective action and better organization improves the resilience and competitiveness of smallholder farmers in the marketplace, thereby increasing their incomes and business linkages. Farmer groups offer a way for even the poorest people to climb out of extreme poverty.

Types of Farmer Groups

There are several types of farmer groups. They can be classified according to size, function and level.

Size. Groups may be small or large, depending on their function and level. Small groups of five to 30 farmers allow members to interact closely with each other and focus on common activities. The members know each other well, and all group members can take part in meetings. However, small groups have a limited capital base and may not be able to produce the quantities that traders need.

Larger groups may have scores or even hundreds of members. They have more financial clout, but tend to be less cohesive because members do not know each other well. They require a more formal organization, with a constitution and officials to manage the group affairs.

Function. Groups may deal with a single aspect of production and marketing.

- Soil and water conservation groups may meet to build conservation structures on members' fields.
- Farmer field schools meet at regular intervals to study ways to improve their production.
- Savings groups pool their savings and lend money to members.

Other groups deal with several different aspects of the value chain. For example, a group may collaborate on work in the field, bulk their produce to market it collectively, and form a savings group. Groups may also deal with topics that are not directly related to agriculture, such as health, social activities, and paying for funeral expenses.

Different development organizations give different names to different types of groups. Common phrases include “common interest groups,” “savings and internal lending communities,” “solidarity groups,” “base groups,” “self-help groups,” “farmer field schools,” “primary cooperative societies,” and so on.

Level. Primary groups (those at the field level) are too small for certain activities. As mentioned above, they may be too small to negotiate with buyers, generate capital or access credit. These groups can however, scale up by forming second-tier organizations to handle these issues. For example, several primary co-ops may come together to form a co-op union (the Niger study, chapter 5), or producer groups may decide to form a marketing association. This can also work the other way: a large group of farmers may agree to start a marketing co-op, and then within this co-op, they may form smaller groups to handle production, collection and quality control.

These second-tier organizations are managed by a board or representatives of their constituent primary groups. They also employ officers to manage day-to-day affairs of the organization. Depending on the size of the group, these officers may be paid for their services. They may provide credit and financial services, collective marketing of large volumes, production planning, bulk input purchases, produce storage and legal support.

The second-tier organizations may in turn be grouped into third- or fourth-tier organizations to deal with issues such as lobbying, advocacy and market information services.

The case study below describes how CRS Kenya and its partners have transformed existing farmers groups to embrace agroenterprise development activities in the pulses sub-sector (green grams, chickpeas and groundnuts) in Mbeere and Homa Bay districts of Kenya.

Pulses in Mbeere and Homa Bay, Kenya



GEORGE ADEM ODINGO AND JOHNSON IRUNGU

“I Didn’t Think I Could Do That”

“I can eat from January to December and I have lots of money, two children have completed form four. I didn’t think I could do that.”

Philip Ojika, chairman of a producer marketing group in the village of Kuna, in Homa Bay district, is proud of what his group has achieved. The group specializes in the production of groundnut seed and grain. Formed in 2003, the group evaluated new varieties developed by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), and selected three varieties that grew well in the area. The group arranges for one of its members to produce seed of these varieties to sell to group members and neighboring farmers.

Mr. Ojika says the group’s greatest achievement has been food security for all its members. The community has built a school for local children. It now has seven

classrooms, all built with donations from the parents, who are members of the Kuna group.

Introducing Agroenterprises to Homa Bay

Homa Bay (in Kenya's Nyanza province) and Mbeere (in Eastern province) are both semi-arid areas with less than 750 mm of rain per year. Crop yields are generally low due to the erratic rainfall, low soil fertility, lack of improved varieties and inappropriate crop management. CRS Kenya has been working in the two districts since 2000, helping poor farmers improve their crop production by conserving soil and water and introducing drought-tolerant varieties of groundnuts, green grams, pigeonpeas and chickpeas. CRS and its partners trained the farmers how to improve their production practices and establish their own seed supplies. These interventions increased the production and sales of the pulses. However, the farmers were forced to sell their produce to traders at very low prices immediately after harvest: they had nowhere to store the produce and no way to sell it directly to buyers in Nairobi. The traders would sell the pulses to buyers, processors and exporters in the city at prices often double what they paid the farmers.

Frustrated by the farmers' struggle to sell their crop at rock-bottom prices, CRS reviewed its agricultural program to include produce marketing and strengthening of group enterprises. Between 2002 and 2007, the CRS Kenya team and its partners participated in the East African agroenterprise learning alliance. This training and learning network is supported by the CRS East Africa Regional Office, the International Center for Tropical Agriculture (CIAT) and the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA).

The initial training through the learning alliance enabled the CRS Kenya team to start applying an agroenterprise approach to its agriculture program. As the program progressed, the Learning Alliance enabled the Kenya team to compare notes with agroenterprise projects in other countries, and to adapt their work accordingly.

Existing Groups

CRS Kenya realized the need to help farmers market their produce as a group in order to get better prices. Numerous groups of farmers already existed in both Mbeere and Homa Bay. Most of these had been formed through government and NGO projects; CRS was already working with many of them. Working with these existing groups was preferable to forming new ones, as they are already organized and cohesive. But the groups were involved in many different types of activities—production, soil and water conservation, petty trading, technology testing, credit merry-go-rounds, and so on. Many were looking for ways to increase their income on a more consistent basis. It was necessary to introduce the idea of marketing to these groups and give them the skills they needed to be successful.

Motivating for Collective Marketing

The project team met with each of the farmer groups to introduce the idea of agroenterprise development to them and to explore their interest in working together in a joint marketing enterprise. The team took representatives of the groups to various markets to see how the pulses were traded, explore prices and meet traders and processors. These representatives returned to their villages and told their fellow group members what they had seen.

The need for collective marketing must not be imposed onto the farmer groups, but they should be mobilized, sensitized and organized so they can carry out the activity. In Mbeere and Homa Bay, all the groups were eager to learn how to organize themselves to start participating more actively in marketing activities. The project team facilitated the groups to embrace the agroenterprise process; the farmers made their own decision whether to participate.

Strengthening Group Dynamics

The groups were particularly weak in a range of skills, including management, organization, business and marketing. It was necessary to improve their skills before they could market their produce collectively. At first, the project team had no training tools to build this capability. In 2003, one of the project partners trained staff of the Ministry of Culture and Social Services on group dynamics: subjects such as leadership, management and group governance.

The project team then in turn trained the farmer groups on these subjects. The team visited each village and met with each group. The discussion covered the following subjects:

- group size and membership
- constitution of the group
- registration of the group with the government
- leadership and management
- communication
- group support, linkages and collaboration

The discussions lasted half a day, on the same day as farmer meetings. They were held in the afternoons, to make it easier for women to attend after they had finished their morning chores. The team introduced each subject to the group, and then asked them how they wished to deal with it. For some of the subjects, the team informed the group members of rules (such as the need to have a constitution in order to register the group with the government and open a bank account). On such

subjects, the team made proposals that the group then adapted if necessary (for example, on the constitution). Other subjects were more open: the group was free to make whatever decision they chose (for example, on the number of officials and their duties).

By the end of the discussion, the groups had reached consensus on how they wished to manage themselves.

Group size and membership. The project team encouraged the groups to constitute themselves into 15–25 members each for ease of management and decision making, coherence and conflict resolution. Some of the groups were already the right size, so no change was necessary. Other groups were too big or too small: the team encouraged them to split into smaller groups or combine as necessary.

Later on, after the market opportunity identification phase, the groups decided to specialize on a certain commodity (green grams or pigeonpeas for Mbeere, and groundnuts for Homa Bay). This specialization was necessary so the members could produce the volume of grain required by the buyers.

Constitution. To open a bank account in Kenya, a group must register with the government. To do so, it must have a formal constitution that sets the ground rules on how the group will function. Quite apart from the legal requirement, agreeing on such rules is a good idea anyway, as it acts as a road map for the group. When the group has problems or challenges, the constitution is the map that reminds them where to go. The constitution states the group's vision and membership, the number and responsibilities of the group officials, how they are elected, the frequency of meetings and elections, the responsibilities of members, rules for conducting business, and bylaws on things like how to deal with members who break these rules.

Strong emphasis was put on the core values of sharing, discipline and joint responsibility for collective marketing. Other features included the need to comply with product quality and quantity management procedures, the planning and implementing of resolutions, regular attendance at meetings, paying the agreed membership subscription, penalties for non-compliance, and contributing to savings schemes.

Those groups that already had a constitution revised them to include agroenterprise development as one of their activities.

Registration of groups. The project team told the group members of the benefits of registering with the government, and how to do so. Each group member had to contribute towards the registration fee. Most of the farmer groups got registered within the first year.

Leadership and management. The project team encouraged the groups to make decisions in a democratic way so that every member felt he or she was a full participant and owner of the marketing enterprise. Clear leadership and management structures (e.g., a chairperson, secretary and treasurer and marketing committee with marketing representatives) had to be put in place. Each of these positions had to be filled through transparent, democratic elections. The group officials and members had to have clear roles and responsibilities. The group had to keep good records of its activities, minutes of meetings, a register of members, and a record of financial transactions.

Finance is an important part of any agroenterprise group. The group members agreed to start a savings scheme that would lend money to members. These savings and lending activities occur all year round, helping continue the group activities and coherence through the dry season, when there is no produce to grow or sell. The members could use the money they borrowed from the scheme to invest in other, off-farm businesses.

Communication. The project team encouraged the groups to hold regular meetings to plan their activities and to assess their performance. Everyone attending the meeting had an opportunity to contribute to the discussion and make decisions. These meetings were opportunities to keep members informed and involved, so building their trust in the group. The meetings ensure that group members are not just passive clients but are active participants of the process of learning how to manage an agroenterprise by doing it.

Marketing and Business Skills

The second area where the groups needed to improve their skills was in marketing and business. For this, the project team used training materials developed by CIAT and CRS specialists, which they had used during the Learning Alliance workshops. These materials covered subjects such as getting started for market-oriented production, knowing their product and capacity to supply to the market, understanding market opportunities, organizing for market competitiveness, and preparing to engage or test the market.

The team used various methods to improve the groups' skills in these areas. These included short training sessions for the whole farmer group, coaching of the marketing representatives of the groups, and facilitation of activities such as visits to markets and processors.

This process of skills improvement took place throughout the agroenterprise development project. The subjects covered depended on what was important at each stage in the project. For example, during the market opportunity identification, the

subjects covered the four Ps of marketing (product, price, place and promotion), supply and demand in relation to the cropping calendar, record keeping and how to determine the cost of production.

Five Types of Skills

CRS Kenya began the agroenterprise development process with only limited experience in this topic. As the project progressed, the team learned more about the types of skills that farmer groups needed to manage a successful agroenterprise.

These skills fall into five types (see also Figure 5):

- **Group organization and management** (the capacity to work together effectively as a group)
- **Savings and internal lending** (savings and financial management)
- **Basic marketing and business skills** (capacity to develop a sustainable relationships with buyers)
- **Natural resource management for sustainable agriculture** (the ability to maintain and improve the productivity of local natural resources).
- **Innovation and experimentation** (the capacity to access, adapt and apply new technology)

However, CRS did not have training modules for all these skills. Beginning in 2008, CRS started working with the Cornell International Institute of Food and Agriculture Development (CIIFAD) of Cornell University to develop and test a set of training modules in western Kenya, including Homa Bay. These modules are aimed at field agents so they can facilitate farmers to acquire these skills. One of the modules, on savings and internal lending, had already been developed for other purposes, and is ideal for agroenterprise groups.

Linking to Support Organizations

CRS and its partners realized that farmer marketing groups were more likely to succeed if they were linked to business development service providers. These service providers included national government agencies, local authorities, financial institutions, input suppliers and other farmer and industry organizations. The team helped the groups connect to the market and linked them to business service providers such as the Kenya Agricultural Commodity Exchange (KACE) (for market information), the Ministry of Agriculture (extension services), diocesan microfinance institutions, transporters and farm input suppliers. After their initial introductions, representatives of the farmer groups dealt with these organizations directly. The group representatives also negotiated with the buyers directly. The project team helped facilitate the initial meetings, but did not get involved in the

negotiations: the group representatives had to negotiate the quantities, timing, prices and terms of payment, and show their groups were committed to supplying the produce as agreed.

Group Maturity

As the groups gained experience with their agroenterprise, they also gained in skills and progressed towards maturity. It took 3 years or more of intensive facilitation by the team to develop and practice these skills. Typically, a team member would visit each group once a week (more often during the harvest season) to check on activities and guide them on the next step. A team member was able to deal with five groups at any one time, in collaboration with the government extension services.

Those groups which already had experience in group management and organization and had a savings scheme were better prepared to participate in the marketplace than those which lacked these skills. It is advisable to help groups at a very early stage to engage in markets, and give them the skills to do so.

Second-Tier Associations: The Next Level

In their first year of operation, the primary groups successfully collected and marketed their produce as a group. The project team had facilitated an agreement between the groups and a buyer in Nairobi. But the volumes of produce were still too small to command as high a price as was hoped. The groups realized it would be more efficient to collect a larger amount of produce so a lorry could pick it up all at once.

That meant organizing the primary groups into a producer marketing group. The project team helped five or ten primary groups in a particular area to form such a second-tier organization. That in turn meant that the project had to help these second-tier organizations get organized, agree on a constitution, register with the government, and so on.

Each producer marketing group has an executive management committee, one of whose members is charged with looking for markets, negotiating prices and reporting back to the marketing group. Farmer members of the group pay KSh 2 per kg sold to cover the costs of marketing the produce—including transport, mobile phone air time, and so on.



Figure 17. Producer marketing groups bulk farmers' produce so they can sell it for a higher price

The producer marketing groups faced a new set of challenges. For example, they played many of the same roles as traders: bulking, packaging, hiring transport, seeking new markets, etc. This created resentment among the traders, who felt they were being bypassed. It also resulted in suspicion among the primary groups, which felt that the second-level organizations were merely duplicating what they already did. Facing these challenges required the second-level groups to have new types of skills and more professional management. But they did not have the funds to pay a professional salary, so were forced to rely on group members who worked on a semi-voluntary basis. This continues to be a problem for such groups, and CRS is helping strengthen them through training and advice.

Growing Markets

The first trial marketing in 2004 was done with 170 groups (3,463 farmers), and sold 177 tons of produce. By 2007, 349 groups in the two districts, with a membership of 9,220 farmers (over 60% women) were engaged in collective marketing. Through these groups, 39.4 tons of high-quality groundnuts, pigeonpea and chickpea seeds were distributed to the farmer members. A total 41,700 of farmers were trained on husbandry practices, record keeping and marketing through residential or on-farm training, or at demonstrations and field days. The farmers marketed 1,500 tons of legumes worth a total of \$900,000. The seed sold to other group members generated an additional \$24,000 for the seed growers.

Challenges and Way Forward

Inadequate governance. Despite the training, several groups remained weak on governance, transparency and record keeping. For example, long-established, powerful officials of an existing group may resist efforts to introduce more democracy. It takes time for members to embrace a new way of doing things such as keeping accurate records or taking minutes of meetings. The members sometimes do not realize that they, not the officials, are the ultimate decision makers. Improved training (using the five skills sets, figure 5) will help overcome this difficulty, and the problem tends to diminish over time as the group matures.

Insufficient capital. Small groups were sometimes frustrated by the lack of capital for them to invest in their enterprise ideas. Without a capital cushion, the groups could not pay farmers immediately, so the neediest farmers would sell their produce to a trader who would pay them in cash on the spot—even though the price was lower. This side-selling reduced the amount of produce that the group had to sell. Encouraging savings and internal lending schemes can help build the group's capital. A warehouse receipt system, where the crop stored in a warehouse acts as security for a loan, might help overcome the capital shortage at critical times.

Forecasting production. To plan for the marketing, the groups needed to forecast the amount of produce they would have to sell. But it proved difficult to collect this information from farmers: the farmers were either unable or unwilling to divulge the data. Unaware of the importance of this information, group officials neglected to collect it, leaving the marketing officials unable to negotiate contracts with traders. More training to raise awareness of this issue and simple data collection methods would help.

Business orientation and entrepreneurship. Farmers who are not used to the rigors of the market lack a business orientation and the initiative to take advantage of new opportunities. They do not plan ahead or seek information on better markets. They may sell to a trader who offers a better price today, breaking a longstanding contract to supply to another buyer. This destroys confidence, making it difficult to form long-term, mutually profitable business relationships. Training on marketing and business skills should help overcome this problem.

Dependency syndrome. It is difficult for some groups to outgrow their dependency on the development organization, with its advice, funding and support. CRS tries to combat this by facilitating rather than implementing, and by training farmers from the beginning to handle key activities themselves.

Suspicion of cooperatives. In Kenya, as in many countries, farmer cooperatives were imposed by Government using a top down approach, and were subject to

mismanagement, corruption and government interference, particularly during election times. Farmers are justifiably wary of committing themselves to something they think looks like a Government co-op. Training again is key to overcome this: training on good governance, transparency and accountability should improve the way groups are managed.

Role of women. In most of the groups, the majority of the members were women. However, they took a back-seat role in decision making, which tended to be dominated by men. Even though women did most of the farm work and post-harvest handling, the men sold most of the produce. This pattern was also seen in the group marketing efforts. In Homa Bay, the project partner required all groups that participated in the agroenterprise activity to reserve at least one leadership position—preferably that of treasurer—for women.

Linking to local traders. The Mbeere and Homa Bay groups sell their produce to a trader in Nairobi. But relying on a single buyer, a long way away, is risky. The groups need to develop mutually beneficial relationships with traders closer to home. This will spread risk and boost the local economy.

Entry points. In Mbeere and Homa Bay, farmer groups already existed that the project team could use as a basis for agroenterprise development. The CRS team knew these groups well. But what if there are no suitable groups in the area, or if the project team does not have a relationship with them? In such cases, it is necessary to work with the local leaders, call community meetings, explain the agroenterprise concept and the need to work in groups, identify those farmers who are interested in participating, and encourage them to form groups with their friends and neighbors, before undertaking the steps described in this chapter. See the case study from western Niger, above, for ideas on how to do this.



Step 1.5 Choosing Products

Identifying and understanding markets is crucial if farmers' organizations are to be effective in marketing their members' produce. But often in development projects, such market research is done by outsiders using sophisticated methodologies who then inform farmers of their findings. Because the farmers are not involved in the research, they barely understand the results and do not know what actions to take in response.

Market opportunities identification is a participatory research process that enables small-scale producers to study their market chain themselves and identify

opportunities that can provide better returns for their crops. It raises farmers' awareness of their market, helps them find opportunities that interest them, leads them to choose among several enterprise options, and enables them to act as a group on the option they choose. Rather than handing the findings to farmers on a plate, it builds their capacity to understand their market and identify opportunities. It empowers them to conduct similar market identification exercises in the future with minimal support from on outsiders.

Small-Scale Coffee in Mindanao, Philippines



JESSAN CATRE

Threatened at First

“When the CRS introduced its marketing project in the villages where I trade, I initially felt threatened as I feared that the small coffee farmers might bypass me and deal directly with Nestlé,” says Joe Siarot, a coffee trader in Bukidnon, Mindanao.

“I was hesitant to join the market research being done by the farmers but later realized that my role can shift from being a coffee trader to a market facilitator and still profit from the increased volume in our partnership.”

Joe has found that working with the farmers paid off. By providing valuable information on coffee trading, the farmers of Bukidnon have been able to expand their businesses. That in turn led to better business for Joe—and proved an eye-opener for the farmers. They had thought that traders exploited them and earned large profits for doing little. Through Joe Siarot, CRS and the farmers came to realize the true role and contribution of the traders.

A Picture of Bukidnon

CRS Philippines has been operating in the country for more than 50 years providing peace-building, emergency, health and agriculture services. In November 2004, with support from the United States Department of Agriculture, CRS launched a Small Farms Marketing Program targeting 3,500 small upland farming households in five of the poorest provinces. This program works through NGOs and local government in the fields of agriculture extension, market assistance, rural infrastructure and natural resource management.

The fertile soil and good climate in Bukidnon, in the heart of the southern island of Mindanao, make it ideal for growing many types of crops, and major multinational agribusiness corporations such as Dole, Del Monte and Chiquita are established here. But mountainous Bukidnon is also home to the Manobo indigenous people,

most of whom are poor, subsistence farmers. Upland indigenous farmers in Bukidnon usually grow corn (maize), coffee, abacá (a banana-like plant that produces fiber) and vegetables, selling them to village traders at very low prices. Without alternative markets or information on prices, they rely totally on prices set by these traders. The same traders also finance the farmers' production and provide them with cash loans, leaving the farmers trapped in a cycle of debt and poverty.

CRS runs a rural development project in Bukidnon in partnership with Kaanib Foundation, a local NGO. In April 2005, CRS introduced the agroenterprise approach into this project in three upland villages in the province. Early in the project, CRS had received a bid from a business services provider to conduct a village-level market study. This would have cost \$11,000 per village. Faced with this bill, CRS decided instead to build its own institutional capacity, and that of Kaanib and local farmers, to conduct market research.

Organizing to Study Markets

In May–June 2005, a working group consisting of CRS, Kaanib, the local government and selected community leaders identified farmers and traders to make up village market research teams. The working group agreed that the teams should include farmers who grew major crops in the village and who were engaged or experienced in selling or trading. The team members had to be of good repute in the community and endorsed by the local village council. Each team was to include both men and women. On the basis of these criteria, five farmers in each of three villages were selected, along with a local trader—Joe Siarot. Because of the suspicions among the farmers towards the traders, it was important to find the right person. Kaanib checked Mr. Siarot's reputation with key local farmer leaders before inviting him to join the team. CRS and Kaanib then held focus group discussions with the farmer members of the team in their villages to identify the major crops and the corresponding market chain. The main crops in the three villages were coffee, abacá and corn.

In July, a five-day marketing and agroenterprise orientation and planning workshop took place for the teams of farmers, Mr. Siarot, and Kaanib and local government staff. CRS and Kaanib hesitated at first to include the trader in this activity, but agreed to try out the idea because of his good reputation. The workshop included sessions on marketing and agroenterprises, as well as an exposure trip to a local market to interview traders who had been identified in the initial village market chain analysis. The main traders for coffee, abacá and corn and the movements of these crops along the chain were identified—from the village to the municipal and sub-provincial level. Nestlé (producers of Nescafé instant coffee) and a local monastery of Benedictine monks (which makes a brand called Monks' Blend) were identified as major end-buyers of Bukidnon coffee.

As a result of the training, the farmers formed a “marketing local research team” in each village to assess the supplies of each product and to study the market chain. The training also produced a plan of activities, a list of resources needed, and a timeframe. The teams decided to conduct surveys by inviting all coffee, abacá and corn farmers in each village to half-day assemblies, and by holding key informant interviews with traders. Each team would be responsible for gathering primary data on crops produced in its village; finding out how these crops were sold, who bought and sold them, how the crops were produced and how they were dried, stored and processed; and investigating financing and other related services.

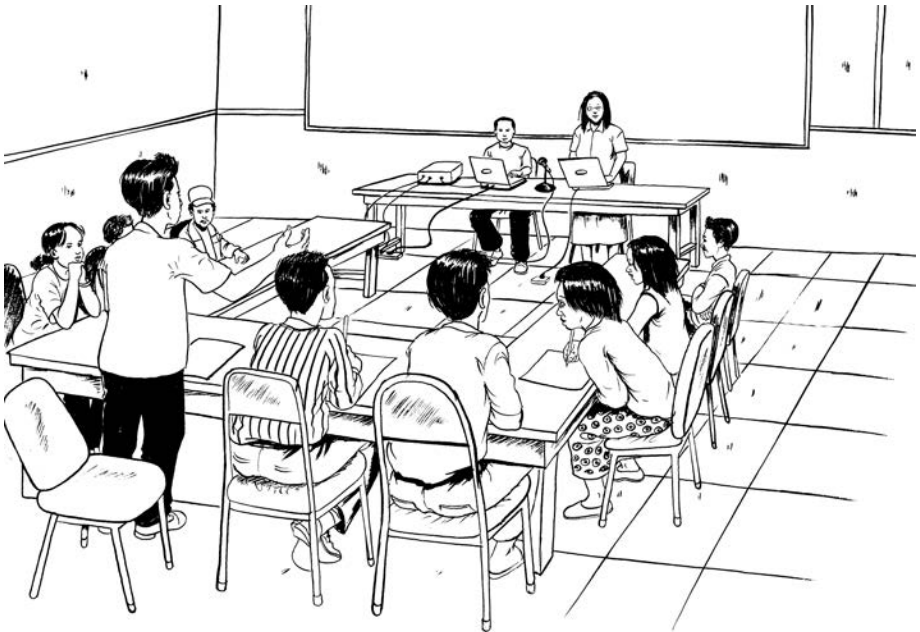


Figure 18. The marketing and agroenterprise orientation and planning workshop brought a team of farmers together with traders, NGOs and local government staff

But what questions should the teams ask? How should they gather and record the information? These questions were answered a few weeks later, when all the teams came to a meeting to design a survey form and finalize their activity schedules. Two survey questionnaires were developed: one to farmers (to gather information on supplies), and one for buyers (which focused on demand). CRS provided the teams with forms, calculators, pens, papers and notebooks. Figure 19 shows part of these forms.

SURVEY – FARMERS

1. Personal nga Kasayuran

- 1.1 Ngalan sa Farmer _____ 1.2 Edad _____
- 1.3 Ngalan sa Asawa/Bana _____ 1.4 Edad _____
- 1.5 Puluy-anan (address) _____
- 1.6 Kadugayon nagpuyo sa maong address: _____ tuig
- 1.7 Kadaghanon sa anak _____
- 1.8 Kadaghanon sa gapuyo sa panimalay _____

2. Kasayuran Bahin sa Yuta, Sangkap ug Panguma

- 2.0 Pila ka luna ang imong gitikad (gipanag-iyu ug gipletehan/gihulaman)? _____

2.1 Kasayuran bahin sa yuta:

Luna	Asa Dapit?	Kaluagon? (ektarya)	Unsa ang status o kahimtang? 1. Gipanag-iyu, 2. Gipletehan (fixed bayad), 3. Gipletehan (bahin sa abut), 4. Hinulaman, 5. Uban pa
1			
2			
3			

2.2 Mga gipanag-iyu nga mga sangkap sa uma:

Klase	Pila kabuok?	Klase	Pila kabuok?
1. Arador		6. Guna/PTI	
2. Daro		7.	
3. Paragos		8.	
4. Karomata		9.	
5. Sprayer		10.	

- 2.3 Unsa kadugay ka na nag-uma? _____ tuig
- 2.4 Unsay imong mga tanom?

Ranking 1. _____ 2. _____ 3. _____

3. Kasayuran Bahin sa Tanum

- 3.1 Unsa kaluag ang imong gitamnan? _____
- 3.2 Pila ka punuan ang naa sulod sa imong uma? _____
 - 3.2.1 Pila ka punuan ang gabunga? _____

SURVEY – BUYERS

1. General NGA Impormasyon

- 1.1 Ngalan _____
- 1.2 Edad _____ 1.3 Sex _____ 1.4 Civil Status _____
- 1.5 Puluy-anan (address) _____
- 1.6 Kalambgtan diha sa negosyo: _____
 - 1. Tag-iyu _____ 2. Empleyado (position) _____

2. Impormasyon Kabahin sa Negosyo

- 2.1 Ngalan sa negosyo (business) _____
- 2.2 Tuig natukod _____
- 2.3 Lokasyon sa maong negosyo: _____
- 2.4 Pila ka-tindahan nga gipanag-iyu o nag-lihok sa laing lokasyon: _____
- 2.5 Lokasyon sa mga tindahan sa laing lokasyon: _____
- 2.6 Klas sa ne gosyo: _____
 - 1. Wholesale _____ 2. Retail _____
 - 3. Agent Middleman _____ 4. Others, specify _____

3. Impormasyon Kabahin sa Pagbaligya

(previous Year: Setyembre 2004 – Agosto 2005)

- 3.1 Mga produkto nga gidumala (products handled) _____

3.2 Producto nga gipalit, Kasagunon sa Pagpalit ug ang Gidaghanon

3.2.1 Kasagunon sa pagplit (kada-adlaw, kada-semana, etc.)	
3.2.2 Pila kasagaran ang gidaghanon kada palit?	
3.2 Tantiya nga gidaghanon nga gidaghanon sa palit kada-tuig?	
3.2.4.1 Bulan nga taas ang maong pagamalit?	
3.2.4.2 Volume o gidaghanon?	
3.2.4.3 Presyo kada kilo?	
3.4.5.1 Bulan nga ubos ang maong pagpamalit?	
3.4.5.2 Volume o gidaghanon?	
3.2.5.3 Presyo kada unit?	

(Note: Ikalaro ang unit o kilo sa pagtubag sa volume o gidaghanon)

3.3 Asa gikan ang maong produkto?

- _____ 1. Farmer _____ 2. Trader _____ 3. Agent _____
- _____ 4. Others, specify _____

3.4 Kinsa ang imong palabihon nga gigikanan sa maong produkto? _____

3.5 Ngano? _____

Figure 19. Part of farmer survey form (in Tagalog)

Gathering Market Information

The teams were now ready to collect the information. From August to September, the teams, supported by the working group, conducted crop assembly groups that drew in almost 400 farmers from the three villages. They also interviewed more than 10 traders in two municipalities. The teams then met to consolidate the survey results.

While the teams surveyed supply and demand survey at the village and municipal levels, Kaanib staff studied markets at the municipal and sub-provincial levels by meeting traders and other market players. To cover the regional and national levels,

CRS interviewed actors and gathered secondary data on Nestlé and other specialty coffee buyers in Manila.

Collating and Analyzing Data

At a five-day workshop in September 2005, the village teams, Kaanib and CRS reported the results of their market research. The findings covered a wide range of subjects: farmers' inputs, production, cultural practices, post-production processes, marketing methods and problems, and buyers' profiles. All this information was grouped according to major crops: coffee, abacá, rice, corn (yellow and white varieties) and vegetables (tropical and temperate types).

Of the five crops studied in the workshop, rice, corn and vegetable were de-prioritized by Kaanib as they had on-going projects on these crops from other donors. Thus the initial agroenterprise efforts started with coffee and abacá. The workshop participants formulated plans to conduct more detailed market chain studies on these two crops. The rest of this case focuses on coffee.

Among the highlights of the village-level research were: 62% of the respondents tilled less than a hectare of land; 61% owned the land they tilled, and 20% were on leasehold. The most common tools included hand weeders, ploughs and sprayers. Only 20% owned cows and used them for draft. About one-third used agrochemicals, while another third did not use any external inputs. Four-fifths of the farmers said that financing was a constraint to production.

Robusta was the only coffee variety planted. Production-related problems included old, non-productive coffee trees, coffee borer attacks, and a lack of fertilizers. The only crop maintenance was regular weeding and clearing. Farmers used crude equipment to manually depulp and dry the cherries to produce beans.

The coffee harvest lasted from November to March. Some farmers sold coffee cherries, but most sold green coffee beans—an average of 50 kg per week each. During the previous season, local traders' prices for ungraded coffee fluctuated from \$0.44 to 1.10 per kilogram. The survey identified five village coffee traders, with Joe Siarot as the second biggest. Sixty percent of the farmers mentioned *suki na* ("attachment") as the reason they preferred to sell to a particular buyer, while only 13% cited high price. Half of the respondents waited for traders to pick up their coffee, while the other half delivered their beans to the traders' stores at the town center, paying \$0.03/kg for transport. The farmers mentioned several marketing-related problems: low buying price, high cost of transport, low coffee quality, and poor roads.

Kaanib's municipal and provincial market research revealed that all five traders re-dried and sorted the green coffee beans they had bought and sold them on to a Nestlé

plant at Cagayan de Oro City, about 80 km away. The Benedictine monks said they bought robusta and arabica beans at a premium of \$0.22/kg over Nestlé's price. The monks had slightly less stringent quality requirements than Nestlé. No other institutional buyers were identified in the area.

CRS research at the regional and national levels showed that robusta accounted for 75% of the country's coffee production, arabica for 5%–10%, with excelsa and liberica (two other species) accounting for the rest. Domestic demand stood at 61,000 tonnes, but domestic production was only around 34,500 tonnes, of which 56% was in Mindanao. The shortfall was imported, mostly from neighboring Vietnam and Indonesia. Soluble (instant) coffee accounted for 93% of the local market, with roast and ground coffee making up the remaining 7% ground. Domestic demand was growing by 3% a year.

Nestlé controls at least 80% of the market, with the remainder distributed among other soluble coffee importers such as San Miguel and URC, and specialty and organic coffee companies, such as Figaro, Monks' Blend, Serenity Coffee, Bo's Coffee, and Barako Brew. Except for Nestlé and Monks' Blend, all the other players operated outside Mindanao. CRS' research found that Nestlé was purchasing robusta green beans at between \$0.66 and 1.55 per kilogram in Cagayan de Oro, and clarified the buyer's quality requirements and payment arrangements.

After the workshop, the village teams presented the findings and decisions made in the workshop to their respective village assemblies.

In the same month, CRS and Nestlé trained 111 farmers in the three villages on how to rehabilitate and rejuvenate their coffee plantings.

Market Exposure Trip

In February 2006, CRS sponsored an exposure trip on coffee marketing for 36 farmers, traders, Kaanib and the local government's agriculture staff. Many of the farmers had attended the coffee-rehabilitation training the previous September.

The group first visited Monks' Blend in Bukidnon, then Nestlé in Cagayan de Oro City. Both companies informed the visitors about their pricing, payment schemes, delivery and quality and quantity specifications. By this time, Monks' Blend had changed its pricing scheme; company representatives told the farmers that their buying price was now \$0.22 less than Nestlé's prevailing price.

At the end of the trip, CRS and Kaanib helped the farmers form three clusters, one for each village. Each cluster then proceeded to formulate an agroenterprise strategy and plan for test-marketing in the coming harvest season. They aimed to consolidate 5 tonnes of Grade 1 green coffee to sell to Nestlé. To do this, 27 cluster members committed to supply

a certain amount of beans. The clusters also mapped out how they would handle their post-harvest processing, consolidate and deliver the crop, and control for quality. They computed the costs and returns and decided to provide marketing services to members based on a fee. Finally, each group set up policies and procedures to manage themselves. To assist them in all these tasks, Joe Siarot undertook to coach the cluster leaders and help them manage the quality-control system. The clusters also contracted him to transport the coffee from the production area to Cagayan de Oro City at a transparent, negotiated price. Thus, the first agroenterprise clusters in Bukidnon were born.

Delivering the Beans

As a result of all these steps, in March and April 2006, 15 farmers in the three coffee clusters consolidated 2 tons of green robusta beans and delivered them to Nestlé. All these beans were given highest quality grading by Nestlé in terms of moisture content, triage and cup taste. The farmers who participated earned a premium of \$0.06 per kilogram over the local traders' price.

The traders operating in the villages responded: afraid of losing business, they upped their buying price by \$0.04 per kilogram. That benefited all the coffee farmers in the three villages.

At a meeting to evaluate the experience and plan future steps, the clusters decided to target more farmers and aim to deliver a bigger volume. In August 2006, CRS brought the owners of Serenity Coffee Corporation—a Fair Trade practitioner—to Bukidnon. A partnership with the coffee clusters was forged, and as a result, 65 Bukidnon farmers consolidated 6.6 tonnes of robusta beans; 99% were classified as Grade 1 and 1% Grade 2 during the January–March 2007 harvest season. Farmers received an average premium of \$0.55 per kilogram over the local traders' price.

Just as important for the farmers as the increased income were their new skills in market research and opportunities identification. Dealing with various traders and buyers boosted their confidence in negotiating. Exposure to the market changed their mindset from a production orientation to one that was more entrepreneurial. The participatory methodology also raised the market awareness of farmers in the three villages who had not participated directly in the research.

For CRS and Kaanib, the experience with the coffee farmers in Bukidnon affirms their belief that given proper training and mentoring, farmers can and should do the market research themselves. Both organizations also gained through their improved ability to facilitate agroenterprise development.

For the local government, the process led to more technical assistance to farmers on coffee production. As for trader Joe Siarot, his role in the chain has been redefined as

a fee-based market facilitator who retains his margins and can help the farmers in a more transparent, equitable manner.

Problems and Challenges

Time. It took 8 months from the first workshop to the market exposure trip to complete the market opportunities identification process. This was a period of experimentation for all concerned—CRS, Kaanib, local government, the trader, and farmers. The farmers were excited during the first few months of the process, but their interest waned as the months wore on. In other sites, CRS shortened the process so it lasted no more than 4 months.

Cost. The crop assemblies and market exposure trip were expensive. Organizations wanting to help farmers analyze markets but which have limited resources would need a more cost-effective means of doing so.

Too much data. The first market opportunities analysis gathered too much data on production and markets at different levels: village, municipality, province and nation. In subsequent market analyses in other areas, data were classified as “need-to-know” and “nice-to-know.” These analyses dealt only with information that was thought essential for the farmers to plan their agroenterprise strategy.

Identifying Market Opportunities in Burkina Faso



JUSTIN ILBOUDO

“You Opened My Eyes”

“Do you know that I learned a lot today?” said Lamourdia. A farmer from Gnagna province in eastern Burkina Faso, he had spent a long day in the busy market. But he was not there to buy or sell. Instead, he was doing research: he had walked from stall to stall, questioning traders, watching negotiations, and inspecting the sacks of produce that were being bought and sold.

Lamourdia’s fellow villagers had sent him as part of a team of farmers to collect data in the market. It was a new experience for him; he told the CRS market facilitator who was coordinating the team. “You opened my eyes. At the beginning, I wondered why it was necessary to ask all these questions about the quality of the products bought by the traders, the quantities which they require, the measuring units, the periods of purchase, the customers’ needs, etc. Now, with the explanations given by the wholesalers, I understood that if we bulk our stocks of products such as groundnuts or cowpea at the village, they can directly come to buy them from us without passing through the middlemen.”

Lamourdia was confident that the information would be valuable to plan the village's marketing efforts: "When I go back to the village, I will report to the other members of our market committee", he said. "We will begin sensitizing the whole village about bulking of our products for sale during the next campaign. I asked for the cell phone numbers of the main wholesale traders and I will call them myself as soon as we are ready next year. I will agree to sell our groundnut or sesame stocks to those of them that offer the best price. But I'd like you to continue to help us in getting good seed which has good yield. We also need knowledge and skills to improve our production."

A Need for Cash

Since 2004, CRS has been supporting a natural resources management project in Gnagna, one of the poorest provinces in Burkina Faso. This project is in partnership with Association Tin Tua, a local NGO which strengthens farmers' organizational capacity. The project targets 1,525 poor farmers in 25 villages, providing them with technical training and equipment for soil and water conservation. As a result of what they have learned, farmers' yields of food crops such as sorghum and millet have risen.

At the project's midterm evaluation, many of the farmers said they were very happy to have enough food because of their higher yields. But they said that without cash crops, many still had to sell their food grains so they could pay for school fees, medicines and clothes.

CRS and Association Tin Tua saw the farmers' point. They decided to help them develop their cash crops and link them to markets. This would complement the project's existing focus on natural resource management and household food production.

CRS' two agroenterprise specialists and natural resources management project manager formed an agroenterprise team along with staff of Association Tin Tua and five farmer representatives.

The first task of this team was to organize a study of five villages that had been chosen for the agroenterprise development work to assess the local potential for agroenterprise. It conducted an overview of the agroecological characteristics, existing assets and opportunities in the territory. It identified several major limitations and threats to the development of agroenterprise: insufficient rain, limited use of improved production and processing techniques, limited access to credit to purchase fertilizers, cattle feed and equipments, insecurity (theft of animals), problems in packaging and conserving produce, and low prices during the harvest period.

After this step, the team conducted a market opportunities identification study to identify the most appropriate cash crops or livestock that could generate income for the farmers, and to help them select the most promising options.

This phase included five steps:

1. Planning the rapid market survey
2. Implementing the survey
3. Assessing the market options by the agroenterprise team
4. Selecting among the alternatives
5. Further analysis of the chosen products

Planning the Rapid Market Survey

The team revised and modified the initial action plan to take into account the proposed activities. The CRS agroenterprise specialists designed checklists and forms to gather the data collection and evaluate enterprise alternatives (see the example in Box 16). The survey covered all the agricultural products sold in the market of the territory: vegetables, cereals, etc. In addition, the team defined criteria to guide the selection of the most viable alternatives.

Box 16. Checklist of questions to ask buyers

Date:

Market:

Person interviewed:

Type of buyer (retailer, wholesaler, village collector...)

1. What commodities do you buy?
2. Which commodities have a **high** level of demand? Why is there this amount of demand? Who buys each type of commodities, and where is each produced?
3. About how much of the commodity do you sell? What percentage of your total business does this commodity account for?
4. Which commodities have a **moderate** level of demand? Why is there this amount of demand? Who buys each type of commodities, and where is each produced?
5. Which commodities have a **low** level of demand? Why is there this amount of demand? Who buys each type of commodities, and where is each produced?
6. Who supplies these commodities? What types of quality do they supply? Where are they located?
7. How much of each commodity do you buy? How often? Where do you take delivery?
8. For each commodity, on what terms do you buy? In terms of quality, price, processing, packaging, conditions of payment?
9. Are the commodities you buy easy to find? If not, why not?

Implementing the Survey

The team that conducted the survey included seven project staff and the five farmer representatives, supervised by the two CRS agroenterprise specialists, making 14 people in all. The specialists trained the members of this team on how to collect data using the checklists and forms.

The survey team collected data in the main regional food markets, notably in Manni and Bogandé, and in the Manni cattle market. They used a checklist to interview individual traders, traders' organizations, and as well as owners of restaurants in Manni and Bogandé. The initial survey took 3 days, with 2 days' follow-up to gather supporting information.

Assessing Options

After collecting the data, the team tabulated and analyzed the results. Table 8 shows the types of data collected for three of the commodities: groundnut, cowpea and sesame.

Table 8. Example of data collected in market survey

	Options	Groundnut	Cowpea	Sesame
Agronomic characteristics				
Pre-production cycle	• Days or months per year	• 2–3 months, depending on variety	• 45 days to 2 months	45 days
Complete cycle	• Days or months per year	• 2–3 months, depending on variety	• 2–3 months	45 days to 2 months
Technical information	• Production techniques	• Seed treatment • Seeding • 2 weedings • Harvesting and processing	• Seed treatment • Seeding • 2 weedings • Treatment of standing crop • Harvesting and processing	Seeding 1 weeding Thinning Harvesting and processing
Soil requirements	• Fertility, pH	• Low fertility • pH 4–5.5	• Low fertility • pH 4–5.5	Low fertility
Inputs required	• Seeds, fertilizer, etc.	• Seed	• Seed, treatments, organic manure	Seed
Weedings	• Number	• 2	• 2	1
Water requirement	• mm/year	• 400–700 mm	• 400–700 mm	400–800 mm

	Options	Groundnut	Cowpea	Sesame
Pests and diseases	• Types of pests and diseases	• Rosette • Termites • Millipedes • Birds • Rats	• Termites • Stem rot • Millipedes • Birds • Lizards	Termites, Damping off Flower drop
Seasonality	• Crops per year	• 1	• 1	1
Labor needs	• High, intermediate, low	• Intermediate	• Low	Low
Density	• Seeding rate or planting density	• 40–55 kg/ha of seed (depending on variety)	• 18–25 kg/ha of seed	3–4 kg/ha of seed
Area sown	• Average area sown per farmer	• 0.5–1.25 ha	• 0.5–1.0 ha (intercropped with sorghum or millet)	0.25–0.5 ha (pure stands or intercropped with groundnut, sorghum or millet)
Yield	• Production in kg/ha	• 600–950 kg/ha	• 450–1100 kg/ha	450–750 kg/ha
Input supply level	• Source of inputs	• Local and improved varieties from local markets or outside	• Local and improved varieties from local markets or outside	• Local and improved varieties from local markets or outside
Market characteristics				
Current sale	• Yes/no	• Yes	• Yes	• Yes
Perishability	• High, intermediate, low	• Intermediate	• Intermediate	• Low
Transportation availability	• Easy, scarce, difficult	• Easy	• Easy	• Easy
Delivery	• Where output is picked up, e.g., from field, near house, etc.	• Near house • Near road • In local market	• Near house • Near road • In local market	• Near house • Near road • In local market
Storage required	• Yes/no	• Yes	• Yes	• Yes

	Options	Groundnut	Cowpea	Sesame
Type of clients	• Wholesaler, local collector, retailer, industry, food industry	• Wholesaler, local collector, retailer	• Wholesaler, local collector, retailer	• Wholesaler, local collector, retailer
Scope of market	• Local, national, regional, international	• Local, national, regional	• Local, national, regional	• Local, national, international (exporters)
Stability of prices	• Yes/no	• Yes	• No	• No
Market info availability	• High, intermediate, low	• Low	• Low	• Low
Level of demand	• High, intermediate, low	• High	• High	• Intermediate
Quality	• High, intermediate, low	• Intermediate	• Intermediate	• Intermediate
Packaging	• High cost, intermediate cost, low cost	• Low cost	• Low cost	• Low cost
Competitors	• Number, types & strategy	• Large number (all the region)		• Few traders
Promotion	• Yes/no (level)	• No	• No	• No
Commercial link	• Agreement, contract, alliance	• Agreement	• Agreement	• Agreement
Economic and financial characteristics				
Pre-production investment	• Amount	• 0	• 0	• 0
Cost of production	• FCFA / 0.5 ha	• Seed: 3,500 • Labor: 5,000 • Weeding: 5,000 • Harvesting: 7,500 • Total: 21,000	• Seed: 2,000 • Labor: 2,500 • Pest and disease control: 6,500 • Total: 11,000	• Seed : 2,000 • Labor : 2,500 • Total: 4,500

	Options	Groundnut	Cowpea	Sesame
Income	• FCFA /0.5 ha	• Production: 12 bags of 60 kg (0.5 ha) • Selling price: FCFA 7,500/bag • Total: FCFA 90,000	• Production: 250 kg per 0.5 ha • Selling price: FCFA 250/kg • Total: FCFA 62,500	• Production: 150 kg per 0.5 ha • Selling price: FCFA 275/kg • Total: FCFA 41,250
Profit	• FCFA /0.5 ha	• FCFA 69,000	• FCFA 51,500	• FCFA 36,750
Family labor	• All, mixed	• Mixed	• All	• All
External labor hired	• Yes/no (if yes, how much?)	• Yes (FCFA 5000/ha for labor, 750/person/day or 3,500/ha for weeding)	• No	• No
Risk	• Low, intermediate, high	• Low (natural factor = rain)	• Low (natural factors = rain, pests)	• Low (natural factors = rain, pests)

Note: \$1 = FCFA 483

The market survey identified 11 products for which demand was increasing. These products were classified in three categories according to the growth in market demand: high, intermediate or low (Table 9).

Table 9. Long list of products with rising demand

Level of demand	Reasons of primary selection
Products with high demand	
Beef cattle	Local demand Animals are sold in the cattle market for export to neighboring countries (Ghana, Benin) through the market of Pouytenga
Cereals (millet, sorghum, maize)	Local consumption by households High demand from local traders and traders from Ouagadougou (capital) and Pouytenga (regional market)
Groundnuts	Collected by local traders for transport to Ouagadougou and Pouytenga High demand from women who process (shelling, oil extraction and making cake)
Cowpea	Collected by local traders for export to Ghana through Pouytenga market

Fish	Local consumption by restaurants in Bogandé, and modern families, etc; Demand from towns like Kaya, Fada and travelers to Ouagadougou
Products with intermediate demand	
Rice	Local demand from restaurants and households during holidays, etc.
Onion	Local demand from restaurants and households during holidays, etc.
Fruits and vegetables	Local demand from the whole population
Sesame	Demand from a few collectors in the market of Manni and certain buyers from Pouytenga
Products with low demand	
Hibiscus (<i>bissap</i>)	Occasionally demanded in the local market for juice production
Tamarind, baobab, liana, etc.	Used to produce juice and sweet foods for children

How did the team select the alternatives from among this wealth of information? They used these criteria:

- **Existence of market:** There had to be a market for the product.
- **Production feasibility:** The farmers had to be able to produce them.
- **Profitability:** They had to be profitable.
- **Sustainability:** The farmers had to be willing and able to maintain production after the end of the CRS project.
- **Environment:** The production had to have no adverse effects on the environment.

In addition, the team took into account information gathered through formal or informal exchanges with buyers, producers and consumers. They also considered information they had gathered earlier during the village studies.

As a result of this screening process, a shortlist of six products was drawn up that included: beef and sheep meat, groundnut, onion, cowpea, sesame, and hibiscus. Table 10 shows the products and the reasons for their inclusion in the list.

Table 10. Shortlist of options selected

Products	Reasons for choice
Beef cattle, sheep raised for meat	Demand is high and permanent Well known by farmers Important regional market, well organized and with good management committee Profitable
Groundnuts	High and permanent demand for commercialization and processing (production of oil, paste, seedcake, etc.) Land suitable for production Available variety preferred in the market More profitable for farmers than other crops
Cowpea	Sizable demand in Ghana Consumed locally Improved variety available
Onion	Local demand for consumption Some farmers already involved in production Potential for national market Profitable for farmers who already produce
Hibiscus	Easy to produce Possible to link with exporters from Ouagadougou Profitable
Sesame	Permanent demand from exporters in Ouagadougou Land suitable for production Easy to grow More profitable than other crops CRS has experience in sesame production and marketing

Choosing Alternatives

The team presented the shortlist of market alternatives to the people in each of the five villages so they could discuss and decide which would be best. Each meeting took 2–3 hours, with 25–40 people taking part. To avoid the men over-influencing the women's decisions, each community was divided in two groups, women and men.

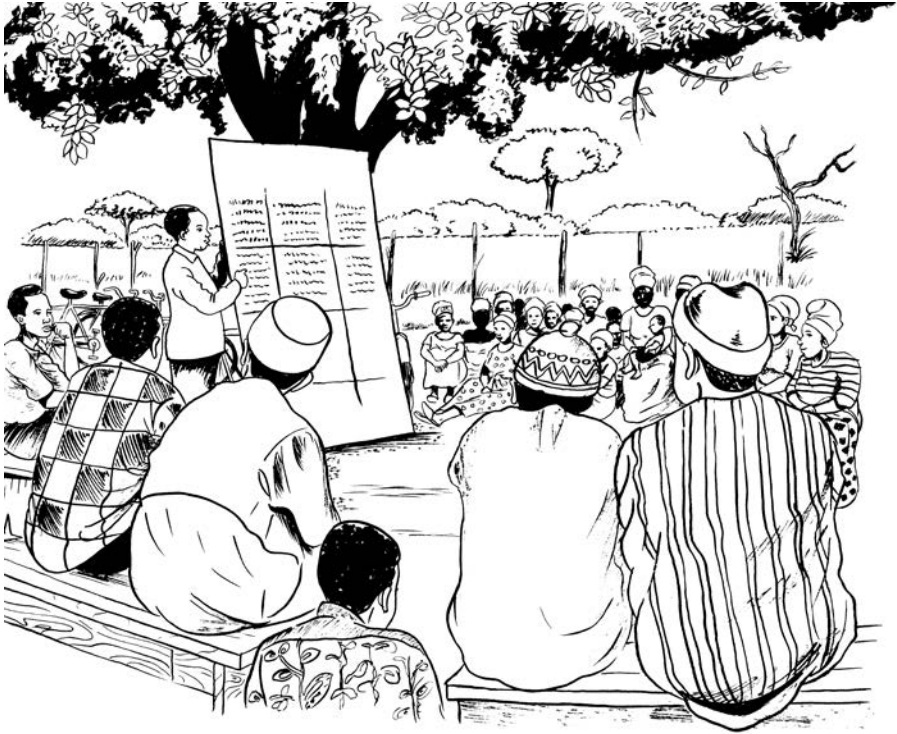


Figure 20. The team presented a shortlist of alternatives to farmers in five villages

Some of the women simply agreed on which enterprise to choose: fattening of sheep, or growing groundnuts, cowpea, hibiscus or sesame. The men opted for fattening cattle, and growing cassava, groundnuts and cowpea. Each community retained an average of three options, and ordered these by priority. At the end, groundnut and fattening cattle and sheep figured in all the villages' choices. In addition, four villages chose cowpea, three chose sesame, and one village opted for onions. None chose hibiscus as a priority (Table 11).

Table 11. Ranking of enterprise options

Village	Cattle and sheep fattening	Groundnut	Cowpea	Sesame	Onion	Hibiscus
Manni	x	x			x	
Bourgou	x	x	x	x		
Soula	x	x	x	x		
Kulfo	x	x	x			
Boulyendé	x	x	x	x		
No. of villages	5	5	4	3	1	0
Rank	1	1	2	3	4	5
Observations	People are involved already in this activity	Cultivated by every household	Cultivated by every household	If marketing problems can be solved, all farmers would grow sesame	A dam in Manni makes it possible to grow vegetables there. They cannot be grown in other villages	No village selected this product

The team also considered the following:

- Farmers were not enthusiastic about **sesame** because prices had been low over the past 6 years. But the CRS program had considerable experience with this crop, and market studies had shown that it could be profitable. It is possible for farmers to obtain fair prices if they learn and apply improved production and marketing techniques.
- Furthermore, Burkina Faso has a lot of expertise on improved techniques of **sesame** and **cowpea** production, and the national research institute (INERA) has developed improved seed and production and conservation techniques for these crops. National demand is high. CRS had partnerships with INERA and Purdue University, so could easily access research expertise. CRS was still connected with major sesame exporters and government agencies concerned with these crops.
- **Cattle fattening** is risky, requires substantial investments, and would not benefit a large number of farmers. It is common that the richer people, such as those with cattle, are influential in group situations, they make more noise than poorer farmers and this bias in attention needs to be facilitated. Plus, it was found in discussions with the farmers that other projects and development

initiatives in the area were supporting this type of activity. CRS had recently divested from a microfinance structure in the area which provides loans to its clients to undertake micro enterprise such as animal fattening including sheep and poultry. So the CRS team felt it was not necessary to fund another initiative on animal fattening in this area.

- Lack of water in most of the villages meant that producing **onions** and other vegetables was not practical and there was no irrigation technologies available, or local input suppliers to maintain irrigation systems.

The team organized a meeting with a large number of farmers' representatives to discuss these issues. After much discussion and questions about subjects such as seed supply, marketing and storage, the representatives decided unanimously to proceed with groundnut, cowpea and sesame.

Analyzing the Market Chains of the Chosen Crops

It was now time to look into the market chains for the three crops in a little more detail. Five meetings were held—one in each village—to analyze the market chains for the three crops. An average of 25 people attended each meeting: producers, collectors and processors. Each session analyzed the three crops to give all participants a better understanding of the value chains.

The agroenterprise specialists and project manager drafted a market chain analysis report on the three crops, and it was reviewed and adopted by the whole team. For each crop, this report identified the major constraints in developing an agroenterprise. The team planned ways to overcome these constraints.

And What Happened Next?

As a result of this preparatory work, in June 2008 CRS launched a two-year, \$157,000 project to develop the cowpea and sesame value chain in the five villages. The project will be extended to five years if additional funds can be found.

Why was groundnut dropped? For two main reasons: the CRS regional office advised the country staff to focus on a smaller number of commodities in the pilot phase, and Association Tin Tua consulted further with the farmers, who decided to go for cowpea and sesame.

The project will benefit 1,522 farmers who are already involved with the natural resources management project in Gnagna province. It has enabled partnerships to be established between farmers, traders, business development service providers and research institutions: INERA (Burkina Faso's national agricultural research institute) and Purdue University.

The project was approved in June, by which time farmers had already planned their production for the current season. As a result, only about half the farmers planted cowpea or sesame: 174 women and 588 men. The other half planted their normal crops, but they said they wanted to grow the cash crops the next year. Of the total of 762 farmers participating in this season, 60% planted sesame and 40% cowpea (Table 12). About one-quarter of the farmers were women; women tend to have limited access to land, though most also work together with their husbands in the fields.

Table 12. Numbers of farmers participating in first year of project

Crops	Women	Men	Total	Area (ha)	% farmers per crop
Sesame	131	328	459	194	60
Cowpea	43	260	303	105	40
Total	174	588	762	299	

The project provided farmers with improved sesame and cowpea seeds, as well as technical training and extension support on production. As the season progressed, the farmers also receive training in agricultural marketing and business negotiation skills.

In each village, five farmers will produce improved sesame or cowpea seeds for other farmers involved in the project. These seed growers have been trained in seed multiplication techniques and will receive extension support from the national seed certification service.

Lessons and Challenges

Awareness of market opportunities. It is important that farmers participate in the market opportunity identification process so they become aware of the dynamics of the market. It helps open their eyes to new production and marketing opportunities.

Raising expectations. However, this process also raises expectations in the communities. If the supporting institutions cannot come up with the financial support necessary to follow through, they risk losing credibility among local people.

Institutional support and resources. Prior agreement and support from the CRS country management was important to making progress. The market opportunity identification exercise requires funds, staff and commitment. CRS provided funds to cover the cost of the studies.

Maintaining farmers' motivation. Success in producing and selling sesame and cowpea at remunerative prices will be important to maintain the farmers' motivation.

Continuity of support. A challenge for CRS is to find the complementary funding to continue the activities in the sesame and cowpea agroenterprise development plan.

Finding Alternatives to Risky Crops: Poppies in Afghanistan



KAMAL BHATTACHARYYA, PAUL HICKS, DOMINIQUE MOREL AND SANDRINE CHETAİL

When Sufi Shah Gol, a refugee from the village of Shar-e-now in western Afghanistan, returned home from Iran, he could have started growing opium poppies. Although it is profitable, growing poppies is illegal, and Mr. Gol wanted to find a better, safer way to make a living.

Instead, he decided to grow vegetables in a greenhouse made of clear polythene sheeting. His vegetables grew well, even though the snow lay thick on the ground outside. Mr. Gol says he earns more from his greenhouse than from the rest of his land, which is 14 times bigger. Over the last 4 years he has invested his profits to build three more greenhouses, and he is encouraging his neighbors to start using greenhouses.

Mr. Gol is one of the farmers in western Afghanistan supported by a 3-year CRS project, funded by the British Department for International Development, to find alternatives to poppy cultivation.

Poppies in Afghanistan

In the past 15 years, illegal poppy production and opium trading have become the leading source of agricultural income in Afghanistan. Poppy production is illegal in Afghanistan, and is frowned on socially and culturally. But demand is high, and powerful interests seek to maintain the poppy trade. Despite numerous attempts by the government and aid agencies to eradicate or replace poppy production, most efforts have failed—partly because they promoted the wrong crops.

These failures prompted CRS Afghanistan to look for alternatives. But what commodities came into question? The list was long: from almonds to wheat, cherries to chickpeas, saffron to silkworms. CRS adapted a **market opportunity identification** technique to filter the choices and identify alternatives that would be profitable and that farmers would prefer.

Such an approach could be useful not only where a crop is illegal, like poppies. It could also help identify alternative income sources where farmers are over-

dependent on a single commodity (risky because of crop failure or fluctuating prices), or if the commodity is inappropriate for other reasons (such as genetically modified crops in countries with no laws governing their use).



Figure 21. Farmers' dilemma in Afghanistan: should they grow poppies—lucrative but high risk—or an alternative, such as vegetables grown in greenhouses?

Identifying Alternatives

In 2004–2005, CRS and Ministry of Agriculture staff conducted an in-depth market opportunity identification study in 22 villages along the Harirud River in Herat province. This study focused on commodities that would compete with poppy in terms of land, labor, seasonality and investment, required simple technologies that most farmers could afford, and had potential for scaling up. To be attractive to farmers, the substitute commodities would need to produce comparable returns to poppy.

The study was divided into two steps. The first step aimed to:

- **Identify the characteristics of poppy production**, such as season, land requirements and amount of labor required. This was to enable CRS and farmers to identify alternative crops or other enterprises with similar characteristics, so farmers would be more likely to adopt them as substitutes.
- **Identify potential alternative crops or enterprises.** These might already exist in the area, or might be introduced from outside. They needed to be feasible for smallholder producers (i.e. require limited start-up capital, be

cultivated on small plots, involve limited risks, etc.). And they had to offer a high return on investment.

The team collected data from both primary and secondary sources. They used participatory rural appraisal methods such as transect walks, farm resource mapping, crop seasonality lists and commodity ranking exercises with representatives of the 22 villages. They also conducted an in-depth market study of various commodities. Secondary sources included UN agency reports as well as studies of poppy cultivation in Afghanistan.

In Manjel, a village of 450 families, the survey showed that farmers grow poppy on upland irrigated slopes or on well-drained sandy loam soils. On similar land, coriander, cumin, wheat, barley, chickpeas and onions were grown during the poppy-growing season. The survey also identified other options such as off-season vegetables (grown in greenhouses), tree nurseries and saffron.

As a result of this step, the study team drew up a long list of options, including silkworm cocoons, saffron, fruit trees and other saplings, vegetables grown in polythene greenhouses, and animal husbandry.

Choosing the Best Alternative

In the second step, the team evaluated each of these options. They asked:

- Can the option displace poppies by (i) occupying the same land, (ii) drawing on the same labor (i.e., during the winter and spring months), and (iii) earning at least the same amount of money at the same time of the year?
- Is the product socially, culturally, religiously and politically feasible?

To answer these questions, CRS adapted a “product filtering tool” developed by the International Centre for Tropical Agriculture (CIAT) (Ostertag et al., 2007) to identify market opportunities. The filtering process allows a systematic assessment of a range of alternative products. It begins with the long list of all possible options, then identifies a shortlist of genuine alternatives that may be worth investing in. It eliminates options by applying a set of discard criteria (Figure 22).

The method uses key market variables as the filtering criteria. For poppies, CRS identified seasonality, land type, technology, labor requirements, profitability and finally farmers’ preference (in the form of risk and sociocultural compatibility) as influencing a commodity’s potential as a viable alternative to poppy. In other situations, a different set of criteria may be applicable: for example, if a complementary crop is sought for a dominant cash crop, filter 3 might be “The alternative must grow in a different season from the dominant crop.”

During the study, additional considerations, such as risk avoidance and the need for local innovation, may emerge as influencing farmers’ decisions to adopt an option.

Filter 1	Filter 2	Filter 3	Filter 4	Filter 5	Filter 6
Obvious discards	Labor demand	Seasonality	Land requirements	Profitability	Preference, risk, social compatibility
The alternative product cannot be produced within the target area for agronomic or other reasons. Infrastructure not in place now or in short term. Investments are unrealistically high.	The alternative must create a high demand for labor at the same time as poppies.	The alternative must grow in the same season as poppies.	The alternative must occupy the same land at poppies.	The alternative must be profitable. It must provide a reasonable return on investment. The market should be relatively stable.	Farmers and other stakeholders must be willing to invest time and resources in production and marketing. The alternative must be low-risk and socially compatible.

Figure 22. Filtering alternatives

Filter 1: Obvious discards. These are options that are not feasible. They may require a high level of investment, the infrastructure may not be available in the project area, or they may be crops that cannot be grown in Afghanistan’s climate.

Filter 2: Labor demand. Poppy requires labor in the early winter for planting, and a lot of labor in the spring for collecting gum. Alternative products should compete for labor during the same seasons.

Filter 3: Seasonal overlap with poppies. For an alternative to replace poppies, it must be grown in the same season. “Seasonally complementary” crops, such as tomatoes, are grown in different seasons, for example, so would not replace poppies.

Filter 4: Land competition. Poppies are grown on irrigated, well-drained, sandy loam soils. Alternatives must utilize the same lands.

Filter 5: Profitability and marketing. Alternative products must be high value, highly profitable, and in high demand otherwise farmers will not want to grow them.

Filter 6. Farmers' preference. The farmers must be willing to invest time and resources in growing the alternative. The farmers' preference may depend on many different considerations. In Afghanistan, the commodity had to comply with two criteria:

- It must not be too risky: it must not be vulnerable to disease and pests, or be dependent on uncontrollable external factors (in this case, the government's threat to eradicate poppies). Given that the large majority of those involved in poppy cultivation are poor farmers and sharecroppers, the level of risk and uncertainty involved in the alternatives is important.
- It must be socially and culturally acceptable. In Afghanistan this means that if women are involved, their work must be within the homestead compound or a covered area so they are not exposed to outside persons. The product must also be acceptable to the Islamic religion.

A Shortlist of Options

After applying the first five criteria, CRS identified the following product options.

OPTION 1: SERICULTURE

In Zende Jan district, in central Herat province, poppy production was low in villages where silkworm was produced, although the agro-ecological conditions are suitable for poppies. Silkworm rearing starts in April–May when labor demand for poppy reaches a peak. Immediately after the harvesting of the cocoons, more labor is needed for processing, producing a year-round demand for labor of both men and women.

CRS tested sericulture and got good response from the farming community. However, sericulture needs mulberry plants and a reliable supply of silkworm eggs. Mulberry plants are not present everywhere, and over the last 30 years, most of the facilities to produce silkworm eggs have been destroyed. Most eggs now come from China.

OPTION 2: SAFFRON

Until recently, Goryan district, next to Zende Jan and with almost identical agro-ecological and socioeconomic conditions, had the highest area under both saffron and poppy cultivation. Saffron is harvested in late November or December, when poppies is being planted. An assessment of four villages in the district found that 50% of farmers grew both poppies and saffron. One saffron farmer from Paien Mahaleh village said he had 0.6 ha of saffron and 0.4 ha of poppies. He said he grew both crops as they grow in different seasons and on different land.

OPTION 3: FRUIT TREE NURSERY FOR SAPLING PRODUCTION

Producing fruit tree saplings is extremely profitable and competitive with poppies. Fruit are very important for Afghan farmers, and plantings of grapes, peaches, apricots, almonds, apples and cherries are common. The orchards have deteriorated over the last 30 years of war, so nurseries are important to rejuvenate them.

However, tree nurseries are a long-term activity and many sharecroppers are reluctant to set them up: they do not want to wait 18–24 months before they get a return on their investment, they may be uncertain they can continue to use their land, and they need income to pay the land owners.

OPTION 4: GREENHOUSE CROPS

Growing off-season vegetables and other crops in greenhouses occupies the same seasonal niche as poppies: they require a lot of labor from late January to May. They are profitable, too: greenhouse growers can earn from \$334 to \$744 per 100 m² a year by growing herbs, fresh vegetables and seedlings such as tomatoes and eggplant (Figure 23). Other crops can be even more profitable: the nurseries of ornamental trees and roses can earn a farmer \$2,688, but these plants require a large initial capital investment, as well as a lot of time and skill. Growing lettuce, on the other hand, produces comparatively little income (\$43).

Greenhouses let farmers and laborers earn money during the winter, when poor families most need extra money and when the region imports vegetables from Iran. Off-season vegetables can be sown and harvested over an extended period, meaning that the grower can sell produce over a longer period of time. They are a better option for farmers who live near cities than for those in remote areas, where transport of fresh produce may be a problem. In remote areas farmers use greenhouses to grow seedlings and ornamental plants, which do not require frequent visits to the market.

Greenhouses do not cost much, and many farmers have built their own. And because greenhouses are covered and close to the homestead, women family members can easily grow vegetables. This improves family nutrition as well.

Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Earnings from greenhouses	
Greenhouses covered						Greenhouses uncovered						Annual	Monthly
Herbs/fresh vegetables (cress, leek, parsley, coriander, radish)		Seedlings (tomato, pepper, eggplant)		Early crops (tomato, pepper, eggplant)		Uncovered greenhouse available for growing crops						\$334–\$744	\$44–\$93
\$102–\$202		\$147–\$277		\$85–\$265		↑							
Ornamental trees/flowers (roses) grown in plastic bags, carried outside in Feb, inside in Oct)		Seedlings (cucumber, squash)		Uncovered greenhouse available for growing crops						\$747	\$83		
\$995 (over 2 years) = \$495/year		\$252		↑									
Ornamental trees/flowers (roses)		Uncovered greenhouse available for growing crops						\$2,688	\$224				
\$5,276 (over 2 years) = \$2,688/year		↑											
Radish, cress (40 days)		Cabbage seed		Uncovered greenhouse available for growing crops						\$650–\$750	\$81–\$94		
\$50–\$100		\$604		↑									
Lettuce		Lettuce seed		Uncovered greenhouse available for growing crops						\$43			
\$8		\$35		↑									

Figure 23. Timetable for growing greenhouse crops

OPTION 5: DAIRYING

Although animal husbandry rarely competes for land with poppies, it can compete for labor. Initial research conducted by CRS in the peri-urban areas of Herat showed that dairying has a high demand for labor and produces good returns and a year-round daily income. The dairy market in western Afghanistan is steadily growing, but its growth potential is limited. Over 80% of the milk sold in the city of Herat is produced by small-scale producers nearby. Refrigeration facilities, better roads and transport and processing plants would be needed before farmers in rural areas further away can take up dairying on a larger scale.

Farmers' Preference, Risk and Social Compatibility

Farmers rejected some options because they were too **risky**, or required too much initial capital. For example, the team interviewed seven farmers in Pashtun Zargon who raised fruit trees. Six were relatively well-off landowners, and one was a sharecropper whose landlord asked him to start a nursery to produce saplings. No other sharecropper was willing to start a nursery.

CRS also considered the **potential for scaling up and market growth**. Sericulture seemed a viable option, so the team initiated a sericulture project, which was well received by the farming community. But supplies of mulberries and silkworm eggs are unreliable. CRS is working on these aspects before it can introduce sericulture on a bigger scale.

Table 2 summarizes the results of the filtering process for four of the five options discussed above. Option 2, saffron, was rejected because it did not compete with poppies. The team finally chose option 4, off-season vegetables grown on greenhouses, as the most viable option.

Table 13. Criteria for selecting alternatives to poppies

Criteria	Option			
	1 Sericulture	3 Fruit tree nurseries	4 Greenhouse vegetables	5 Dairying
Feasible for small scale farmers	✓	✓	With some adaptations	With some adaptations
Financially attractive	✓	✓	✓	✓
Seasonality	✓	✓	✓	✓
Land	✓	✓	✓	N/A
Innovations needed	Silkworm rearing in two seasons instead of one	Train farmers on budding and grafting	Reduce cost of greenhouses Introduce crops that do not need heating Introduce crops to suit distance from market Cluster greenhouses for better technical support	Improve stables, feed and veterinary services
Other issues	Traditional crop—best alternative to poppy production if mulberry leaves and silkworm eggs are available	Risky for small farmers, too high an investment	Logistical considerations	Requires a cold chain
Growth and market in next 5 years	Limited	Not promising for small-scale farmers and sharecroppers	Very high	Requires good infrastructure and improvement in product quality

Innovations to Increase Attractiveness

Easy marketability and with market growth potential are important considerations when selecting a product. CRS is exploring ways to make growing off-season vegetables in greenhouse more attractive by improving production technologies and farmer organization, and by proposing policy reforms.

Technology improvements. The cultivation of vegetables and other crops in poly-tunnel greenhouses has grown extensively over the last few years. There is considerable experience in this field, which CRS has been able to draw on. Vegetables such as radishes, coriander and parsley have been tested in the greenhouses under staggered planting regimes to extend the production season. The original greenhouses were too expensive for smallholders, so CRS and its partners have developed lower cost structures made of local materials. The cost has come down from \$650 to just \$250 per 100 m² greenhouse.

Organization and marketing. Individual farmers can make more money if they bulk their produce with other farmers and sell as a group. That saves them from having to travel to market with a small amount of produce, and reduces their risk. The farmers are interested in purchasing inputs as a group, but they have so far shown only limited interest in collective marketing. There are cases and products where collective marketing is not always the best solution, and as an alternative CRS has assisted the farmer groups to built stalls to sell produce in Herat market. One person sells the produce on a commission basis. This has made farmers' more aware of greenhouse cultivation and the potential for collective marketing.

Policy and social reform. Although poppy production is lucrative, it comes with considerable risks to the farmer. Providing opportunities for policy dialogue is another way to increase the potential of alternative products, as farmers seek more stable and dignified ways to make a living. CRS has organized workshops with the government and other NGOs on alternatives to poppies, with encouraging results. The government has promised overwhelming support to support such activities in other districts.

Next Steps

The greenhouse project is still in its early stages, so it is not yet possible to say whether it has been successful. The CRS team has presented the results of the analysis to various groups of farmers, and assisted individual farmers to plan their own greenhouses. One of these was Sufi Shah Gol, the farmer mentioned at the beginning of this chapter.

The next step is to scale up the greenhouse technology to produce sufficient volumes to be a viable supplier for the market. Only then will it be possible to know if they really can supplant poppies in the Harirud valley. Ultimately, the viability of the greenhouses will be shown if other farmers in the area start building and using them.

Challenges of Greenhouses

Efforts to promote greenhouses face two main challenges:

- Credit facilities with easy terms in rural areas are very important if greenhouses are to be adopted on a wide scale. CRS has discussed the possibility of introducing such facilities with financial institutions, but there is currently no specific loan product suitable for small-scale farmers. CRS needs to continue pressing for such a product to be introduced.
- CRS' attempts to initiate collective marketing of greenhouse-grown vegetables did not work well. Too few vegetables were harvested from the small number of greenhouses, and farmers had very little field work. A larger number of greenhouses would be needed to supply enough produce to make such marketing commercially viable and to compete with imported vegetables from Iran.

Conclusions

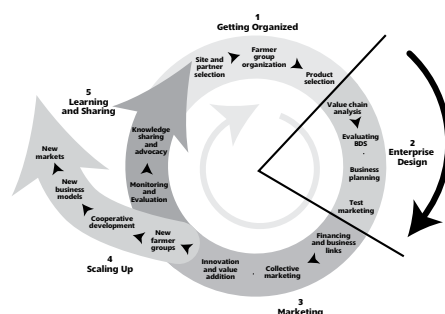
- A comprehensive approach (including providing alternatives to poppy, appropriate government policy, law enforcement for poppy eradication, punishment for law breakers, etc.) is needed to eradicate poppy. Selecting alternative products is just one of approaches that are needed.
- The adapted market opportunities identification method proved to be a very useful way of establishing options and then filtering them out based on a series of product to market filters.
- Before promoting alternatives to poppies, government and development agencies should evaluate them using a series of criteria, in addition to income. This will avoid promoting lucrative crops that complement poppies but do not replace them. The market opportunities identification method was a useful tool for evaluating options against defined selection criteria.
- While the initial trials of the greenhouses have been promising it is still too early to evaluate whether some combination of commodities, varieties, technology and organization of farmers will form long-term viable alternatives to poppy production.
- A combination of innovations may be important in promoting the new commodity. CRS refined the poly-tunnel greenhouse technology for growing off-season vegetables and other crops. This has made the enterprise attractive to and affordable for small-scale farmers.

6

Step 2: Enterprise Design

STEP 2 INVOLVES THESE ACTIVITIES:

- Analyzing the value chain
- Evaluating business development services
- Planning the enterprise
- Test marketing



Having selected farmers, partners and a product in Step 1, in Step 2 the agroenterprise team and farmers need to gather more detailed information on the marketing prospects for the selected product using “value chain analysis”. This can be a complicated process that requires strong facilitation by the development agency or a local economist. However, to the extent possible, the people who produce and handle the product themselves should do as much of the analysis as is feasible. This market research exposure helps them understand the market, generates information they jointly own, and builds a consensus for action. The scope of the analysis includes the farm-to-market chain activities and important cross-cutting areas: business organization, the provision of business development services and the policies or regulations that affect the chain’s operation.

At the end of this analysis, the team holds meetings with the farmers and other chain actors to share and discuss the information, and build consensus on what to do. These workshops aim to identify positive synergies among actors, common interests and critical points where strategic investments can achieve high returns. The information gathered through the value chain analysis feeds into an agroenterprise plan to be shared among the various actors who will invest in the enterprise.

The agroenterprise plan includes actions, responsibilities, timing and costs to achieve target production, post-harvest handling and processing, market development, farmer organization, business and finance needs. Depending on the availability of local resources, external funding opportunities and donor interest, specific activities may be separated into discrete projects. However, it is necessary to keep a clear idea of how the individual parts fit together to form a coherent whole. The agroenterprise plan will include information on the presence and needs of local business development services and the financing required to put the plan into action.

The chapters in this section show how CRS and its partners have implemented this second set of activities.



Step 2.1 Analyzing the Value Chain

Value chain analysis is a central tool in agroenterprise development. It determines the most appropriate market and sales channel for the farmers' product. It identifies critical constraints in the production-to-sales chain, and forms the basis for consolidating the farmers' relations with the various chain actors.

The case below shows how, beginning in 2002, CRS and its partners analyzed the market chain for potatoes in eastern Ethiopia, formulated a plan to increase the volume, frequency of supply and the quality of potatoes produced, and found ways to improve post-harvest handling and linkages to buyers.

Potatoes in Hararghe, Ethiopia



ZEMEDE ABEBE AND MESFIN ALEMAYEHU

As part of an agroenterprise development project in Hararghe, in eastern Ethiopia, CRS, its partners and local farmers had considered various products to promote. Options included potatoes, onions, white pea beans, papaya, milk, tomatoes, goats and honey. They considered various criteria: was the market demand strong and continuous? Was the product profitable? Could it generate employment in the off-season? Did local people want to eat it? Did they have experience growing it, and could they afford to do so? Did they have the land, water and tools needed? How about competition with other producing areas? After thinking over and discussing the answers, the team chose to work on potatoes.

Potatoes are the most important vegetable crop in this part of eastern Oromiya. The climate and soils are suitable, and although local people eat potatoes, production exceeds demand. Potatoes can be shipped to Addis Ababa, some 400 km to the west, or exported to Djibouti, Hargeisa, Bosaso, Hamer and Berbera. The marketing chain employs a large number of farmers and traders, and makes a substantial contribution to the local economy. But how to improve the chain so local people would benefit more?

CRS has been working with Hararghe Catholic Secretariat in Oromiya, eastern Ethiopia, since 1987, on a range of social and economic development projects. In 2002, it incorporated the agroenterprise development approach into these activities.

Value Chain Analysis

The value chain analysis consisted of three steps:

1. Gathering and analyzing data
2. Formulating an agroenterprise intervention plan
3. Joint planning by chain stakeholders

Gathering and Analyzing Data

FORMING THE SURVEY TEAM

The survey team was selected from among staff of CRS and its partner, the Hararghe Catholic Secretariat, plus cooperatives, local government agencies, Haramaya University, and farmers. These team members were trained by CRS and Secretariat staff in a three-day planning meeting. Day 1 refreshed the participants' understanding of the concept and techniques of value chain analysis. On day 2, the team identified who to contact in the value chain, identified sample areas, and prepared a checklist of topics to ask about (Table 15). They then divided into groups to conduct the survey and prepared an action plan. On day 3, the team visited a sample site to pretest and revise the checklist of topics.

COLLECTING SECONDARY INFORMATION

Before the team began conducting interviews, they collected a range of secondary data from various sources (Table 14). They reviewed the national situation in potato production and export, and investigated the Dire Dawa market, from where potatoes are sent to other parts of the country and abroad. The team used these data as background when doing the primary data survey.

Table 14. Secondary information

Information	Source
Price trends, volume exported, value of exports, export destination	Commercial bank, foreign trade and export promotion agency, customs authority, chamber of commerce
Type of varieties, volume produced, volume supplied to market, buying and selling price	Plant quarantine office, exporters union, rural development office, university, cooperative

COLLECTING PRIMARY DATA

The team purposively selected several sample areas where they would gather data, based on the current and potential potato production, the number of collection centers and traders in the area, and the farmers' experience of working in groups. They gathered data in various ways: through focus groups with farmers, interviews with individual input suppliers, traders and retailers, (a tip from the learning alliance, was never interview more than one trader at a time) as well as some key farmer informants, and direct observation. The numbers of people interviewed depended on how many individuals there were in each category (Table 15).

Table 15. Primary information

Information	Sources
<ul style="list-style-type: none"> • Contact details of person/group being interviewed • Role of person being interviewed in the market chain • Number of years involved in the market chain (description of channel) • Trends in market volume (over past 3–5 years) • Quality requirements for target product (variety, size, color, shape, moisture content, etc.) • Main production sources, transport, storage • Seasonal peaks and scarce supply times • Trends in market price • Market information, price formation, institutional and legal framework • Potential for innovation (variety, storage) • Financing of buying (support to other chain actors) • Frequency of buying • Interest in buying from smallholder suppliers • Key constraints, challenges and opportunities • Growth options • Readiness to invest in upgrading with other interested partners 	<ul style="list-style-type: none"> • Farmer groups (45) • Assembler/collectors (18) • Wholesalers and secondary wholesalers (24) • Exporters (7) • Retailers (7) • Consumers—individuals and institutions (12)

MARKET CHAIN MAPPING

The team cross-checked market data from various sources at different stages in the value chain to ensure that several people gave similar responses and therefore that the information was reliable. They then identified the key players in the production and marketing of potatoes and plotted their roles and locations in the market chain. This exercise identified several market channels: local retail markets, institutional buyers (universities, hotels, hospitals), and export markets, each supplied by a network of assemblers or collectors, wholesalers, traders, brokers and commission agents (Figure 24).

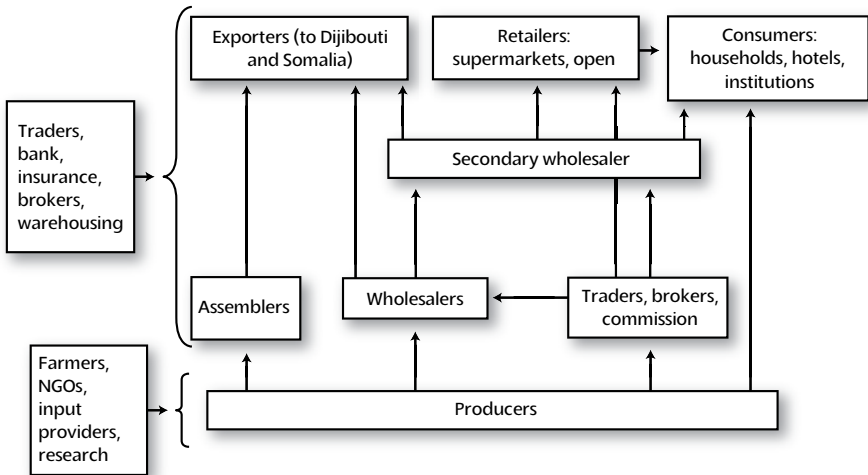


Figure 24. Map of market channels

Djibouti and Somalia, both within easy reach, are the main export markets. Dire Dawa is the centre for this export trade, and also supplies potatoes from the central part of Ethiopia.

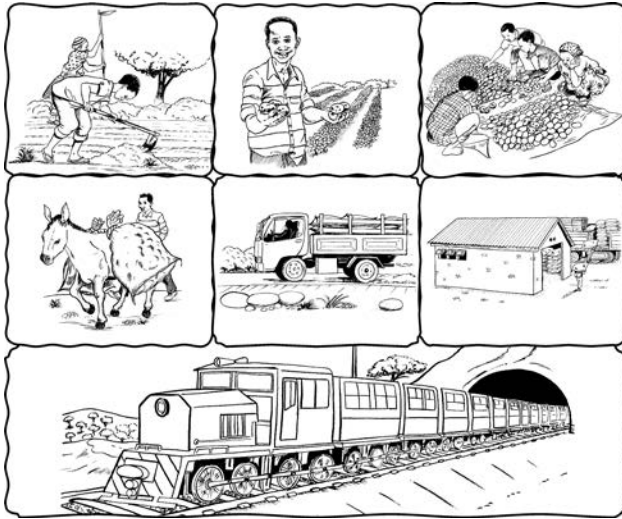


Figure 25. The value chain analysis covered all the links in the chain, from production to export

ANALYZING THE INFORMATION

The team summarized what they had discovered about the production and marketing system as a prelude to formulating an enterprise intervention plan.

Production. The survey confirmed that potatoes were the major vegetable crop in eastern Hararghe, covering 7,800 ha of land (11% of the national total) and producing an average of 76,300 t a year (15% of the national output). At 10.2 t/ha, yields in eastern Hararghe are above the national average of 7.2 t/ha, but still well below yields achieved on research farms (30–40 t/ha). In some areas it is possible to produce two crops in the same year: potatoes and a cereal.

There is no formal seed supply system for potato: farmers produce their own seed, get it from neighbors, friends or relatives, or buy potatoes intended for consumption from merchants or markets to use as planting material.

The export market demands graded, single-variety potatoes, which most farmers do not supply.

The market survey revealed that potato farming has increased threefold over the past 5 years as a result of expanded irrigation and improved seed provision.

Prices rose from \$29 in 2003 to \$78 per 100 kg in 2007. The total cost of production for farmers was about \$1,350 per hectare. Individual farmers produced only small

amounts, so had no influence over the price they received from wholesalers or traders in town. If they received a better price than in previous years, they would increase their production in the next season.

Identification of critical points. The team found that volume, quality, and consistency of supply were the major requirements of both the export and local markets. They identified several factors constraining the competitiveness of the value chain (Table 16).

Table 16. Critical points in the potato value chain

Factor	Key requirements	Critical points
Production and post harvest	Required variety Quality seed Irrigation Fertilizer	<ul style="list-style-type: none"> • Lack of access to improved seed potato • Poor agronomic practices • Prevalence of pests and diseases • Inadequate storage and transportation • Poor handling and transporting to the road side and to the market (mobilization)
Export market	Preferred quality (sorting and grading) Adequate volume Consistent supply Packaging	<ul style="list-style-type: none"> • Inadequate market development • Inconsistent supply • Difficulty in supplying the required volumes and quality • Undeveloped transport facilities • Lack of business development services (credit, storage, transport) • Non-formal nature of trade to Somalia • Lack of reliable market information (price at destination) • Lack of remuneration for better quality
Local market (retailers, hotels, hospitals, universities, etc.)	Consistency Quality, sorting Reasonable price	<ul style="list-style-type: none"> • Poor storage • Price and supply fluctuations • Competition with export market and suppliers from other parts of Ethiopia • Lack of business development service (credit, storage, transport) • Lack of commercial skills and orientation
Organization	Capital Self-selection Legalization Institutional capacity	<ul style="list-style-type: none"> • Lack of collective marketing • Low commercial skills of groups • Inadequate institutional capacity • Low volumes handled
Finance	Credit, financial management	<ul style="list-style-type: none"> • Lack of access to formal financial institutions • Capacity of farmers to meet requirements of formal financial institutions • Low financial management skills

Synthesis of results and proposed recommendations. The team summarized the results from this analysis and identified the most important elements for action. The critical points listed in Table 16 guided the formulation of these recommendations. The production, commercial and trend analysis revealed the profitability of potatoes and their contribution to food security. The interviews with exporters and wholesalers revealed the characteristics and demand for potato varieties.

Table 17 lists the team's recommendations to overcome the problems identified in the study.

Table 17. Synthesis of results and recommendations

Components	Recommendations
Production, research and technology linkages	<ul style="list-style-type: none"> • Understand the opportunities and constraints at producer level • Promote participatory seed selection and multiplication on farmers' fields • Promote potato production to meet increasing market demand • Continued irrigation development and promotion of efficient water use • Develop storage technology for seed and ware potato
Nutrition	<ul style="list-style-type: none"> • Understand the contribution of potatoes to local people's nutrition • Link with researchers on preferred varieties • Plan training and upgrade nutritional skills • Promote nutrition education
Farmer organization	<ul style="list-style-type: none"> • Develop institutional capacity of existing groups • Form and register groups • Strengthen existing groups • Form apex farmer groups (cooperatives) • Improve support services of government institutions
Enterprise development and market related	<ul style="list-style-type: none"> • Promote components in the agroenterprise development cycle • Improve production practices, quality and post-harvest management • Upgrade marketing requirements, basic skills, information and business planning • Develop savings and credit, documentation, record keeping • Promote group dynamics and need for joint marketing
Finance	<ul style="list-style-type: none"> • Ensure credit for farmers to buy irrigation equipment • Mobilize internal savings • Provide improved seed on revolving credit • Improve financial management of the farmer group
Project management	<ul style="list-style-type: none"> • Understand market levels and requirements • Provide continuous monitoring and advice • Promote participation of actors in the value chain • Regularly verify market opportunities • Ensure availability of market information • Pay attention to seasonal demands and informal markets • Ensure adequate staffing

Formulating an Enterprise Intervention Plan

The team formulated an intervention plan to improve the competitiveness of the value chain (Table 18 and below).

Table 18. Summary of enterprise intervention plan

Marketing	
Buyers	Exporters and wholesalers
Sales target	4,100 t
Product	
Quality grade	Grade 3
Alternative markets	Djibouti, Somalia
Packaging	Plastic bags of 100 kg
Labeling	Name handwritten on bags
Price	\$35/100kg bag
How farmers/business development service paid	In cash
Promotion (attracting buyers)	—
Distribution (logistic needs)	Donkey to roadside, truck to collection centre, train to Djibouti
Production target	
Production target to match sales target	4,800 t from 480 ha, 15% retained for seed
Schedule of delivery	Weekly
Production inputs needed	Seed, labor
Technology requirements	Irrigation including pumping, improved variety
Upgrading of production	New variety introduced
Needs in post harvest	Diffused light potato store for storage of seed
Financial targets	
Capital requirement for production targets	\$326,000
Available for start up (from CRS grant and loan)	\$261,000
Needed for operation (from local sources)	\$65,000
Target profitability	\$783,000

Management	
Who does what?	Cooperative collect output in nearby warehouse, sorting and packaging made government agriculture staff provide extension services;
How are they paid?	Voluntary and allowance based on level of market, volume mobilized based on local established rate.
What are their incentives?	Market, volume supplied to market, allowance based on local own agreement, business skill
Frequency of review of process	Every 3–6 months

- **Natural resource management and irrigation.** CRS and its partners have been involved in terracing, tree planting, forage development and other natural resource management activities in the area since 1997. They have worked on irrigation schemes since 2003, including diverting springs, harvesting surface water and using groundwater. The enterprise plan envisages involving the existing groups in potato production, for example by improving potato growing in the area's 22 community irrigation schemes.
- **Research support, seed and storage.** Researchers have recommended five high-yielding, disease-resistant potato varieties, and agreed to provide 275 tons of seed for multiplication. They and the government agricultural development office committed to provide technical support to promote these varieties. The Hararghe Catholic Secretariat and Haramaya University agreed to assist groups of farmers in seed multiplication, storage technology, pest and disease management and production practices.
- **Farmer organization.** CRS and partners were already working with several groups of farmers, including irrigation users. Forming new groups and strengthening and registering existing ones is a key strategy to develop the potato value chain.
- **Finance.** The various partners provided support in the form of material and infrastructure, and agreed to establish a revolving credit scheme that would enable groups of farmers to save and invest their own money. Once these groups had registered as a cooperative, the rural development and cooperative office agreed to provide them with credit, seeking additional funding, and audit them each year.
- **Enterprise development and marketing.** The team estimated the potato production potential and identified potential buyers. The farmer groups will update the plan every year with support from the agroenterprise facilitators.

- **Training and capacity building.** A needs assessment identified and prioritized topics where farmers needed to improve their skills. These included marketing, irrigation, agronomy and water use, post-harvest handling, group development and market linkages. The plan envisages 36 trainings for farmers at the *woreda* (local council) level, and five central-level training courses. An enterprise field day was planned involving various actors along the chain.
- **Nutrition.** Training and demonstrations on nutrition are planned for mothers in the area, using existing educational materials and in collaboration with the government health and nutrition department.
- **Project management.** The plan sets out the roles and responsibilities of each of the partners in agroenterprise activities. The cooperative department chairs coordination meetings of the partners. The local authorities support the efforts in the areas of cross-border trade, credit, group legalization, cooperative formation and road building.

Joint Planning by Chain Stakeholders

The next step was a meeting of farmer groups, traders, institutional consumers and retailers to discuss aspects such as price, potato variety, volume, quality and terms of payment. The first meeting was facilitated by CRS agroenterprise specialists. When the farmers have gained skills and experience, they will be able to conduct such meetings themselves.

The planning sessions also looked into the need for business development services to support potatoes. The Ministry of Agriculture and Rural Development and various other stakeholders agreed to provide such services to the farmer groups. The services include agricultural extension, input supply, irrigation development, and training in group organization, storage construction, market linkage and access to credit.

Outcomes

The plan has been implemented successfully. Some 22 farmer organizations with 3,861 members (465 women) have been established and registered as legal entities. These groups regularly supply potatoes to wholesalers in Dire Dawa market. The area cropped to potatoes has risen from 4,630 ha in 2003 to 12,594 ha in 2007, and the volume supplied to the market has almost doubled. The available information has indicated that the local consumption of potato in various food types has increased. Similarly due to recurrent drought there is food shortage in the rural areas and the community turned out to use potato produced in irrigation fields for local consumption. More farmers now use irrigation water and plant improved potato seed. They are more market-oriented and assess the market before harvesting their produce. Protecting the watershed upstream has raised the groundwater

level, increasing the availability of irrigation water, raising yields and incomes, and dissuading farmers from cutting trees to earn money. Household incomes have risen markedly, from under \$100 before the intervention to as much as \$600 afterwards (Box 17). Higher incomes and better nutrition in turn mean more productive workers and improved skills.

As the farmers' knowledge has risen, they have increasingly sought services from outside. They seek fertilizers, credit and seed from government suppliers and research institutions. As communication with traders and other actors has improved, potato growing has become increasingly market orientated. The government has replicated the management system in other locations.

Box 17. The value of potatoes

Ahmed Sheno is pleased with his potatoes. A member of the Mede Gudina farmer group in Kersa *woreda*, he earned \$1,340 from his crop of potatoes, onions and cabbages. He used the money to build a house with a corrugated roof (instead of the usual thatched roof), and invested in three oxen, two cows and four goats. He also contributed towards building classrooms for the local village school so his children could continue their education there. "My life has changed", he says. "I feel more confident about my family's future."

The Mede Gudina group took part in identifying market opportunities and analyzing the market chain for potatoes. That helped them learn about how the chain works. They formed an irrigation water users' cooperative, with a membership of 160 households (23 headed by women). The group paid \$2,000 to buy into the Haramaya Cooperative Union. The average income of members has risen from \$263 in 2004 to \$1,157 in 2007.

Lessons and Challenges

Lessons

- The value chain analysis used to systematically understand the production and market system and to design an intervention plan. The initial phase requires starting small and gradually scaling up as the knowledge and confidence grow.
- It takes time to gather information and plan. And it is necessary to check the information, gather new data and review the plans each year.
- Teamwork has many advantages when analyzing the value chain. It is important for sustainability that farmer groups take part in gathering and analyzing data so they understand the chain thoroughly.

- Securing funding for a reasonable period provides a foundation on which to base interventions and scale them up.

Challenges

- It is hard to get enough information about export markets.
- District governments may lack sufficient knowledge and skills to support farmers in growing and marketing a particular crop. Efforts to promote this crop may mean training government staff as well as farmers.
- Poor storage, communications and other infrastructure can hamper the chain development. Farmers and development agencies may need to pressure government to make the improvements necessary to ease such constraints.
- Farmer groups may require additional support to build their organizational, communication, financial management, record keeping and business planning capacity.



Step 2.2 Evaluating Business Development Services

Once the farmer group is organized and is marketing its produce, it will need to upgrade continually its activities in order to remain competitive and retain and expand its markets. Tasks include gathering information about an ever-changing market; learning about, testing and implementing new technologies; controlling quality; expanding membership; developing new business relationships and markets; and strengthening the group's entrepreneurial skills and self-management for agribusiness

These tasks can be handled in various ways. Some of the most common are:

- **Agribusiness development centers.** Independent centers run by third-party organizations (individuals, firms or government organizations) can provide these services. However, private organizations able to provide such services are scarce, and they generally charge fees, which farmers may be unwilling or unable to pay. Government agencies may lack the skills and resources to perform these tasks effectively. The case below gives an example of how such centers were established in El Salvador.
- **Agroenterprise development agency.** The outside agency (often an NGO like CRS) may provide the services, often for free. This is often necessary at the beginning of an enterprise development process because of the lack of a suitable private-sector presence, and limitations in public-sector agencies.

But this option is not sustainable. Few outside organizations are in a position to provide services indefinitely, even if they begin to charge fees. Projects come to an end, staff move on, and the businesses that rely on their support collapse. Even if the agency continues to provide these services, the farmers' organizations may not develop their own managerial capacity and the private sector will not be able to compete. *This scenario, is probably the most common form of project failure when an agency leaves a project site.*

- **Farmer organizations.** In large organizations of producers, the organization may provide business services itself. As producer organizations grow and their managers become more professional, the need to heighten the participation and feeling of ownership of members increases. This avoids the members becoming alienated or feeling they are being exploited by the organization's management. Step 3.3 describes how CRS developed groups of members in farmer organizations to stimulate innovation, provide technical assistance and spread information within their organizations.

Fostering Agribusiness Development Centers in El Salvador



JOSÉ ANGEL CRUZ

Dorita Baires knew how to raise tilapia: she had worked in a fishing cooperative for 4 years. She had business skills too: she had managed to get a scholarship to study for a degree in business administration. Now, in 2005, she wanted to start her own business to raise fish in floating cages.

But she knew there was a problem: price. Consumers bought tilapia for \$1.50 per pound (\$3.30 per kg), and production costs were \$1.30 per pound. That's a thin margin for producers, and Dorita knew that the \$1.30 did not include all of the true costs. Plus, wholesalers bought tilapia for \$0.90 a pound—well below the cost of production. How could she make money?

She turned to the newly opened San Vicente Agribusiness Center. Staff there helped her develop a business plan to produce tilapia intensively and sell fresh fish in the local market. They helped her get a \$6,000 loan to buy six floating cages and other equipment. She inaugurated the farm in September 2007, and started producing more than 1,000 pounds (450 kg) of fish a month. She sells them directly to consumers, avoiding the chain of wholesalers and retailers. Her customers like the quality and convenience of her product, so she can charge \$2.25 per pound—double her production costs.

The daughter of poor farmers, Dorita had a difficult childhood. Her parents separated, and she lived with her grandmother and had to look after her two younger siblings. She still cares for them, but now, at 32, she has become a leader in her community. She is a self-confident businesswoman with a thriving business that employs seven people. She has even started to sell prepared dishes, adding value to her product and expanding to a new market: tourists attracted to the area's scenic beauty.

Agribusiness Centers

The San Vicente Agribusiness Center is one of three established in 2005 and supported by a consortium of CRS and the University of Central America with funds from the El Salvador Ministry of Agriculture and Livestock. Each focuses on a different group of market chains, depending on the main commodities in their area. The centers are located in the following three municipalities:

- **San Ignacio** in the department of Chalatenango, 92 km north of San Salvador, the capital. This center supports market chains for vegetables, tourism, fruits, dairy, honey and handicrafts. It is managed by the Asociación de Municipios Cayaguana (Association of Cayaguana Municipalities).
- **San Vicente** in the department of San Vicente, 60 km east of San Salvador, serving the plantain and sugarcane chains. It is managed by the Asociación Cooperativa de Aprovisionamiento Agropecuario La Esperanza San Esteban (La Esperanza, San Esteban Cooperative Association for Agricultural Supply).
- **San Francisco Gotera** in the department of Morazán, 190 km east of San Salvador, serving market chains in stockbreeding, vegetables, grains, and crafts. It is managed by the Fundación para el Desarrollo (Foundation for Development).

Seven other centers were set up at the same time with ministry funding and support from other international NGOs: five were supported by CARE and two by TechnoServe.

What Is an Agribusiness Center?

Rural agribusiness centers are typically small offices, located in remote villages or municipalities, where farmers can get information and basic business services to improve their market performance. The services provided include:

- Help in preparing basic business plans
- Support in developing a feasibility plan
- Training and support in identifying market opportunities
- Access to market information
- Networking with wholesale buyers and integrators

Financial Services



Figure 26. Agribusiness centers have multiple functions

Table 19 lists the organizations and groups involved in the three CRS-supported agribusiness centers.

Table 19. Organizations and groups involved in agribusiness centers in El Salvador

Organization/ group	Role
Ministry of Agriculture and Livestock	Funding agency: provided funds through a loan from the Inter-American Development Bank
CRS El Salvador	Facilitator: responsible for implementation, consolidation and enabling the centers to be operated sustainably by local organizations
Central American University	Technical support: developed the information systems and provided computer support
Local partners	Agribusiness managers: trained by CRS to manage the agribusiness centers
Private sector	Users and supporters: companies that supply or demand services at different parts of the market chain
Farmers and farmer groups	Clients

From the beginning, the centers have had a certain degree of autonomy, allowing them to define their own strategies to reach their target population. These include:

- Prioritizing support to products that are in demand and being produced by the majority of farmers in the area
- Allying with a local partner who will assume the operational costs of the center at the end of the ministry's project
- Developing the capacity to respond to the business service needs of producers and agribusinesses. That may mean adjusting the originally planned range of services to suit the needs of clients.
- Formation of a multi-disciplinary team committed to the people that it serves

Why Set up the Centers?

Since the early 1990s, the agricultural sector in El Salvador has suffered from slow growth. Poverty is concentrated in rural areas, where over 60% of people are extremely poor. A lack of business services in rural areas meant that farmers, traders and other actors in the market chain could not become more competitive. Market chains were inefficient, with most transactions ad-hoc and opportunistic. These conditions created considerable disadvantages for small producers:

- A lack of access to basic market price information and market intelligence
- High cost of inputs and high production costs in general
- Low profitability of agricultural businesses
- Unequal relations between farmers and other actors in the chain
- Poor information flow along the chain

As a result, most smallholder producers were not competitive and were unable to take advantages of new market opportunities. Many of the more lucrative market chains are rapidly being formalized, freezing smallholders out.

Concerned by these developments, CRS El Salvador has been working with several local partners including Caritas El Salvador, the University of Central America, and local NGOs since 1999. This work has increasingly focused on developing agroenterprises and creating and strengthening local business support services to serve smallholders, who cannot afford the commercial services that large-scale farmers use. The idea is to establish agribusiness centers that are supported by enough entrepreneurs and used by enough small-scale farmers to be viable (both pay for services according to their capacities). The centers aim to provide smallholder farmers and farmer groups with access to basic technical, marketing and financial information to enable them to make more informed business decisions and improve their market performance. That will make the farmers more competitive and able to access higher-value markets. The centers were located in remote rural areas that were not served effectively by public or private service entities. Expanding the frontier for agribusiness services in this way requires a thorough analysis of their potential to provide certain services, as well as strong links with the farming community.

Steps in Setting up the Agribusiness Centers

STEP 1. ESTABLISHING THE CENTER

Establishing the centers consisted of four main actions:

- **Financial support.** Funding from the Ministry of Agriculture and Livestock provided a grant for full financial support for 2 years to establish the centers and build a client base so they could become financially independent.
- **Personnel.** Three professional staff were hired to support each center: a business administration expert, a market specialist and an agricultural professional.
- **Assets.** Each office was provided with basic equipment: computers, multimedia equipment, software, camera, a training room, furniture, a car and a motorcycle.
- **Orientation.** The agribusiness staff received considerable training

in agroenterprise development, for example as participants in the Central American Agroenterprise Learning Alliance Project (see www.alianzasdeaprendizaje.org for details). This training gave the staff a series of tools and techniques to apply (see Box 18). The training also covered issues such as product standards, marketing rules and regulations, how to run workshops on business services, and how to build trust with local farmer organizations.

Box 18. Training manuals in Spanish on market chains

CRS and the International Center for Tropical Agriculture (CIAT) developed two training manuals to help facilitators and business development service providers in Spanish-speaking countries support the development of market chains.

The first manual, *Gestores de innovación en agroindustria rural* (managers in rural agro-industrial innovation) Spanish version available from CIAT, focuses on evaluating and upgrading market chains. It aims to build a team that can identify and provide solutions to critical bottlenecks in a specific market chain. This team focuses on providing innovation and solutions that chain partners can use to upgrade their position in the chain.

The second manual, *Sistema de información para el desarrollo empresarial rural* (information systems for rural business development), focuses on sharing information and building market chain community networks. It shows how to develop local market information systems and communication networks so chain actors can access up-to-date market information and build better business relationships.

For more information, see www.ciat.cgiar.org/iir/giar.htm and www.ciat.cgiar.org/agroempresas/pdf/informe_anual_caucasider.pdf

STEP 2. POSITIONING THE CENTER IN THE LOCAL NETWORK

This step involved the following activities:

- **Gathering baseline information.** The center staff, along with CRS and its partners, collected information about the department (province) where the center was located. This information covered aspects such as the population, public services, service providers, main economic activities, access roads and mass media.
- **Partnership building.** The centers also identified and contacted other organizations working in the region that could act as partners. These organizations included local and international NGOs, government agencies and private firms. Building partnerships with them was important to optimize the use of resources, avoid duplication of efforts, and provide better services to beneficiaries.

- **Promotion of the center.** Business development services were a new concept for the agricultural sector in El Salvador, and especially to the smallholders the centers aimed to serve. Promotion was done through radio, newspapers, mobile megaphone advertising, flyers, and personal visits to producer organizations and institutions. Initially, some local individuals and organizations had understood that the centers would have funds to invest in local agroenterprises. It was necessary to correct this misperception and clarify their role as business service providers: the agroenterprises and producers have to understand that the business development services enhance their competitiveness, and that they should pay for them.
- **Alignment with supply and demand.** The centers gradually adjusted the services they provided to the needs of their farmer clients. For example, they offered training in keeping accounts, but adapted the training content and methods to the situation of the farmers who attended the courses.

STEP 3. PROVIDING SERVICES

The centers started working with farmers and farmer groups. They followed these steps:

- **Market opportunity identification** to identify promising products to focus on.
- **Identification of potential clients** including farmers, farmer groups, buyers and local NGOs working on the same topics.
- **Prioritization of products** according to market analysis and the center's own capacity.
- **Meetings with local actors** to present ideas on how to analyze and upgrade market chains on specific products.
- **Coordination** between the center's services and a network of actors.
- **Implementation** of activities. The main services offered were training, market information, business plans, business rounds (individual meetings with potential business partners to discuss the supply and demand for agricultural goods and services), input and product fairs, marketing plans and business assessments.

All these activities were driven by the principle of market demand, a central theme in all the approaches used by the centers. The centers also emphasized the dynamic nature of market chains and the need to constantly observe and innovate in order to remain competitive.

STEP 4. SUSTAINABILITY

The centers were designed to be profitable enterprises. The project design called for them to be financially self sustaining within 2 years. If the target of 85% financial sustainability was not achieved in this time, the centers would be closed.

The most important steps to make the centers profitable were:

1. **Preparation of a business plan for the center.** This plan included performance indicators and monitoring methods to measure performance.
2. **Identifying a host.** The centers were established within and managed by existing organizations. It was vital to choose the right ones: they had to understand the concept of business development services and have the capacity to run an agribusiness center that serves local farmers. Once the hosts had been identified, CRS negotiated and planned with them on how to set the center up.
3. **Establishing a board.** A board was formed with representatives of different producer organizations and the host organization. This board's role is to monitor the center and advise on its performance.
4. **Sale of services.** The centers provide similar services in competition with other organizations which serve a different set of clients but which have a great deal of experience and greater financial resources. The centers have generally been successful because of the quality of the services they provide.
5. **Writing proposals.** The centers write proposals for business development projects for funding by donor agencies, local organizations and financial institutions. The funds raised help support the centers.
6. **Establishing strategic partnerships.** As the centers identify or create opportunities, they automatically come into contact with organizations that may need skills that the centers can provide, or that wish to complement their own work. The resulting partnerships benefit both parties.
7. **Creating networks.** The centers have formed networks of clients, producer organizations and service providers. These networks also include the centers' host organizations and CRS representatives.
8. **Creating a market intelligence system.** The three centers supported by CRS in El Salvador, and three in Honduras supported by the European Union's Binational Border Development Program, have been linked through a *Sistema de Inteligencia de Negocios para la Competitividad Agropecuaria* (business intelligence system for agricultural competitiveness). This enables market connections, access to market information from other countries, and regional business opportunities. More information is available at www.redsinca.com.

Box 19. The cost of running an agribusiness center

How much does it cost to run an agribusiness center? The costs below are typical for the CRS supported centers in El Salvador.

Expense	Annual cost (\$)
Staff (coordinator, technician, administrative assistant)	24,000
Benefits (26% of salary)	6,240
Utilities (electricity, water, telephone, Internet)	2,400
Office materials	2,160
Transportation (vehicle and related costs)	6,000
Office rent	1,200
Total	42,000

Outcomes

As the transfer of the centers to their hosts is completed, CRS is closing its technical and financial support for the centers, assuming instead a role of advisor and counselor. The Ministry of Agriculture and Livestock's financial support for the centers ceased at the end of the project's second year.

Business viability. Two of the three centers are sustainable, those in San Ignacio and Morazán. This is due in large part to the strength of their host organizations and their geographical location, which offers them enough opportunities to sell services to private and public clients. The centers provide fee-based services to local farmers and farmer groups, and sell their services to agricultural development projects in the area.

The San Ignacio center generates a monthly income of \$2,000 from selling services to farmer organizations and local NGOs. It also earns money by providing agribusiness services to a number of projects run by the Association of Cayaguanca Municipalities to promote honey and vegetables and to establish an agro-industrial center. The total budget of these projects is \$330,000 over two years.

The center in Morazán generates about \$1,600 a month from the sale of services. It is also responsible for the market and business components of two other agricultural projects being implemented by its host organization, the Foundation for Development. The budget of these projects totals \$223,000 over three years.

The future of the center in San Vicente is less certain. It sells \$1,900 worth of services a month to farmers and farmer groups, but unlike the other two centers, it has not been able to find other institutional sources of support. This is perhaps because agroenterprise projects are fairly few in its region; despite the area's agricultural potential, most projects there focus on food security, health and education.

Service success. The centers have become agents for coordination among actors in the market chains. For example, they link importers and representatives of commercial brands with producer associations and cooperatives. These new relationships have put an end to exclusive trading between individual producers and suppliers, leading to improved opportunities and greater competition as suppliers make better offers to producers.

In all, the centers have coordinated among 65 local public and private organizations. They have established a database of information about production and trade in their service areas, connected to the ministry's web portal. They have facilitated 38 business rounds, leading to commercial transactions with a total value of \$328,000. They have trained 17 local managers to lead producer organizations, and have connected over 8,000 users to specialized information.

The centers play a connecting role in the chain. They understand who produces what, and who needs what, so can help bring buyers and sellers together, facilitate negotiations, foster the exchange of information, and identify new business opportunities. That may mean negotiating the price of sales or brokerage costs, simplifying trade, identifying higher quality producers, and so on.

Qualitative results. The centers have also improved the chains in a qualitative way. Coordination among the actors has improved, new trade connections created, other service and support organizations have provided complementary efforts and resources. Direct contacts between producers and buyers have reduced the number of intermediaries in the chain. Trust between producers and buyers has increased as they have got to know each other better. Producers have been getting better prices and purchasing conditions, while buyers benefit from higher quality products.

Expanding the service frontier. One of the centers' key successes has been to provide services in regions and to people that previously had none. The centers have strengthened trust and cooperation among chain actors by helping them to improve each others' businesses. This in turn has reduced production costs and increased sale volumes and producer prices.

Lessons

What lessons can we draw from CRS' experience with agribusiness centers in El Salvador? Here are some ideas.

Sell services from the start. Business development services create new opportunities for smallholders to engage in markets. Information, skills and business relationships have become as important as technical support for farm production. But small-scale farmers in marginalized regions are not accustomed to paying for such services. The Ministry of Agriculture and Livestock was aware of this. It stipulated that the agribusiness centers offer their services for free for the first 2 years, and paid the costs of doing so. But offering services for free means that farmers do not appreciate the real value of these services and have come to see them as an entitlement. The farmers have not included the costs of the services in their agroenterprise plans, in turn jeopardizing the sustainability of the centers themselves. In future projects, the agribusiness center should charge clients from the beginning. They may not charge the full cost at the outset, but farmers should realize that such services have value and that if they invest in this type of support, they can become more profitable and open new market opportunities.

Train local management teams from the beginning. There was a clear need to train the organizations that host and manage the agribusiness center from the outset through information, training and practical assistance. This type of training needs to be well planned and iterative. It should provide sufficient time for the managers to gain a good command of the types of business services, the skills needed to support an agribusiness center, and the types of financial planning, rigor and performance evaluation required. Even after 2 years it was clear that the staff required additional training to ensure the centers' financial viability.

Focus on priority commodities. To be viable, agribusiness centers must work on products in demand and, ideally, with good growth prospects. However, they should begin with a focus on a range of both high and lower value products. They should consider including basic grains, especially those where market information is critical for product sales. In more highly developed sectors, they can provide support in administration, accounting, company registration, packaging design, production technology, good agricultural and manufacturing practices, and funding development.

Learn from others' experience. An increasing number of organizations have experience in agribusiness development, and can be a useful source of ideas and training materials. Collaborating with organizations such as CIAT, financial intermediaries, NGOs, projects and government and cooperation agencies avoids reinventing the wheel and duplication, and strengthens the centers' ability to innovate and provide quality services.

Develop a business plan from the beginning. From the start of their operations, the centers should have a medium- and long-term business plan based on products that have an identified demand. That will avoid them focusing on products that local producers already supply but which are not in sufficient demand to be commercially viable. This helps the centers to focus on the most important products and the largest market opportunities.

Be flexible. Each center should have a staff of professionals who provide certain services. The nature of the services may change over time as the center positions itself, so staff have to be able take on new roles—or the center may need to draw on people with new skills.

Challenges

Balancing priorities. It is difficult to match the need to develop a financially sustainable agribusiness center with the goal of providing these services to small-scale producers. The centers must resist the temptation to switch to other types of service delivery, thereby neglecting their core clientele.

Collaboration in management. Organization managers and boards of producers must continue to work together to improve the performance of the centers and turn them into competitive enterprises.



Step 2.3 Planning the Enterprise

After undertaking the value chain analysis and evaluating the available business development services, the farmers and development agencies supporting them have a good idea what market to target and the bottlenecks and constraints that have to be overcome. This step takes this information and organizes it in such a way so as to be able to proceed with establishing the enterprise.

The first job is to prepare an agroenterprise plan. This is a simple one- or two-page document that summarizes information on (see Box 5):

- **The market for the product:** Who will buy, how much and how often?
- **The product:** Who will produce and how much, the quality, the packaging and the expected price?
- **The financial requirements:** How much money will be required for infrastructure and equipment? How much for operating capital?
- **The management of the enterprise:** Who will be responsible for overall

management, production, quality control and marketing? What are the incentives, how will the enterprise be monitored and controlled, etc?

Knowing what the farmers are going to sell, and to whom, is only one part of getting the enterprise under way. This information needs to be complemented by a more detailed implementation or action plan that addresses each of the critical bottlenecks and constraints identified in the value chain analysis. The implementation plan is designed and then negotiated with the different actors and service providers that will be responsible for undertaking the activities.

Several other cases in this book mention the enterprise plan. The case from Ethiopia (chapter 5) gives an example of an enterprise plan that was elaborated after the value chain analysis was completed, and details the major constraints that need to be addressed in order to establish the enterprise.

Don't forget competitive agricultural practices

Getting farmers to the stage where they can produce the quantities and qualities required may involve much more than just helping them get organized and linked to a market opportunity. Being competitive means that all the activities in traditional interventions to promote agricultural production: training in improved production technologies, disseminating new varieties (or promoting traditional ones that have fallen into disuse), overcoming pest and disease problems, ensuring adequate water supplies, integrating irrigation systems where necessary, preventing erosion, improving soil fertility, using fertilizer, staggering planting to smooth market supply, building on farmers' indigenous knowledge, and so on. In some cases, as in Afghanistan (chapter 5), this may require bringing in and testing new methods such as plastic mulches to extend growing seasons; in others, working on seed stores as in the Ethiopian case (chapter 5) or testing new types of low-cost drip irrigation.

This may require the efforts of a range of specialists (agronomists, pest and disease specialists, soil and water experts, etc.), as well as close collaboration with seed suppliers, the local research and extension agencies, radio stations (to disseminate new technologies and keep farmers informed about the weather and prices), etc.

The case below, from Uganda, shows how a farmer group in southwest Uganda made an enterprise plan and then overcame some of the production difficulties that they encountered when putting the plan into effect.

An Action Plan for Potatoes in Uganda



SHAUN FERRIS AND RUPERT BEST

The members of the Nyabyumba farmers' group in southwest Uganda had been working to improve their seed potato production through a farmer field school with support from CRS and the NGO Africare. They were eager to assure a market for their seed potato by improving the market for "ware" potatoes (potatoes used for consumption rather than for seed).

They soon realized that developing a ware potato market might become their main agroenterprise area. A market for ware potatoes was identified in Kampala with Nando's, a fast food chain. To be able to supply this chain year-round with high-quality potatoes required many changes in the way the farmers produced potatoes. It meant putting into place a process so that all the farmers were growing the same variety, organizing planting times, using irrigation, year round harvesting, storing, handling and transporting the potatoes, as well as managing their new enterprise.

Developing an Action Plan

The group developed an action plan showing the activities that were needed, the outputs expected, who would undertake each activity, and when it was to be done. Table 20 summarizes this plan. The full plan has details on specific activities and the people directly responsible for carrying out tasks.

Table 20. General action plan for the Nyabyumba Farmers Group (NFG) potato enterprise, Uganda

Activities	Expected outcome	Actors	Timing (2003)
Marketing			
• Identify, contract, and organize transport for potatoes to Kampala	• Low transport costs, and regular supply	• NFG management	• 2 May and ongoing
• Develop and maintain contact with Nando's purchasing department	• Targets for delivery and future production established	• NFG management, Africare, UNSPPA	• Weekly from 5 May and ongoing
• Identify alternative market outlets for ware potatoes and for rejects	• Strengthen the sustainability of the enterprise	• NFG management, UNSPPA	• Jan 2004

Activities	Expected outcome	Actors	Timing (2003)
Business organization			
<ul style="list-style-type: none"> • Negotiation with Nando's and finalization of the buying contract 	<ul style="list-style-type: none"> • Consolidation of the farmer-buyer relationship 	<ul style="list-style-type: none"> • NFG management, Africare, UNSPPA 	<ul style="list-style-type: none"> • 10 May 2003
<ul style="list-style-type: none"> • Register group with local authorities 	<ul style="list-style-type: none"> • Access to NAADS service provision and bank account 	<ul style="list-style-type: none"> • NFG management 	<ul style="list-style-type: none"> • 2 June
<ul style="list-style-type: none"> • Open a bank account 	<ul style="list-style-type: none"> • Safe management of resources, access to payments by Nando's 	<ul style="list-style-type: none"> • NFG management 	<ul style="list-style-type: none"> • 10–12 June
<ul style="list-style-type: none"> • Establish a group savings fund 	<ul style="list-style-type: none"> • Access to credit 	<ul style="list-style-type: none"> • NFG management, Africare 	<ul style="list-style-type: none"> • 15 June
<ul style="list-style-type: none"> • Train leaders and group members on enterprise management and administration 	<ul style="list-style-type: none"> • Effective management of the enterprise 	<ul style="list-style-type: none"> • NFG members, Africare, CIAT 	<ul style="list-style-type: none"> • June–Oct
Production			
<ul style="list-style-type: none"> • Develop staggered planting schedule 	<ul style="list-style-type: none"> • Continuous supply of potato 	<ul style="list-style-type: none"> • NFG members, Africare 	<ul style="list-style-type: none"> • 10 July
<ul style="list-style-type: none"> • Adjust planting spacing practices to produce larger potatoes 	<ul style="list-style-type: none"> • Fewer rejects of undersized potatoes 	<ul style="list-style-type: none"> • NFG members, Africare, NARO 	<ul style="list-style-type: none"> • 10 July
<ul style="list-style-type: none"> • Train group members on ware potato management techniques 	<ul style="list-style-type: none"> • Enhanced skills of members in ware potato production 	<ul style="list-style-type: none"> • NFG members, Africare, NARO 	<ul style="list-style-type: none"> • 15 Sep–Nov
<ul style="list-style-type: none"> • Arrange with research organization for research on seed of identified varieties for Nando's 	<ul style="list-style-type: none"> • Access to improved potato varieties 	<ul style="list-style-type: none"> • NFG management, NARO 	<ul style="list-style-type: none"> • 12 Sep and ongoing
<ul style="list-style-type: none"> • Multiply desired varieties 	<ul style="list-style-type: none"> • Sufficient seed to plant 	<ul style="list-style-type: none"> • NFG members 	<ul style="list-style-type: none"> • 10 Oct
<ul style="list-style-type: none"> • Identify and implement micro-irrigation on uplands 	<ul style="list-style-type: none"> • To ensure quality production during the dry season 	<ul style="list-style-type: none"> • NFG management, Africare 	<ul style="list-style-type: none"> • 2 Dec and ongoing
Post-harvest handling			
<ul style="list-style-type: none"> • Rent warehouse for potato storage 	<ul style="list-style-type: none"> • Bulked production for collective marketing 	<ul style="list-style-type: none"> • NFG management 	<ul style="list-style-type: none"> • 25 July 2003
<ul style="list-style-type: none"> • Purchase weighing scale 	<ul style="list-style-type: none"> • Control of sales 	<ul style="list-style-type: none"> • NFG management 	<ul style="list-style-type: none"> • July 2003

Production-Related Problems

When the farmers put their plan into effect, they faced several production-related problems.

Consistency of supply. The farmers normally produced two crops of potatoes a year. They had to make radical changes to ensure the steady supply of 10 tonnes per month that the fast-food chain required. They did this in various ways: by adopting new varieties, staggering plantings, planting in wetlands and uplands, using drip irrigation, building stores, and buying potatoes from other farmers when their stocks were low.

Quality. The farmers had to learn how to sort and grade their potatoes quickly. Potatoes transported to Kampala that did not meet Nando's standards had to be sold on the wholesale markets, where they fetched a much lower price. Failure to meet the grade was costly: 80% of the initial delivery of potatoes were rejected: a major loss in income for the farmers. So over the next 8 months, the farmers worked hard to reduce the level of rejects. This effort paid off, and rejection rates fell from 80% to less than 10%. By December 2004, the farmers were consistently supplying potatoes that met Nando's stringent quality requirements.

Experimentation and innovation. To achieve this performance, the farmers adopted several innovations, such as micro-irrigation in upland areas, which significantly improved the quality of off-season tubers. To synchronize production, members have taken on strict planting schedules specifying planting times, amounts to be planted, availability of planting materials, harvest date and expected yield at harvest. They changed the planting density to increase the size of the potatoes. Farmers also cut off the plants above the ground a few days before harvesting; this reduces the tuber moisture content and extends storage life. This experimental work was supervised by experts from Uganda's National Agricultural Research Organisation.

The changes that were made highlight the fact that identifying a market opportunity and organizing an agroenterprise requires a sound understanding of the crop and the agronomy needs to be optimized to supply markets on a competitive and long term basis. The agroenterprise approach is therefore a binding integration of market demand, farmer organisation, planning, competitive production, financial management and effective negotiating, to produce profitably.

More information: This case is taken in part from KIT, Faida MaLi and IIRR (2006) *Chain empowerment*, pp. 143–148. See also *A market facilitator's guide to participatory agroenterprise development* (www.crs.org/agriculture/).



Step 2.4 Test Marketing

When they have planned their enterprise, groups of farmers have to learn how to negotiate with buyers and undertake marketing based on an agreed agroenterprise plan. When they start supplying products to buyers, they become exposed to the risks and challenges that traders face every day: transport, volatile prices, and the need to maintain product quality.

Rather than being overambitious, it may be best to negotiate with buyers to deliver several loads of produce on a trial basis. The buyer may insist on this anyway in order to be sure of the product quality and the farmers' ability to supply the produce as promised. Such test marketing is good experience for the farmers too: they can use it as an opportunity to test and refine their own procedures, iron out any problems, and make sure everything works as expected.

The agroenterprise facilitator needs to coach the farmers on how to handle these challenges. After each test delivery, it is important to assess what happened and to correct any problems quickly. The lessons from these test deliveries guide the plans for scaling up the business operations.

The case below shows how farmers in the Philippines test-marketed their calamansi (a citrus fruit similar to a lime). We will return to this same group of farmers when we discuss collective marketing (Step 3.2).

Test Marketing of Calamansi in the Philippines



JOAN UY

At calamansi harvest time, farmers in Siay, a municipality in Zamboanga Sibugay in the southern Philippine island of Mindanao, used to wait for traders' agents to come so they could sell their fruit. These agents work for traders who buy fruit from many farmers, consolidate them into batches, and sell them on to bigger traders at Cagayan de Oro, a port on the north coast of Mindanao, or in Manila, a long ferry journey away.

Calamansi are highly perishable, so farmers understand very well that shipping them all the way to distant Manila is risky. The few who have tried encountered problems and made losses. Given such negative experiences, the farmers were resigned to depending on the traders' agents. That meant that sometimes their fruit would find a buyer, and at other times they had to leave it to rot.

Zamboanga Sibugay is the supply source furthest away from Manila, the main center of demand. The fruit has to be taken by truck overnight from the farms to Cagayan de Oro and loaded onto a boat, which takes 2 days to reach Manila. Once at Manila, wooden crates containing 25 kg of the fruit are sent to retailers, institutions or processors who extract the juice. That has to happen within 3 days of arrival in Manila, before the fruit turns from green to yellow and loses value.

Speed, good post-harvest handling and the smallest number of handlers between the farm and buyers are key to ensuring that the buyers receive good-quality fruit. For many years, Siay's calamansi farmers had not been able to comply with these requirements, so buyers came to see their fruit as low-quality, and it was in demand only in the summer when other production areas could not supply enough.

Entering the Market with a Plan

In 2005, CRS and the extension service of the Xavier University College of Agriculture started guiding the farmers in Siay on how to set up their own marketing enterprise. This was part of a three-year Small Farms Marketing Project with support from the U.S. Department of Agriculture. Almost at the same time, staff from CRS Philippines attended the first of the CRS/CIAT Southeast Asian regional agroenterprise learning alliance sessions.

Using the materials and ideas from both Xavier University and the learning alliance, the CRS Philippines project team organized a training course on preparing an enterprise plan for leaders of the 11 "clusters" or farmer groups of calamansi growers (see Box 21). This plan guided the groups through the test marketing activities. The farmers realized that to improve product quality, they would have to pack the fruit in wooden crates rather than nets to prevent bruising and damage in transport. They also learned that it was economical to fill up a complete truck, containing at least 150 crates of fruit, or close to 4 tons. Anything less than a truckful would not be profitable.

Table 21 shows the components of the enterprise plan. It was important to set down in a simple form who the farmers were going to sell to, at what quality and what price; which farmers were involved in supplying and how they were going to meet the quality standards set; who was going to manage the process of linking the farmers to the buyers; and what investment was needed, where the money would come from, what were the costs and how much would be made from selling the fruit.

Table 21. Components of an enterprise plan

Market plan	Buyer(s) Product and quality specification Sales target (volume and price) Payment arrangement/procedure Promotions
Supply plan	Suppliers Estimated supply volume Quality management procedures Product operational flow Materials, equipment and other needs
Management plan	Management structure Tasks, responsibilities, compensation Policies and procedures agreed
Financial plan	Capital requirements and source(s) Projected costs and returns

The farmer groups decided to start simple: they would supply to wholesaler traders first before trying more demanding customers such as food processors or juice makers. The farmers felt such buyers were very attractive because they promised stable demand, fixed prices and reliable payments, but they knew that supplying them would be difficult for farmers with no marketing experience. So the farmers decided to sell first to a trader in Cagayan de Oro, who acted as a facilitator for a Manila wholesaler and received a commission of \$0.41 per crate from the wholesaler.

The project assisted the farmer groups to build five sheds where the farmers could collect their product. These sheds are the pick-up points for the truck that brings the calamansi to the port. For the use of the consolidation shed, cluster members are required to pay the equivalent of P0.50 (\$0.01) per crate to cover the shed's cost. Non-group members pay double this rate.

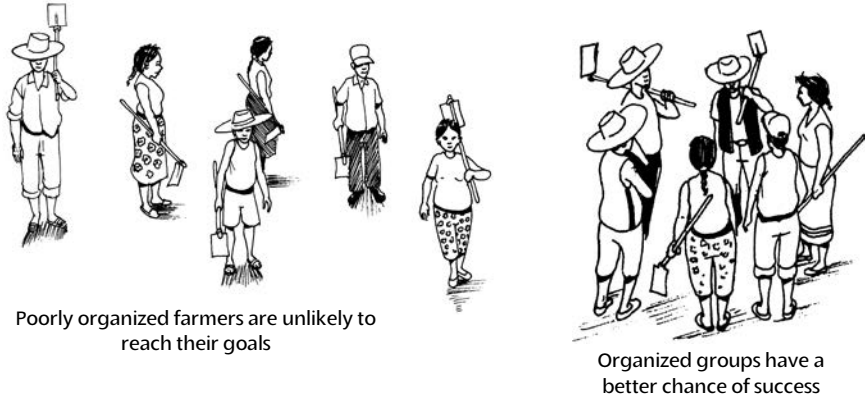


Figure 27. Farmer marketing groups require good organization and effective communication

Learning by Doing through Test Marketing

The farmer groups sold their fruit to the Cagayan de Oro facilitator. It was important that this facilitator was a friendly intermediary, who was ready with suggestions to improve the farmers' product quality and operations. An unfriendly facilitator would have stopped buying completely because of the many problems encountered at first. Such problems were to be expected in the farmers' first marketing experiences.

Problem 1: Missed deadlines. For the very first delivery of calamansi, the truck the farmers had rented did not arrive in time to catch the boat at the Cagayan de Oro port. The two farmer group leaders who accompanied the truck were compelled to unload the fruit and sell it at the local wholesale market for only 60% of the price that had been agreed with the market facilitator.

So the farmers would not lose heart, they and the project team immediately assessed what had gone wrong and revisited the enterprise plan. The group leaders doing the assessment realized that the problem was in the supply plan, particularly in the operational flow. The truck was to have departed from Siay at 8 p.m., but in fact left later because not all the farmer groups could deliver their fruit to the collection centers by the 5 p.m. deadline. The leaders revised the arrangements to ensure such deadlines would be met.

Problem 2: Non-standard packaging. The second delivery a week later was confronted by another problem. The Manila wholesaler buyer complained that not all the calamansi were in standard crates containing 25 kg. Again, the group leaders assessed the problem and arranged for all members to use a scale to weigh their fruit and standardize the crate content. A label on the crate enabled the fruit to be traced back to the farmer group and the producer who supplied it.

Problem 3: Breakdown of truck. On the third delivery, another problem arose: the hired truck broke down in transit. A rescue truck had to be immediately hired in the middle of the night. While the calamansi still arrived in time at the port, the cost of transport was 50% higher, significantly reducing the net returns to the farmers. So in the assessment before the next delivery, a farmer group leader was assigned to check the different truckers and ensure that the truck hired would be in good condition.

Problem 4: Competition from local traders. By the time the farmers made the fourth delivery, a different problem came up. The dominant local traders had reacted by raising the prices they offered, shaking up the community's traditional relationships with the traders. The farmer groups realized they had to live with the local traders as well, and agreed to sell to them as well as in Cagayan de Oro. They later realized that the higher price was not due to a "price war," but was the real price coming out in the presence of competition.

The farmer groups went through many such challenges. The problem could be a minor one which was easy to correct, such as a discrepancy between the number of crates loaded on the truck and the number written on the delivery form. It could be more serious, such as a truck accident resulting in the loss of half of the calamansi load.

It was crucial that the farmer group leaders met every month to assess the situation and take corrective measures, and that their decisions were immediately communicated to the members and feedback obtained from them. These challenges showed the farmers that marketing is a dynamic activity, and that to succeed requires management based on constant improvements. They discovered that marketing success depends on reliability over time, rather than depending on individual product deliveries.

Opportunities and Challenges

Moving to industry buyers. Through these sales, the calamansi farmers in Siay have been able to supply fruit to the distant Manila wholesalers. They now want to expand their market to supply industry buyers: food processors, fast food outlets and restaurants. Unlike the current wholesale market where price is based on supply, such industry buyers provide a more stable market with locked-in prices and supply agreements. But they also require from the farmers a very high organizational discipline and more complex management standards. To supply this new market, the farmers have formally organized as a cooperative.

Value addition. Given the experience in marketing, the track record in bulking their product and selling it as a group, the co-op has also recently embarked on small-scale processing of fruit juices to supply the local market. This is supported

by the Siay local government, which has declared calamansi fruit drink as its “one town, one product” project under a national government scheme to support small enterprises. CRS has also started to help the co-op invest with business partners to make juice extract and purée to supply manufacturers which make products such as calamansi juice powder and concentrates.

Looking back, the CRS/Xavier University project provided business development services in the form of training, organizing, productivity and product quality enhancement, market linkage and installation of management systems to get the farmers started. Now, the co-op can operate a marketing business with the wholesalers largely on its own.

For its calamansi processing venture, the co-op gets government assistance in product development, packaging, labeling, branding and product promotions. CRS is helping develop its market outlets. For the bigger co-investment to make juice extract and purée, CRS provides specialist services in organizing for larger-scale markets.

For these new markets, the co-op has requested three types of assistance:

- Further training and capacity building in leadership and organizational development for an expanded group with more members
- Facilitation of new markets and the business service providers
- Improvement in management systems to serve the industry market

Lessons

- **New perception of traders.** Test markets expose farmers to the risks that traders face. They help farmers realize why traders are forced to reduce their prices when product quality is not assured, if spoilage is high, or when prices are volatile. Farmers become more understanding of the traders and become more open to cooperate with them: not necessarily in trading, but in sharing information, using facilities in common, etc.
- **Importance of coaching.** Marketing is a new experience for farmers. They need coaching from business practitioners whose judgment and connections can mean make-or-break situations at the business establishment stage. As farmers are guided to understand the market chain and confront situations which need knowledge and experience, they gradually build their confidence and develop the enterprise stamina they need to sustain a business.
- **Careful attention to details.** Success in marketing depends not on how sophisticated the marketing program is, but rather on how well organized and coordinated are the sequence of activities that move the products from farmers

to market. Test marketing enables farmers to design efficient product flows and to try out management systems before they scale up their businesses.

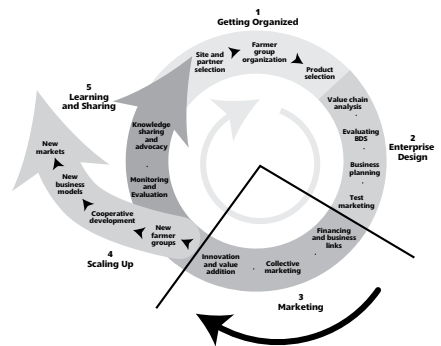
- **Corrective measures and innovations.** Test marketing introduces farmers to the management approach of implementing corrective measures and innovations. When they assess each product delivery during the test marketing, they develop their capacity to confront challenges that are always a part of such a dynamic activity as marketing.

7

Step 3: Marketing

STEP 3 INVOLVES THE FOLLOWING ACTIVITIES:

- 3.1 Financing and business relationships
- 3.2 Collective marketing
- 3.3 Innovation and value addition



This step deals with selling the product at market and the activities that are required to maintain sales and build business relationships.

During this stage, the farmer groups and agroenterprise team must continually improve the marketing operations and iron out any problems that arise. That may mean improving the collection of produce, ensuring quality, improving payments to farmers, negotiating terms with buyers, eliminating side-selling by group members, and building the group's capital, management capabilities and cohesion.

The necessary business development services have been identified in Step 2. In Step 3 this knowledge is put into practice through a set of interventions aimed at strengthening or creating business development services to meet the demands of the new agroenterprise. These might include, for example, ensuring supplies of seed of a particular crop variety, creating linkages with extension institutions or advisory services to ensure the farmers get timely and appropriate advice on production issues, and ensuring that farmers can access credit so they can buy inputs and bridge cash-flow shortages.

This section gives particular emphasis to financial services. This is an area that requires greater attention in the future, and is where CRS is exploring various alternative financing models.



Step 3.1 Financing and Business Relationships

This step deals with two all-important topics: ensuring that funds are available to support the nascent agroenterprises (and will continue to be available as they grow), and creating the business relationships that are needed to get the enterprise off the ground (and keep it flying).

The second of these has been discussed already in Step 2.2 on business development services. This section therefore deals with the first: finance. It first looks at the problem of financing agroenterprises as a whole. Then it describes two examples of new approaches to financial services in remote rural areas, one in the Lake Zone of Tanzania, and another in Orissa, India.

FINANCING AGROENTERPRISES

WENDY-ANN ROWE

Smallholder farmers generally lack adequate capital to invest in their production and marketing activities. Volatile crop prices, unpredictable rainfall and pests and diseases make agricultural lending too risky for formal financial institutions. The distances that need to be covered to evaluate and deliver loans to smallholder farmers add to costs and make lending unattractive to most conventional lenders. Additionally, most smallholders lack collateral or a credit history to guarantee a loan. They are seen as having too high a risk of default, so do not qualify for loans to support their farming.

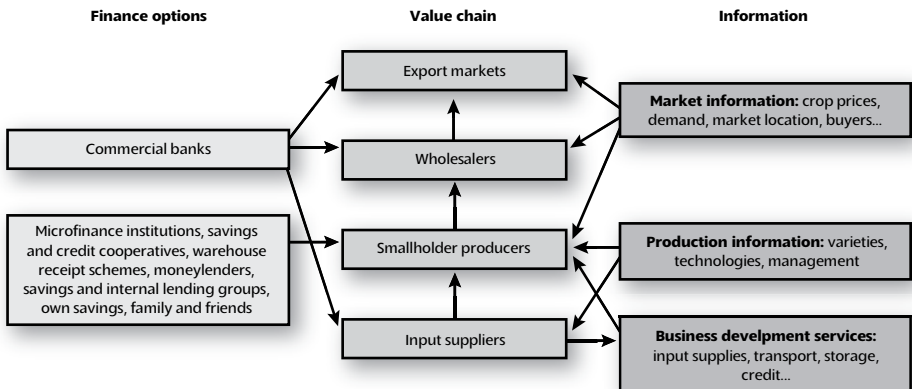
But if agriculture is to increase their food security and incomes, farmers need financial services to buy inputs, hire workers, rent storage and pay for marketing. Although some can borrow from local lenders and traders, such loans are typically expensive and not aligned with crop calendars or the needs of value chain development.

Standard 30- or 90-day loans, repayable on a weekly basis, are designed for urban trading or industrial production. But they do not suit farming, which produces returns only at the end of the season but which needs finance spread over several months to cover the costs of planting, production, harvesting, storage and marketing. Farmers need financial products that meet their specific production and marketing systems. Those in remote areas need even more flexible products as their business cycles are less synchronized with national marketing systems.

For these reasons, formal lending and microfinance institutions have been unable to provide loan products for farmers. So most rural communities are forced to rely on high-cost loans from local moneylenders, loans from traders (which may compromise their price negotiations) or community-based savings-led initiatives.

Financial Options within the Value Chain

At each stage in the value chain, financial services can come from a variety of sources: commercial banks, savings and credit cooperatives, microfinance institutions, input suppliers, warehouse receipt programs, self-help group activities, savings and internal lending mechanisms, and family and friends ((adapted from Downing (2005) Figure 28).



(adapted from Downing (2005))

Figure 28. Value chain finance

That's an extensive list. But of all the actors in the value chain, smallholder farmers are the most disadvantaged. They are often unable to access any of these services. Most cannot get a loan from a commercial bank, and a few might be able to borrow from a microfinance institution. Most, however, rely upon local moneylenders and traders. Most microfinance institutions still find it difficult to design agricultural loan products for smallholder producers with no collateral or a verifiable credit history.

Information and Finance

Information is vital to both producers and the providers of financial services. They need four main types of information (the last column of boxes in Figure 28): information on production, business development services and markets.

- **Production information.** They need to know how farmers can produce the products that the market demands. For farmers, this is obvious: they must have a sound understanding of recommended production packages: what is the best

seed variety, the best time for planting, the fertilizer needs, and so on. They need the right information and access to the right inputs at the right times. That may mean the farmer has to borrow more, but it should pay off in terms of higher profit and greater ability to repay at the end of the season. Nevertheless, agriculture is a risky venture: bad weather or pest attacks may cut yields unexpectedly. Farmers understand this well, so are reluctant to risk too much by borrowing a lot of money to invest. Financial institutions do not have to be experts in agricultural production, but they also need a good understanding of farmers' needs and opportunities, and of the constraints and risks they face.

- **Information on business development services.** Farmers need to know not only what inputs they need, but where to get them and how much they will cost. They need to know where to get other types of business development services, such as transport, storage facilities and credit. Finance providers also need to consider the most important services that farmers will have to pay for so they know what amounts will be needed and when in the production-to-sales cycle.
- **Market information.** Market information, i.e., the regular provision of basic product prices, is also vital to farmers and financial service providers. Farmers need it to develop business plans, forecast their expected incomes, and negotiate prices with buyers. They need it to make informed decisions on profitable crop types and varieties, the best time of planting, harvesting times, storage options and where to sell a product. Loan providers also need it to evaluate the risk associated with a specific type of loan.

To design new types of finance products for poor farmers, financial service providers need to have certain types of information about the value chain so they can anticipate how much money farmers will need to borrow, when they will need it, and when they can expect to repay. This information will be specific to each commodity: a farmer growing beans—a short-season crop—will need a different type of loan from one growing sugarcane, fruit trees or sheep, which have longer production cycles and different financing needs.

The information and financial needs of farmers change over time. As they begin to scale up their operations and engage in more sophisticated or remote markets, they will need different types of information, and different types of finance. Selling produce in bulk, for example, is more profitable than selling it by the bag: it is necessary to pay for storage, grading, sorting, packaging, hiring a truck, and so on. Members of a co-op may want to be paid immediately when they deliver their produce to a collection station, rather than waiting a couple of months for payment. So the co-op will need finance up front.

Role of Formal Financial Services

Most formal financial service providers, especially commercial banks, are reluctant to invest in smallholder agriculture because they think it is risky and smallholders are not creditworthy. Microfinance institutions and savings and credit co-ops generally work in the same communities as smallholder farmers and finance non-farm activities, so rate the risks lower and are more open to providing loans to smallholders. But they have not created loan products for agriculture or for specific crops or livestock. Generally, they offer the same generic loans for agriculture as for small-scale trading.

The value chain approach offers financial institutions insight to the types of loan products that are required and how finance can fit the needs of smallholder farmers. Here are four examples of ways that financial institutions can, through creative means, engage in the value chain:

- In **Mali**, the Banque Malienne de Solidarité has been financing three levels of the potato value chain. This bank provides a letter of credit to a seed-potato importer, loans to more than 1,000 potato growers through local microfinance institutions, and loans to grower cooperatives to export potatoes to Côte d’Ivoire, Ghana and Burkina Faso.
- In **Uganda**, Stanbic Bank is using a warehouse receipt system to provide loans to the 2,100-member Kapchorwa Commercial Farmers Association. Association members deliver their maize harvest to a designated secure warehouse, where it is weighed and kept under proper conditions until the farmer is ready to sell it. The farmer gets a certified receipt that can be taken to a branch office of Stanbic Bank and converted into a loan, with the warehoused crop serving as collateral. The loan is paid back when the grain is sold.
- In **Kenya** in 2007, Safaricom, the country’s largest mobile phone operator, began offering a payment service for the unbanked, known as M-PESA (M stands for mobile, and *pesa* is Swahili for “money”). A farmer can use a mobile phone to transfer money quickly and securely to another mobile phone user. The farmer can turn cash into e-money at any Safaricom office. He or she then follows the instructions provided to send the money to someone else, who goes to their local Safaricom office to collect the cash.
- In **Ethiopia** in 2006, CRS in partnership with Metemamen, a local microfinance institution, started offering loans for navy bean farmers in Ethiopia (chapter 8). The initial idea was to lend to farmers only so they could buy improved seeds. But the team quickly recognized that the farmers also needed money for fertilizer and other inputs so they would get a good yield from the improved seed. So Metemamen decided to increase the loan fund to cover these additional purposes. Another area where more flexibility was needed was the timing of the loans. The loans were supposed to coincide with the rainy season, but some farmers wanted

to borrow funds after the rainy season to finance planting other crops. Small-scale irrigation let them continue production throughout the year while they did other work, such as grain trading. In response, Metemamen introduced two loan periods. The first, from mid-June to mid-September, coincides with the rainy season. The second, from mid-December to the end of June, is timed to finance dry-season, irrigation-dependent farming.

Reducing Risks

While such services are highly desirable, most financial service providers perceive agriculture to be too risky:

- **“Covariant risks.”** Loans for agricultural production are susceptible to many borrowers defaulting at the same time—for example, if a drought causes widespread crop failures. Lenders normally like to spread their risk by lending to a diverse portfolio of borrowers. With different sources of income, it is not likely that all these borrowers will be unable to repay their loans at the same time.
- **“Asymmetric information.”** Lenders do not feel they know enough about the borrowers, their crop and livestock production, and future market prices.
- **Cost of serving rural areas.** It is more expensive to provide a service to remote or sparsely populated rural areas than in the cities. The cost of rural outreach cuts already low profit margins below what the lender finds acceptable.

Some financial institutions have overcome these problems and have been creative in developing financial products for the agricultural sectors, but their number is still insufficient.

Doing their Homework

One way to mitigate risk is to ensure that the different actors, especially the lenders, have an in-depth knowledge of the value chain and the relationships between the actors at the different levels. That will help the lenders design appropriate financial products. If a lender knows that the value chain actors have also done their “homework,” he or she will be more confident that a loan will be used for the intended purpose, and that the borrower is unlikely to default.

This “homework” includes:

- Conducting market studies to identify opportunities
- Linking to suppliers to ensure that the right inputs will be available on time
- Negotiating forward contracts to lock in a minimum price
- Securing the necessary technical support (e.g., from extension services)
- Obtaining the technology needed to ensure success

Multi-Phase Loans

Most farmers lucky enough to get a crop loan tend to receive it as a lump sum at the time the loan is approved. They are tempted to use part of the money for other, non-productive purposes, with the intention of replacing it in time. But when the time comes, they cannot find enough cash to pay for part of the production cycle. The yield suffers; the borrower makes less money, and may even default on the loan.

To reduce this danger, lenders can agree to lend a lump sum, but disburse it in several stages: part at the start of the season to pay for land preparation and inputs, part in the middle of the season to pay for weeding and pest management, and the remainder at the end to cover harvesting and post-harvest activities. An agricultural expert is usually needed to decide on the timing of such payments. This person must be credible; few local extension officers are sufficiently qualified to provide this type of advice. It is important that each party is clear on how the process works. An intermediary can help explain and manage such multi-phase loans: a local NGO working with a farmer association, for example, or a savings co-op working with a farmer group.

Information Disclosure

Borrowers tend to be good at pointing out the shortcomings of financial institutions, but less good at recognizing their own weaknesses and responsibilities when applying for and using a loan. Basic financial principles require borrowers to fully disclose their financial positions and provide reasonable estimates of yield and expected prices, based on historical production information. That allows the lenders to make a fair assessment of the real risk. But borrowers either do not have this information or do not want to disclose it, so lenders tend to overestimate the risk and remain unwilling to lend for agriculture.

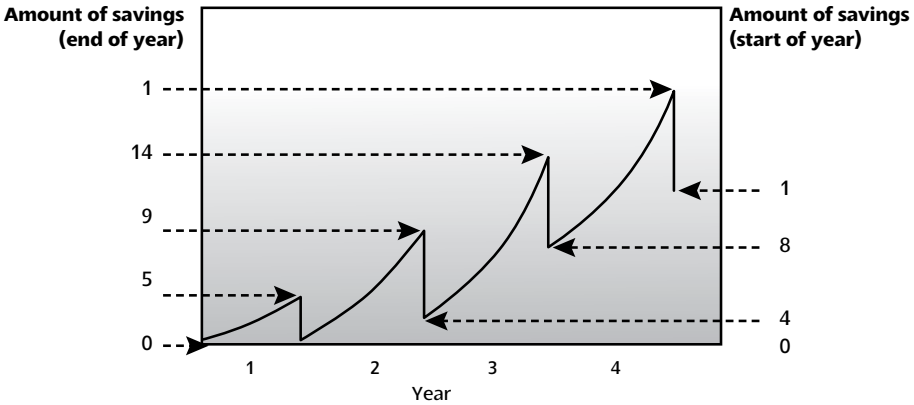
Market intelligence is a key component of the business planning process. As financial service providers become more engaged with agricultural lending, they will look to market intelligence information generated within the value chain to guide them when they select clients and decide on credit terms.

Self-Financing Investment

Self-financing is one option for farmers who find it hard to borrow money. Farmers do this anyway: they do not rely solely on loans to pay for production costs. But their savings are small and easily spent on other things, so they generally cannot invest enough to pay for an optimal level of inputs. Instead, they buy small amounts of inputs, resulting in suboptimal yields and low returns.

Why do farmers find it difficult to save? Many have nowhere safe to save their money, so cannot accumulate much capital. Providing secure ways to save is one way to help them do this. One promising approach being tested by CRS is “savings and internal lending communities” (see the case from Tanzania in chapter 7). In this approach, groups of farmers pay a small sum each week into a common pool. Members can borrow from the pool if they wish to cover short-term expenses; they repay their loans with interest. By the end of the season, the pool will have accumulated a significant amount of money, which members can borrow as a lump sum to buy inputs for the next season. Defaults are rare because the members know each other well and can decide whether to make a particular loan, and because social pressure induces borrowers to repay.

Such groups rarely generate enough savings to provide more than one or two loans at a time. But the loans are more flexible than a formal loan from a microfinance institution: borrowers can use it to cover their expenses while they wait for the harvest. That helps them avoid being forced to sell off their standing crops cheaply to meet an urgent expense, or worse, selling land or livestock on which their long-term livelihoods depend. Such savings groups also help improve their members’ financial literacy, management capabilities, creditworthiness and group cohesion.



Source: Tom Shaw, CRS

Figure 29. Model of savings growth in savings and internal lending group

In a CRS-supported project in India, self-help groups use a portion of their savings to finance their collective marketing activities (see the case study below).

Dynamics of the Savings-Led Model

Applying a savings and internal lending model to agricultural finance activities

requires some strategic thinking before it can become a viable source of finance. During the first cycle, savings and internal lending groups are just beginning to save collectively, so are not ready to take on the additional risk of agricultural lending. Furthermore, it takes time for the groups to generate enough savings to lend to their members, still more time before they can save enough to support agricultural production activities. In reality it will likely take a savings group 3–5 years to reach an optimal operating level, i.e., when the pool of savings at beginning of the cycle is greater than the maximum amount at the end of the first or second cycles.

Savings and internal lending groups have a built-in control to ensure that the savings are safe. This is known as the “action audit” or share out. At their final meeting in a savings cycle, the group members pay their contributions as usual. The treasurer collects outstanding loans and fines, tallies up the savings, and announces the total for each member. The group then calculates its total income and net earnings. Each member is then given a portion of the net earnings, based on how much he or she has paid in during the cycle. Once this is done, the group decides how much, if any, of the total savings will remain to start the new cycle. This rest is distributed to the members, who often use it to buy inputs for the next season.

Figure 29 illustrates how savings and share outs work over time. At the end of year one, the members share out the entire savings, so start the second cycle at zero. Starting at zero, however, means that they cannot immediately get new loans for their businesses. So at the end of the next cycle they agree to leave between one-third and one-half of their savings in the common pool to start the third cycle.

Now that loans can start quickly in the third cycle, the members earn and therefore save more than in the previous cycles. They can save progressively more of the common pool to start each subsequent cycle. By the fourth cycle, the group starts with more savings than it had at the end of the first or second cycles. That lets it make larger loans during the cycle and higher returns at the end.

It is at this point that more organized agricultural finance becomes possible. Members also realize the true potential of savings. They start pre-financing input purchases (by pre-paying suppliers to lock in input quality and price), or set aside additional savings for future input purchases.

Such savings and internal lending schemes are probably not sufficient to address all the capital requirements of their members, but they are a significant step in that direction. The amount of self-funding will be clear for external lenders, and their risk profile will be lower.

Savings Groups and Marketing Associations in the Lake Zone, Tanzania



EDWARD CHARLES

“No Hunger” through Savings Group

Hapana nzala means “no hunger” in Kiswahili, the national language of Tanzania. It is also Angelina Maligisa’s nickname. Angelina is well-known in Kasololo, a village in Misungwi District, near Lake Victoria. Widowed when she was only 36, she refused to be “inherited” by her husband’s brother as tradition demanded, and instead insisted on looking after herself and her children.

Her nickname is well-deserved. Now 52, she grows 12 ha of chickpeas and another 4 ha of rice and 1.6 ha of green gram—enough to feed her extended family of 21. She has started a small fish business, bought some cows and a bicycle, and improved her house.

She has not done this alone. She has been able to make these investments because she is a member of a “savings and internal lending community”, or “SILC” in CRS language, where she can get loans to pay for business investments and home improvements. “I have benefited so much by being in a savings group,” she says. “They are a savior for rural communities. It is a place to know new people and you can be assisted whenever you have a problem.”

Angelina’s savings community has also affiliated with similar groups in the village to form a second-tier marketing association. This association arranges for the sale of members’ chickpeas and other crops direct to buyers rather than through local traders. By pooling their harvest and marketing collectively, the farmers get better prices than if they were all to sell small amounts as individuals.

In 2007, Angelina was elected chairperson of the Kasololo marketing association. In the same year, the association sold 13 tons of chickpeas for \$6,000, and in 2008 it sold 2 tons of green gram for \$892 at prices at least 20% higher than for individual sales.

From Market Opportunity to Group Associations

Angelina’s marketing association is just one of 28 in Misungwi and Kwimba districts of Mwanza Region supported by CRS Tanzania. CRS’ work on chickpea marketing in this area began in 1999. It has consisted of four phases:

1999: Identifying market opportunities. Chickpea is an important cash crop in the Lake Zone. Farmers usually sell it to traders for export to South Asia, where

it is in high demand. Production has grown from 10,000 t to 50,000 t in 2007, a fivefold increase in 17 years. CRS recognized the high level of demand and its potential for growth, so began an agroenterprise project to improve chickpea marketing, along with several partners: the Mwanza Rural Housing Program, the International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), the Lake Zone Agriculture Research and Development Institute and the local Department of Agricultural Extension.

2000–2003: Market Chain Analysis and Increasing Productivity. CRS and TechnoServe, an international nonprofit business organization, conducted a market chain analysis of chickpeas. Then CRS and its research partners worked with farmers to select promising new chickpea varieties that are 20% more productive than local varieties and are disease-resistant.



Figure 30. The Kasololo marketing association sold 13 tons of chickpeas in 2007

2003–2005: Developing market linkages. The focus then shifted to helping farmers develop market linkages. CRS and TechnoServe trained farmers and helped them form “producer market groups” to market their produce collectively. However, problems soon became evident with these groups. The groups were weak and they lacked cohesion: they were unable to pool enough chickpeas to make collective marketing effective. Only some opened bank accounts, which they have used little. Everyone—the farmers, CRS and its partners—realized a different approach to group formation was needed.

2006–2009: Savings communities and marketing associations. Strong farmer market groups existed in a nearby district, and all had a savings and internal lending element. So with support from the Ryan Family Foundation, CRS and its partners introduced the same idea to the chickpea farmers and helped them form savings groups.

In 2007, these savings communities affiliated to form marketing associations (“SILC Groups Associations,” or “SIGAs” in CRS language). As a result, the scale of marketing significantly increased in terms of numbers of farmers participating, tons of produce marketed collectively, and the proportion of women participating (Table 22).

The result was a dramatic increase in collective marketing. In 2005, nine producer groups with 577 members, of whom 70% were men, sold 60 tons collectively. This increased dramatically by 2007, when 149 savings groups, affiliated into 16

associations, collectively marketed 1,375 tons—a twentyfold increase in two years. Over half of the members of these groups were women. By pooling the produce from many savings groups, the marketing associations were able to negotiate higher prices, attracting farmers who did not belong to a savings community to add their chickpeas to the amount to be sold. Of the 9,000 households who sold chickpeas through the associations, only 11% were savings community members.

In 2008, 28 marketing associations, consisting of 186 savings communities, aimed to sell 1,000 tons of chickpeas. This target is lower than in 2007 because of poor rainfall, but may increase markedly if non-members also sell their produce through the group associations, as happened the previous year. Thirteen of the marketing associations have added green gram to the crops they sell.

Table 22 Collective marketing, 2005–2008

Crop, season	Varieties	Market groups			No. of house-holds	Women members (%)	Tons marketed
		Producer groups	Savings groups	Mkt assoc			
Chickpea							
2005	Mainly new varieties	9			577	30	60
2006	40% local, 60% new	45 ^a	53		2,670	51	570
2007	>95% local, <5% new		149	16	9,216	54	1,375
2008 (current year)	50% local, 50% new		186	28	4,902	53	1,000 ^b
Green gram							
2008	Mixed new and local		120	13	2,275	54	268

^a Mix of producer market groups and savings groups

^b Target. Less than 2007 because of lower rainfall

Financial Landscape in Mwanza Region

Credit is crucial to many businesses, and small-scale farms in Mwanza Region are no exception. But in common with their colleagues elsewhere, farmers there find it very difficult to get credit. There are two branches of the National Microfinance Bank in Misungwi and Kwimba districts, but they have no financial services suitable to small-scale farmers. It is hard for the farmers to get to the banks anyway: most members of the savings communities live 30–200 km from the nearest bank, so operating accounts is difficult.

Three microfinance institutions lend money in the two districts, but many borrowers have defaulted, and the institutions have seized the borrowers' physical possessions as collateral. This has added to the farmers' problems rather than providing solutions. At least one of the microfinance institutions has suspended its services while it decides how to proceed.

A few traditional savings systems exist based on a merry-go-round, where members meet regularly to contribute a fixed sum each into a kitty. One person takes the whole kitty in rotation.

Savings and Internal Lending Groups

The savings and internal lending communities avoid these problems by providing savings and credit facilities that are close by—in the members' own villages—and by relying on peer pressure to ensure repayment.

SAVINGS CYCLES

A savings and internal lending community is a self-selected group of 5–30 members. This seems to be the optimum size for a cohesive group that encourages full participation of all its members. The members know each other intimately, which fosters strong ties between them and reinforces the sense of ownership and security in the group.

The savings group undergoes intensive training consisting of sensitization followed by seven intensive training sessions. After a new group has started, there follows a phase of intensive monitoring, followed by moderate monitoring, and ending with a maturing phase.

After an agreed time—usually 8–12 months—the savings group shares out its savings and profits among the members. This acts as an internal audit of the group's assets and accounts, and strengthens the members' confidence in the group's management and its finances. The group then starts a new 8–12 month cycle. The number of cycles a group has done is an indication of its maturity. More than half of the groups in the CRS project are on their second cycle.

REGULAR MEETINGS

All the groups meet frequently, once a week or fortnight, at a regular time. This is a key feature of the groups and adds to their strength. More than 95% of members attend these meetings. At each meeting, each member contributes between \$0.40 and \$1.20. They can then take out a loan if they wish.

Within 2 years, 149 savings groups comprising 3,856 members had saved a total of \$112,000, the equivalent of \$29 per member. The savings come from selling crops and a variety of small businesses: small shops, transporting produce, selling milk and grain, marketing food, and so on.

Nearly three-quarters of members have active loans, varying from \$15 to \$400. Most loans are granted to individuals, but some larger loans are for group projects. There is a very high rate (99%) of loan recovery because of the strong solidarity and social pressure for all group members to conform and safeguard the group's resources.

The members use their loans to buy farm inputs, to pay for education, insurance and home improvements (the most popular use), and to cover social needs such as supporting orphans and other vulnerable children.

TRANSPARENCY AND ACCOUNTABILITY

Transparency and accountability are important. All transactions are recorded carefully in a central register during the meetings. The register and cash are stored in a locked box between meetings. This box holds very little cash because most is loaned out immediately to members. This adds to the security of the group's savings and lessens the risk of the group being captured by an elite.

In some groups, individual members also have savings books, which serve as duplicate records. Members are also encouraged to memorize each others' transactions, as well as the running balance at the end of each meeting. The group also maintains records of the social fund and fines, a cash book and a statement of worth. These records are summarized once a quarter and are forwarded to the project partners for monitoring.

GROUP MANAGEMENT

The savings groups are self-managing and operate independently. They generate their own financial resources, and all the money belongs to the members. There are no injections of external funds to the groups, beyond the project costs for training and facilitation. All the leaders (chair, secretary, treasurer) are volunteers. Most groups elect these leaders for one year, but some elect them for three years. The groups have a high number of women members. In 149 groups, women are 54%

of the members and 56% of the leaders. Three-quarters of the treasurers in all the groups are women, indicating the level of trust members place in women.

COMMUNITY RESOURCE PERSONS

Two community resource persons in each village act as service providers and trainers to help form savings groups and provide financial and technical skills. These resource persons are chosen from among the group members in the village. Two resource persons, a man and a woman, typically serve 4–10 savings groups. They must be people of integrity and commitment, able to read, write and count, and be leading farmers or run a small business. They devote 4–5 hours per week as a volunteer to train and monitor the groups under their care.

As incentives, they are given a bicycle, they are the first to acquire improved technology, and they attend quarterly refresher meetings. These meetings are organized by the project for training, sharing information, collecting group data and addressing challenges and opportunities among the groups.

Once the project has introduced the idea of savings groups in a village, generally within 2–3 months, up to three savings groups are functioning there. The project trains the community resource persons at the outset, and they help train and facilitate the first savings groups. In a further 6–10 months, the resource persons begin training new groups, making the savings groups self-replicating. By 2008, the project had formed 73 savings communities directly; another 113 had been formed by community resource persons.

Farmer groups require five skill sets to be successful at marketing their produce (see page %%%32). The training gives the savings communities at least three of these: group organization, marketing and business, and savings and internal lending. The project also trains groups of farmers in the other two skills, natural resource management and innovation, to help them improve their farming techniques.

Associating Groups for Marketing

FORMING MARKETING ASSOCIATIONS

The savings and internal lending groups were a big improvement on the earlier producer market groups because they provided (internally generated) finance that promoted group solidarity as well as capital to the group members. But they were still too small to market produce effectively. To sell to wholesalers, it was necessary to bulk and sell collectively to increase volumes and unit prices, instead of the few bags at lower unit prices that the individual savings groups members could muster.

So in 2007, the project started helping the savings groups to associate with one another and form an apex marketing group, or SILC group association (SIGA). Such associations were designed to offer collective marketing services, as well as to provide services such as training, inputs and insurance.

Each village typically has one apex marketing association, composed of 4–10 savings groups of 200–300 households. If a village has more than 10 savings groups, they will form two associations. Normally the savings groups form first, and when the members show interest in collective marketing, they will form a marketing association.

Box 20. A chickpea seed multiplication scheme

Seed is one of the most important inputs in any crop enterprise. Farmers may be able to get by with erratic water supplies or limited amounts of fertilizer, but without seed, they will have nothing to grow. So ensuring supplies of the right seed is vital.

How can farmers get the seed they need? In the village of Mahando, in Misungwi District, CRS has helped establish a chickpea seed producers' group. In 2006, CRS provided 20 members of this group each with 20 kg of a kabuli (larger-seeded) variety to plant 0.4 ha (1 acre) of land. The Lake Zone Agricultural Research and Development Institute trained this first group on seed production. They harvested between 4 and 5 bags each, and returned 40 kg of seed (twice what they had been loaned) to the marketing association. The association distributed this seed to its seven member savings groups, which in turn supplied 20 kg of seed to 36 seed multipliers for the 2007 season.

There is now plenty of seed (around 1.4 tons) of this variety in the village. The seed is kept by each of the savings groups. Members can receive 20 kg free, as long as they promise to repay 40 kg at harvest. Members or non-members can buy surplus seed for TSh 750/kg. This price compares with TSh 625/kg for the local desi (small-seeded) variety in a normal year, which increases to TSh 1,250/kg in a year of shortage.

There have been problems, however. All of the first-time seed multipliers planted the kabuli variety in 2007, some of them up to 3.2 ha. They had heard good things about this chickpea type: that it tasted good, was resistant to wilt disease, and had a good market. But the results were disappointing: heavy rains and rodents reduced yields to one-quarter to one-third of what was expected. The price was less than hoped: local traders were willing to pay only the same price as for the local variety: half to one-quarter of what the farmers had hoped. They are discouraged, but the farmers say they will plant again in 2008, and hope that CRS will help find a good market for their output.

The project staff discussed the idea of forming a marketing association with the community members and the savings groups, and then trained the group members on how the association operates. The group saw how other successful marketing associations operated during an exposure visit to the nearby district of Magu. By August 2008, 28 marketing associations had been formed by 186 savings groups (an average of 7 savings groups per association), with a total membership of 4,902 households (Table 22). Of these, the project had formed 19, and community resource persons another nine. A key to success is quality leaders. The marketing associations have a larger pool from which to draw good leaders: 200–300 households in the association, compared to only 20 in a savings group.

MANAGING MARKETING

The marketing association signs agreements with buyers to specify their business transactions. Because the association lacks the capital to buy produce from farmer members, the buyers provide an advance to the association leadership. This lets the association procure produce at its collection centre from its members and from non-members. The individual farmers delivering produce are paid in full after screening, grading, weighing and bagging their consignment at the prevailing price agreed by the association with the contracted trader. A commission for each kilogram sold through the association is added to this. This is paid after the marketing season closes as an extra benefit to the members only.

The convenience of buying in bulk is worth money. The buyer pays an additional commission for each kilogram of chickpeas sold through the collection centre; in 2007 this was TSh12 (\$0.01). The marketing association decides how best to use this commission: after paying for the association expenses and retaining some for its operations, the balance is divided among the constituent savings groups. They may disburse the money to their members or retain it in their own investment fund.

The marketing association team that operates the collection centre has an operating fund as petty cash to purchase bags and twine, register books and airtime for mobile phones so they can obtain daily market prices. This petty cash is provided each buying season for particular commodities. The treasurer controls the use of this fund with a cash register.

OTHER SERVICES

The marketing associations also provide services other than marketing. They purchase inputs, provide access to loans, offer training, and provide social services such as insurance and education. They generally have three funds: for inputs,

education and insurance. These funds reflect the marketing associations' social mandate as well as its agroenterprise orientation. Each member of its constituent savings groups pays a one-time fee of TSh 1,500 (\$1.25) to the association. This is divided equally among the three funds. These sums are available as loans to savings group members on a revolving loan basis. The marketing association funds complement the savings group funds and serve the same purpose.

The marketing association's insurance fund is used if a member dies or cannot pay back their loans for reasons beyond their control, such as illness. This fund helps the members cope with HIV/AIDS and its effects.

The movement of funds between the marketing association and the savings groups is tracked with forms and signatures, and these are reviewed regularly at public meetings.

Organizational Structure

The marketing association leadership and group organization are similar to those in the savings groups. The positions include an agricultural extensionist, treasurer and secretary, who each coordinate committees dealing with different aspects of the association's work: agricultural inputs and technology transfer, economic planning, and leadership and administration. The committees are made up of representatives of the association's constituent savings groups. The marketing association as a whole is led by a chairperson (Figure 31).

The association's general assembly meets once a month to discuss and decide on issues presented by the committees.

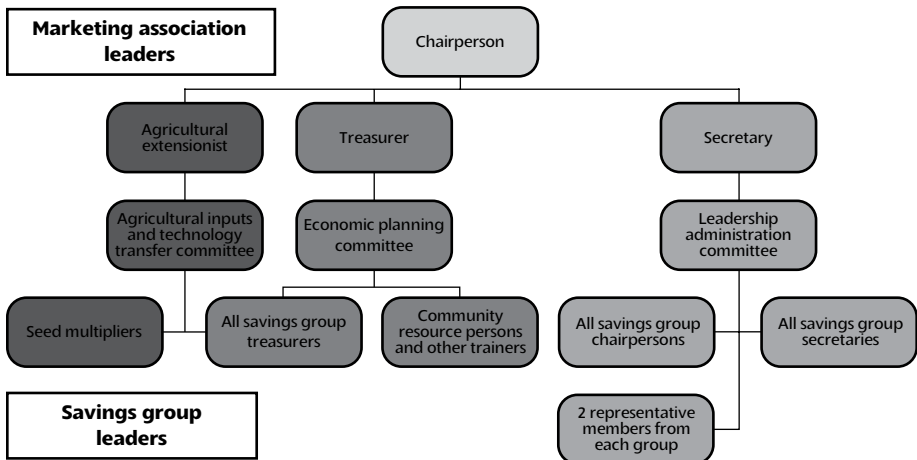


Figure 31. Marketing association organizational structure

The marketing association benefits the members of its constituent savings groups in various ways. They get better prices from their produce, improved market linkages, access to information before non-members, information exchange with other groups, and social support through the education and insurance funds.

People who are not members of the groups also benefit. They enjoy improved access to markets created in the village, can sell by weight rather than volume, and by selling through the marketing association can get higher prices than if they were to market their chickpeas on their own. Non-members do not receive any of the commission that the trader pays, and cannot get support from the association's or the savings groups social funds.

The Glue that Gives Groups Strength

The original model of farmer groups, the producer marketing groups, had no money to manage. That was their weakness: it led to poor cohesion among the members. The savings groups and marketing associations do manage money—all of it generated from savings and sales of produce. That gives the members a greater sense of ownership and commitment to making the organization work to their advantage. Money is the glue that gives the group strength.

The savings groups and marketing associations have had a marked impact on the lives of their members.

Volumes and profits. The volumes of chickpea collectively marketed increased twentyfold between 2005 and 2007, and the number of farmers doing this rose fifteenfold (Table 22). In 2007, savings group members who sold collectively saw their returns to investment increase by 30%–53% compared to individual sales.

Diversification. Some groups have already used their organization and marketing skills to diversify into marketing green gram. They could also diversify into other commodities such as rice, cotton, cereals and root crops. Some are becoming a platform for other programs such as HIV/AIDS and nutrition, or supporting orphans and vulnerable children.

Involvement of women. Women now make up more than half the members and leaders of the savings groups, and one-third of the leaders of the marketing associations. Women have equal access to loans, and as entrepreneurs they have shown themselves to be as good as men.

Self-generated financial services. The savings groups and marketing associations generate their own capital, provide loans and services such as insurance and support for education—all in an area not currently served by formal financial institutions.

These services are popular, as shown by the phenomenal rates of growth in the numbers of savings groups (from 149 in February 2008 to 186 in August, an increase of 25%) and marketing associations (up from 18 to 28, a rise of 56%). There seems to be considerable scope to scale up the approach further.

Building capital. The donor's annual investment was \$100,000 in the CRS project. By February 2008, this sum was exceeded by the farmers' own savings—which totaled \$112,000. The average amount saved per member is \$29. A high proportion of the savings are lent out: 73% of members have active loans, showing a healthy spirit of entrepreneurship among the members. Some \$13,000 is available in the social insurance funds run by the savings groups and the marketing associations. This is earmarked for education, purchasing farming inputs, and as insurance. All this is evidence of the strong sense of self-reliance by farmers in groups. It also augurs well for sustaining these activities after the end of the project.

Challenges

Community resource persons. These volunteers are key to the success of the savings groups and marketing associations. The groups need the appropriate skills and motivation, which the resource persons can provide for a small service fee. That new groups are willing to pay for these training services which reflects the high level of demand in the villages and augurs well for the sustainability of the groups and associated community volunteers in the long term. Their groups and communities must have high enough expectations for the community resource persons to become, and remain, effective service providers. They must provide the services that the members want. If these individuals can remain a truly community resource to support existing groups and train new ones, the groups will self-replicate and spread from village to village. Finding ways to maintain quality is important. That might include a system of certification of the resource persons, as well as supervising the quality of the new groups they form.

Initial costs. The project has invested about \$200,000 over 2 years in the form of personnel, overhead, transport, materials and field costs. These costs represent an annual subsidy of about \$26 per member. The accumulated savings per member is \$29. As savings accumulate and the number of groups and members increases, the costs per member will fall. But the initial costs for starting up savings groups are high, representing a challenge for the design of agroenterprise projects with a savings component. Such projects should aim to promote self-replication to establish new groups in surrounding communities at little extra cost to the project. New groups formed by the community volunteers often pay for their training services. In this way, the internal savings and

lending group skills become marketable by the community volunteers charging for their services provided.

Going to scale. As more and more savings groups and marketing associations mature, they can negotiate business relationships with large traders. One chickpea exporter has proposed establishing two processing centers to grade, clean, polish and package at least 500 tons of chickpea and other pulses for export each season. So the farmers must be able to supply this amount reliably. If their produce is good enough quality, they could explore European and other more lucrative markets.

Role of government. It is necessary for the national and local governments to create an enabling environment for savings groups and marketing associations. As the groups spread, CRS and its partners need to work with the government to design appropriate policies and development plans—such as having national banks providing credit and saving facilities closer to the farmers' villages.

Lessons

Importance of savings and credit. Credit is vital if groups of farmers are to engage successfully with markets. Savings and internal loans groups are a promising way to provide such financial services.

Providing skills. The savings groups and marketing associations require three sets of skills: finance, group organization and marketing. The community volunteer resource person mechanism offers a way of providing these skills to farmers as a fee-for-service provision in a self-sustaining, replicable way.

Role of women. The savings groups and marketing associations promote participation, leadership and entrepreneurship by women. Women are attracted to the groups because they address wider social and livelihood issues as well as agroenterprise. Women are as good entrepreneurs as men, and the groups give them an opportunity to engage in agroenterprises as well as other businesses.

Project staff. To support the savings groups and marketing associations, project staff need skills and experience in various fields: agriculture, community development and marketing.

Links with traders. Successful groups promote linkages between farmers and traders. Regular stakeholder meetings between traders and marketing association leaders help strengthen these links. The groups should not rely on a single crop or trader: they will be more sustainable if they diversify to reduce their risks.

Savings-Led Financial Services in India



AMRUT KUMAR PRUSTY, SUNIL VISHWAKARMA, FR. JOY ARAKEEL,
SARAH CASHORE AND SANDRINE CHETAIL

When farmers in the Indian state of Orissa need money for inputs or to invest in their farms, they have two main choices. They can try going to a bank for a loan, or they can borrow from a community organization.

While the banking system is relatively well developed in India, it has complicated procedures, provides loans only above a minimum level, and borrowers must provide collateral. That often prevents small-scale farmers from getting loans.

Farmers can also borrow from a community organization. There are lots of these in India, many of them supported by the government. They include cooperatives, village development committees, farmers clubs, and self-help groups. Many prefer women as clients, so husbands often ask their wives to borrow for them. In contrast to banks, these organizations often provide loans that are too small to be useful for farmers who want to upgrade their farming methods or invest in new enterprises.

Self-Help Groups

In much of rural India there is huge potential in the community organizations, particularly in the self-help groups. These are small groups of 10–20 people who come together to save small amounts of money on a regular basis. Such simple thrift-based organizations have become very popular in India, particularly among women. Hundreds of thousands of such groups have emerged across the country in the last 20 years.

Self-help groups have three main objectives: enabling neighbors to help one another, provide financial services, and empower their members. They provide a forum for savings, internal lending, and sharing experiences and problems. Members learn how to save, how to manage their finances (including the need to save before asking for credit), how to manage larger amounts of money, and how to deal with banks. During each meeting, members discuss problems—finance-related and otherwise—and work together to solve problems.

The groups are formed based on their members' affinities: they may have the same living conditions, source of livelihood, community, tribe, caste, or place of origin. Forming a group takes 5–6 months, and it may take another year to reinforce the group's capacity. The members agree how to manage the group, when and where to meet, penalties for non-attendance, the amount of individual savings, and conditions for loans.

The primary role of a self-help group is to provide its members with a means of saving money and accessing small loans. These loans can be used for consumption,

investment or emergencies. Over time these groups have built considerable social capital, and many have associated to form larger co-operatives. They have also become an important medium for solidarity and empowerment among women. The self-help group movement has significantly raised the social position of women in India and as their financial capital has grown, they have evolved into socially and financially sustainable institutions that are recognized by the formal banking sector as being highly creditworthy. The National Agriculture Bank for Rural Development and other banks have developed initiatives to allow group members to access formal credit through local microfinance institutions.

CRS India has been working with self-help groups for more than 15 years. This support has led to a remarkable growth in the number of women interested in joining such groups, and CRS has helped to create or revitalize more than 40,000 groups comprising 15–25 members. Today, more than 14,000 of these groups are considered self-reliant: i.e., they can manage their own records, finance dealings, are involved in money-making activities, and depend little on the field staff.

Releasing Untapped Potential

The self-help groups provide a potential platform for developing agroenterprise activities. One possibility is to use them to boost rural people's business skills. Another is to enable the groups to use their savings to start agroenterprise activities. Through their links to banks, self-help groups already provide loans to farmer groups. But they also have large amounts of money lying dormant in low-interest bank accounts: in January 2008, the savings of self-help groups supervised by CRS' partners across India totaled \$15.6 million. Some of these groups have used their savings to finance farming and trading projects, mainly implemented by individual members.

CRS and its partners recognized the untapped potential for the groups to use these savings to invest in agroenterprises. This would have three big advantages:

- It would build upon an existing community structure to improve production and marketing and increase local people's incomes.
- It would provide financial services to people not served by the complex and often remote banking system.
- It would empower the group members and reinforce the groups' mutual help role.

CRS formed a partnership with the Society for Welfare, Animation and Development, a church development agency based in Orissa, in eastern India. The work focused on Koraput district, near the southern tip of the state. This district is

home to some of India's poorest and most marginalized groups. "Scheduled castes," or Dalits, and "scheduled tribes," or Adivasis, are groups that the government officially recognizes as marginalized in Indian society; they make up 63% of the population, and some 90% of them live below the poverty line. The majority of the population farm less than a hectare of land, while some farmers have up to 2 ha.

The project team undertook a study in 2007 to study market channels and identify farm products with high market demand that could be grown in the area. They identified three products: potatoes, tamarind and cashew. Discussions between farmers and project staff narrowed the choice down to tamarind. Most tribal families who live in the area's forests collect tamarind to sell. It requires only a little processing (the removal of the skin and seed) and grading before it can be sold. Despite the high demand, producers received below market prices for the tamarind they sold since they were poorly organized. Instead of aggregating large amounts and selling to more distant markets, each family would sell to traders who came to the village.

The project operates with 134 self-help groups with a total of 1,392 members in 25 villages in Koraput district. All of the members belong to scheduled castes or tribes. The project team discussed the idea of marketing tamarind with the groups. They were understandably concerned about the risk of their losing their money if the project failed, so the team conducted a cost-benefit analysis to clarify the risks and potential benefits. This compared the expected profits from marketing tamarind with the returns if they kept the savings in the bank. After considering this analysis, the groups decided to invest part of their savings in the enterprise

Organizing for Marketing

The project team helped the farmers organize themselves into a three-tier structure (Figure 32).

- **Village level: production and finance.** This level comprises farmer groups, self-help groups and village development committees. The farmer groups are responsible for supplying the tamarind, while the self-help groups loan money to the enterprise. The village development committee is made up of representatives from different parts of the community: different castes, landed and landless people, the village head, etc. It deals mainly with social and development issues in the village.
- **Cluster level: marketing.** Each of the eight marketing groups includes 4–5 of the level-one groups. The marketing group's role is to aggregate and collectively sell the members' produce at advantageous prices.

- Project level: coordination.** A 15-member coordination team is composed of representatives from the marketing groups and traders in a particular block (the second tier of local government in Orissa), as well as project staff. The coordination team analyzes the markets, develops market linkages, and provides market information to the marketing groups.

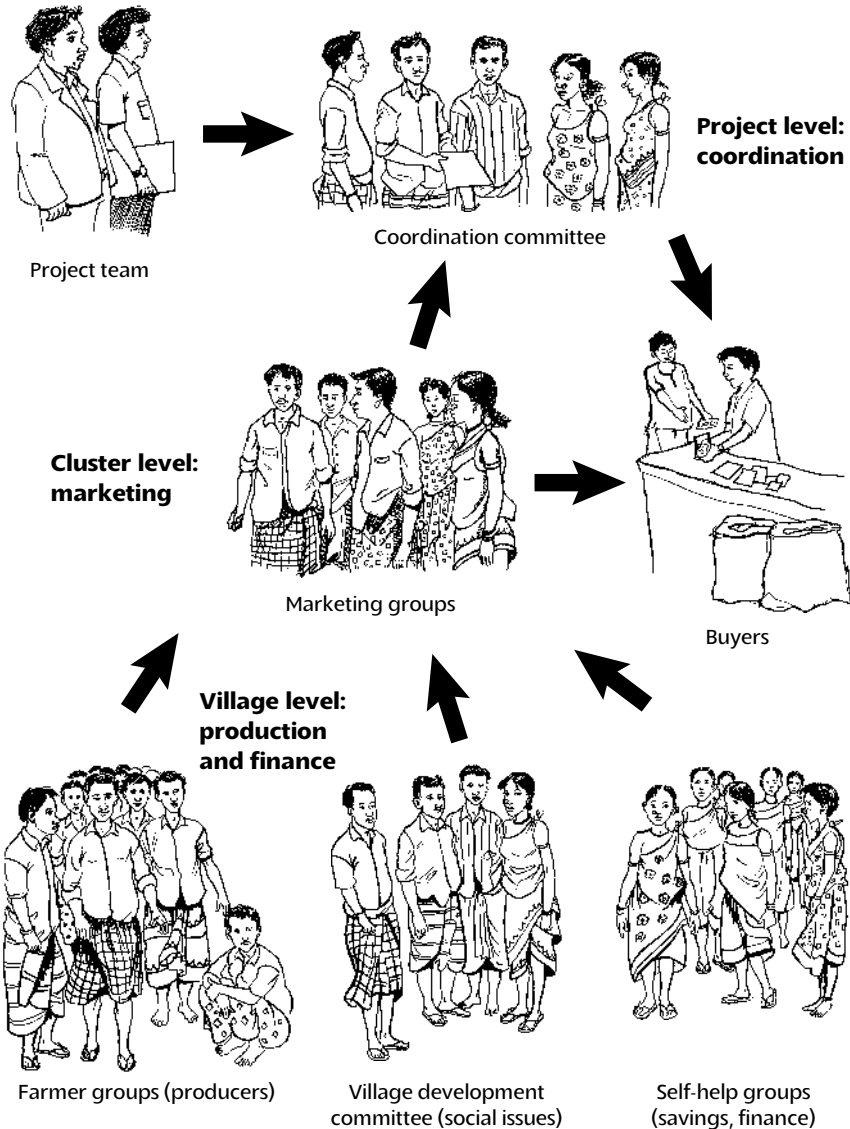


Figure 32. Organization of the marketing system

How the Marketing System Works

How does the marketing system work?

1. The self-help groups loan money to the marketing group in the village.
2. The farmer groups agree to sell a fixed percentage of their surplus tamarind to the marketing groups.
3. The marketing group uses the pool of money from the self-help group to buy tamarind from the farmer groups, at the same price as paid by local traders. The marketing group also buys tamarind from non-members to make up the amount needed to supply a particular buyer.
4. The marketing group sells the tamarind on advantageous terms—for example by storing it until the price has risen, transporting it to the market (rather than selling to traders in the village), or selling it at more distant markets. The marketing group may also add value by employing poor villagers as workers to package it, remove the seeds, dry it, or make pickles.
5. The marketing group deducts its costs (a small service fee, workers' wages, and a contribution to the marketing group's own savings fund). It then repays the self-help groups' loans (plus interest), and shares any remaining profits among the self-help groups and producers.

The marketing groups operate according to a set of rules and regulations that govern finance, procurement and repayments. Each marketing group has agreements with the self-help groups lending it money that state the terms for loan repayment and profit sharing.

The marketing groups and coordination team members meet every month to coordinate activities and exchange information. The coordination team provides technical support to the marketing groups in the marketing, sale and transport of the products.

The project staff member on the coordination team provides intensive support during first year, but gradually delegates his or her responsibilities to the other members. The coordination team itself is a temporary structure that builds the capacity of the marketing groups. It is dissolved at the end of the second year. Each coordination team includes one trader who has a good knowledge of the market and its actors. These traders are the prime negotiators when dealing with larger markets. The marketing groups pay for their services for a limited period only. Eventually, the marketing groups should become independent and take over the responsibilities from the coordination team.

Advantages

The marketing groups offer several advantages over the traders who normally buy the produce. They are reliable, do not exploit the producers, and are based locally. They reduce the expenses of producers (who no longer have to package the produce) and add value to the product.

The three-tier structure benefits all its members. The producers get a fair price and reliable market for their produce, and share in any profits the marketing group makes. The self-help groups earn more than they would by keeping their money in the bank: currently, banks pay 3.5% interest on savings, while the marketing groups expect to pay a total of 8%–10%, including interest and the share of profits.

Because many families are members of both producer and self-help groups, they benefit twice: once by selling their produce, and again by getting a higher return on the money they have loaned.

Because the system is built on existing village organizations, it is likely to be sustainable and self sufficient. It increases the efficiency of individual organizations, as well as groups of organizations.

It may be possible for the marketing groups to become independent and self-sustaining, freeing them of the need to take loans from other community organizations. They have already opened their own bank accounts and are beginning to save money. They may be able to access government funds (such as loans or support to build storage facilities). As they build up their own resources, they can continue to operate on behalf of the community.

Outcomes

Before the project, individual farmers carried their tamarind on their heads or on bicycles to the local market over 16 km away. It took a whole day to sell the produce. The average price was Rs 6–7/kg, but traders would sometimes underweigh the produce by 20%, so paid less than this.

As a result of the project, the marketing groups now purchase all the villagers' tamarind production and sell it collectively to traders. They also negotiate over weight and transport. No villagers have to take their produce to the market, as traders now come to the village to buy from the marketing groups. The marketing groups pay Rs 6–7/kg for the tamarind—the same price as the farmers received before—and sell the raw product for Rs 8–9 (a net profit of Rs 1.5/kg), and deseeded tamarind for Rs 11 (a profit of Rs 4/kg). In the one season since the agroenterprise activities began in January 2008, the groups sold 30 tons of tamarind: 24 tons in raw form and 6 tons after deseeding.

Other outcomes have included:

- The communities are more united. Local people recognize they are building on each others' strengths in a common effort to improve everyone's lives. That creates a strong sense of solidarity and pride.
- Collective marketing and the related economies of scale and increased bargaining power have significantly increased individual households' incomes.
- Some marketing groups are already diversifying into new commodities. Selling 12.5 tons of cashew nut, for example, generating a profit of nearly US \$2,200, or about 25% more than in the previous year.
- The marketing groups have employed 41 landless and other poor people in adding value to the produce.
- All the farmers are participating in the scheme: they have all sold part of their surpluses to the marketing groups. That shows that they trust the system and are willing to invest in it. This will help sustain the approach in the long term.
- A percentage of the self-help groups' profits go into a community fund to assist the poorest members of the community.

Constraints

Delays in accessing funds. While self-help groups in the project area have created a pool of funds of more than Rs 300,000 (about \$7,000), it is held in savings accounts in banks. The period when the groups were trying to withdraw this money to invest in the marketing activities coincided with the close of the Indian fiscal year, so the banks were reluctant to release the funds as it would adversely affect their end-of-year statistics. That meant delays in investing in the marketing activities.

Price variations. The marketing groups had to pay more than expected to buy the tamarind as they did not have the money at the peak season when prices were low. Traders also increased their purchase prices in competition (good for the farmers!), forcing the market groups to pay more for supplies.

Other challenges. The marketing groups faced various other constraints, including developing their understanding of the market dynamics, planning investments in the long term, and difficulties in following appropriate procedures. To deal with these challenges, the marketing groups need to regularly visit the markets to explore their dynamics and plan accordingly. They also need to plan their investments with the self-help groups from the start of an effort to market products.



Step 3.2 Collective Marketing

Traders who buy farm produce often complain about the quality of the produce they buy. Farmers usually supply them with produce of different varieties and qualities: big and small, ripe and immature, unblemished and bruised.

When farmers market their produce as a group, ensuring quality often becomes a problem. When all the farmers' produce is combined into a single truckload, without marking boxes to indicate which farmer they belong to, it is impossible to tell which farmer's produce is substandard. Every member has an incentive to sell second-rate produce so they boost their own incomes.

At the same time, farmer groups typically sell to buyers who have more stringent quality requirements than the local market stallholder. Supermarkets and exporters, for example, have strict guidelines on what produce they will accept: only a specific crop variety, of a certain size and maturity, free of blemishes and disease, free of pesticide contamination, etc. Any produce that does not conform to these requirements is immediately rejected. Mistakes can be costly: a single load of spoiled produce can mean the end of a hard-won, valuable supply contract.

All this means that farmer groups have to be vigilant to ensure the quality of the produce that their members supply. They have to institute a series of controls to ensure quality. For crops, one way to do this is to ensure that all farmers grow the same variety—the one the market wants. This is ensured by supplying the farmers with seeds of the required variety. It is also necessary to sort or grade the produce by removing over- or under-ripe fruit, produce that is too big or small, and sticks and other foreign matter. For produce such as milk, it means testing the water content, fat content and acidity.

Most poor farmers work comparatively small plots of land, so are unable to produce high volumes of produce for market. Working as individuals means that farmers sell small amounts of often poor-quality produce to traders. Unable to negotiate over prices, they are “price takers.” From the point of view of traders who buy from the farm gate, this is understandable: the traders have to incur all the costs of collecting the produce, sorting and grading, weighing, re-packing the product, and transporting it to a market. To address this situation, smallholder farmers need to achieve what economists call **economies of scale**.

The inability of smallholders to produce larger volumes of crops means that they receive much lower prices from traders who would pay more for bigger quantities. One answer to this problem is for farmers to organize themselves into marketing

groups and sell their produce together. This bulking for market is often called **collective marketing**. This should not be confused with collective production. In the case of collective marketing, farmers grow their produce on their own farms. They make separate investment plans, and come together only to benefit from bulking their goods at the time of sale. Proceeds from the sale are shared back to the farmers on a weight or volume basis. Using this system, individual farmers who may only produce three to four bags of a product can aggregate sufficient quantities to fill a pickup or a truck. Traders are then willing to pay for this service with a higher price per bag.

Collective marketing clearly requires a considerable amount of planning, and farmers need to agree on certain criteria such as the variety to be grown, the grade at which it will be sold, the type of buyer, and price that the group will accept.

The most successful strategies for collective marketing include cooperation in selling the goods and collaborating closely right through the farming process. Improving economies of scale implies a **division of labor** to make the whole operation more efficient. If a group of farmers decide to adopt this strategy, a small group of trusted individuals belonging to the group needs to take the responsibility for selling the goods, keeping accurate records, dividing the proceeds among the individual members of the group and organizing production and collection. While many farmers are attracted to this approach, it takes time to master and typically requires careful facilitation for the first one or two collective sales.

Guide: Robbins et al., *Advice Manual for the Organisation of Collective Marketing Activities by Small-Scale Farmers* (www.crs.org/agriculture).

Collective Marketing of Calamansi in the Philippines



JOAN UY

If you have been to Manila, you will have seen calamansi: they look like tiny, greenish-yellow oranges, about 2 cm in diameter. You have undoubtedly tasted them too: a type of citrus, they taste like limes, and are sometimes called “musk limes” or “Philippine lemons”. Filipinos like to drink calamansi juice, or use them to flavor their favorite national dishes such as *pansit bihun* (fried noodles).

So where do the piles of calamansi on sale in Manila come from? Some come from as far away as Siay, a municipality in the province of Zamboanga Sibugay in the southern island of Mindanao, 800 km away from the capital. Siay has good soil and evenly distributed rainfall, making it one of the few areas of the Philippines that can produce calamansi year round. In the summer months of March to May, when other calamansi-

producing areas experience dry weather, traders from Manila and elsewhere in the north buy substantial amounts of calamansi from Siay and its neighborhood.

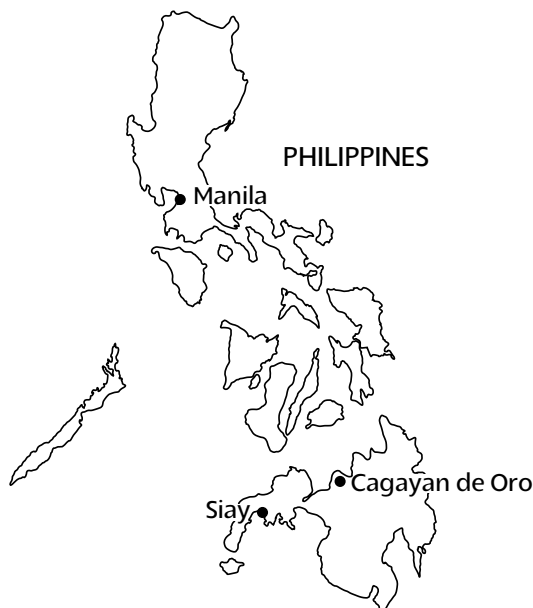


Figure 33. Map of the Philippines

Problems with Seasons

Calamansi is a major crop in Siay. More than 200 farmers grow trees on a combined area of over 500 hectares. Both family members and hired laborers (mostly women) harvest the fruit.

When demand for Siay calamansi is at its highest in summer, the price in Siay of a 25 kg crate of fruit can be as high as \$10.85. In Manila, the price can reach \$17.40, making it profitable for traders to buy from Siay and pay the shipping cost of \$1.75 per crate.

But in the rainy season from July to October, supplies peak in production areas closer to Manila, and the Siay price can drop to just \$1 per crate. The farmers still harvest the fruit during these times, but most leave them to rot on the farm because traders stop buying from Siay, the farthest supply source. So despite an abundant supply, the farmers enjoy only limited incomes due to this wide seasonal swing in prices.

For many years, the Siay calamansi farmers felt they could not do anything to change this pattern of stop-start buying, or halt their high losses. That changed in 2005, when CRS partnered with the College of Agriculture Extension Service of Xavier University in Cagayan do Oro to implement a three-year Small Farms Marketing Project in Siay with support from the U.S. Department of Agriculture.

Box 21. A farmer group is like a cluster of fruit

In the Philippines, the small group of farmers who market their produce together is called a “cluster”. They are like a cluster of *lanzones*, a local fruit that grows in bunches like grapes.

The cluster of fruit symbolizes the agreed market plan and quality management practices that the farmers in the group commit to follow. It symbolizes the importance of tight coordination of activities for marketing to succeed. And it relays the message that discipline is essential, and that a rotten fruit has to be removed from the bunch to keep the rest of the fruits at high quality.

The word “cluster” has become a popular term among farmers who want to start working together in marketing high-quality produce.

The CRS Philippines guidebook for facilitators, *The clustering approach to agroenterprise development for small farmers*, describes the clustering strategy in detail. See <http://tinyurl.com/ddbqbe> for more.

Preparing Farmers for Marketing

Right from the start, the farmers told the project staff of their doubts about marketing projects. An earlier project to organize them and link them to a food processor had failed. So the staff took a cautious approach, concerned that a second failure would make the farmers lose confidence entirely in their capability to market their calamansi.

CRS employed an experienced businesswoman as a consultant to mentor the staff when establishing the marketing enterprise. It also relied on a great deal of participation from the farmers themselves, and used CIAT’s road map for agroenterprise development (<http://tinyurl.com/753t3p>), which emphasized the preparations needed before starting marketing itself.

The project formed a working group of the staff and farmer leaders, and later expanded this to include representatives of the local government. This working group gathered data and did the initial planning. It consulted with local people to find out about farm products, yields, production practices and problems, as well as the farmers’ current marketing practices and constraints. As a result, calamansi was confirmed as the product to focus marketing efforts on.

The team recognized that farmers would have to be highly organized to undertake marketing themselves. Without such groups, they were concerned that the project

team would do the marketing for the farmers, instead of helping them learn how to do it. That meant adjusting the CIAT road map and developing a way to organize market-focused farmer groups.

Forming Farmer Clusters

The project team helped the farmers to organize themselves into small groups, or “clusters,” of 5–15 people. In all, 84 farmers owning a total of 172 ha of calamansi in five villages were organized into 11 clusters. The maximum number of 15 members in a cluster ensured that each member would be heard in a meeting and could participate in making decisions. The team considered this crucial to ensure that all the farmers would be committed to supplying fruit for the cluster marketing effort.

Each farmer cluster chose a leader to be responsible for pooling the fruit, and an assistant to check the quality. The leaders were not necessarily the biggest producers in the clusters, but were chosen because of their trustworthiness and ability to facilitate cluster activities. Together, the leaders functioned like a council of leaders for all the farmers, and they worked very closely with the project staff.

The project team guided the farmer clusters through various preparatory activities, including training, market visits, and studies of various types of markets. This opened the farmers’ minds to options beyond their local traders. The team guided the cluster leaders on how to make an enterprise plan by developing and integrating four component plans covering marketing, supply, management and finance. The leaders then explained the enterprise plan to the cluster members and asked them to review it. This was important to ensure that individual members would understand and agree to the whole set-up.

Like Clockwork

All these preparations have paid off. The clusters established a system for supplying fresh calamansi to traders in Manila. On an agreed day of the week, the cluster members harvest as many as 180 wooden crates (4.4 tons) of calamansi to fill a truck that takes the fruit to a ferry that departs for Manila.

The two main obstacles confronting the farmers on the agreed day are filling up the truck (it has to be full to make the exercise profitable) and getting the fruit to the port in time to load onto the ship. To overcome these obstacles and to ensure that only high-quality calamansi are supplied, the cluster members go through a specific sequence of activities:

Day 1: Assign quantities to each cluster. The manager (one of the farmer cluster leaders) contacts the other 10 leaders by mobile phone to agree on the amount of calamansi each cluster will supply. Each of the 11 clusters normally supplies about 16 crates, making

180 in all. If a cluster cannot supply its allotted amount, the manager arranges for other clusters to make up the shortfall. The manager then confirms with the buyer how much the clusters will supply (the amount has been negotiated the previous week), and arranges with a local service provider to hire a truck and to ship the produce.

Day 2: Assign quantities to cluster members. The farmer cluster leaders tell their cluster members how much fruit each has to supply to fill the cluster's quota. The members in turn inform the (mainly women) fruit pickers how much to harvest the next day. The leader makes sure that enough crates and packing materials are withdrawn from the consolidation shed for distribution to the members.

Day 3: Harvest and labeling. Individual farmers harvest their calamansi, starting at 10 a.m. when the fruit are dried by the morning sun. The fruit are brought to the farm's shed where they are sorted and air-dried on bamboo tables until 2 p.m. They are then immediately packed in crates and taken by horse or on motorbikes to the consolidation sheds by 5 p.m. at the latest.

The assistant leader of the cluster checks the fruit's quality. Each crate is labeled with the cluster's and the member's code so the contents can be traced back to their source in case of problems. The cluster leader summarizes this information on a form. This form is used as a reference when handing over the fruit to the truck driver, and by the treasurer when paying the farmers the next day.

A rented truck picks up the packed fruit from the various consolidation sheds over the next 2 hours. By 8 p.m., the treasurer has summarized the forms from the farmer clusters into a single product delivery form for acknowledgment by the trucker and shipper, and as information for the buyer.

The truck makes the 10-hour overnight trip from Siay to the port in Cagayan de Oro City, on the north coast of Mindanao, where a market facilitator arranges for them to be loaded on the ship for Manila the next day.

Day 4: Information flow. The truck arrives at the port at 6 a.m., in time to load the ship before it departs at 10 a.m. The shipper signs the delivery docket to acknowledge receipt of the fruit. The manager then informs the Cagayan de Oro market facilitator and the Manila buyer by mobile phone of the departure details. The following day the manager sends a copy of the delivery receipt by fax.

Days 5 and 6: Product acceptance. The fruit arrive in Manila late at night on Day 5, and the wholesaler/buyer withdraws them from the port in the early morning of Day 6. The manager is in contact with the buyer to confirm arrival and acceptance, and they buyer pays for the delivery through bank transfer.

Setting the Clockwork in Motion

While this may now be routine for the farmer clusters and their members, it took about 3 months to get these activities flowing smoothly. To begin with, the rigid routine was very intimidating for farmers who had no experience of trading calamansi outside of Siay. A lot of tension resulted when some farmers could not follow agreed procedures, affecting the whole cluster's performance.

But their desire to improve their situation and learn as a cluster how to market like traders was enough incentive. During monthly meetings, the farmers assessed the situation, addressed problems and improved procedures until they had achieved an efficient flow of produce. The meetings were also good opportunities for project staff to teach the farmers about good management practices.

Going Independent

A year after marketing their first load of calamansi, the clusters formally organized themselves into a cooperative called the Zamboanga Sibugay High Value Crop Marketing Cooperative. Xavier University Extension Service turned over to the co-op the sum of \$6,000 which it had accumulated in a year from the marketing management fees and the cluster members' savings. These savings are collected for every crate of fruit marketed: when the farmers are paid, between \$0.11 and \$0.33 per crate (depending on the current price of calamansi) was deducted as the member's equity contribution to the co-op.

The co-op assumed independent management of the marketing. During this phase, CRS continued to pay the salary of a facilitator to assist the co-op, and provided staff and technical assistance as needed. It provided support in the form of business training, market outlet development, co-op strengthening, and advice to resolve problems related to productivity, quality and logistics.

The co-op chose a manager and a treasurer from among the cluster leaders. Both are paid a fixed fee for every product delivery. A bookkeeper was hired on a monthly basis. The members of the co-op board, made up of all the cluster leaders, receive an honorarium for every monthly meeting.

As expected, the co-op has faced many management challenges. But so far it has been able to sustain the marketing activities. The operations costs are covered by the marketing management fee paid by the cluster members. Within a year of its formation, the co-op had handled more than 300 tons of calamansi, and the initial \$6,000 fund had doubled. This has given the co-op a sound financial base that has enabled it to pay members within a day of their delivering the fruit, as independent traders do.



Figure 34. The co-op now handles everything from harvesting to delivery to the port

Organizational Innovations

Organizing the co-op was not without problems. The first meeting to form the co-op was facilitated by co-op organizers, who followed the usual procedure of having the board elected by an assembly of the members. But that resulted in only two of the five board members being farmer cluster leaders. This caused confusion. On one hand, the co-op board was supposed to be the decision making body for the co-op. On the other hand, the cluster leaders were directly in touch with the members and made decisions in their clusters, but had no voice in the co-op. The result was that communication weakened. Out of touch with the way the co-op was operated, farmers reduced their participation in the co-op and cut the amount of fruit they put up for collective marketing.

Concerned, CRS helped restructure the co-op's leadership. In a series of meetings, CRS staff advised that the cluster leaders should constitute the co-op board, thereby representing their clusters. It took about a year before this restructuring could be completed. The board now consists of all cluster leaders and holds regular monthly meetings. Between board meetings, the co-op marketing committee assists the board deal with product supplies and buyer arrangements.

The co-op size is planned to be a maximum of 15 farmer clusters, each with at most 15 members, or about 200 farmers in all. If numbers rise above this, it is better to form new clusters and a new co-op to avoid compromising the participatory decision making essential to building members' trust. The co-ops can then form federations to collaborate on marketing.

The Future

After 2 years in collective marketing, the gains are still very modest, and the farmers have seen only a small rise in their incomes. But the farmers are now organized and enjoy a certain degree of control over their production and marketing activities. From irregular sales to local traders for only about 6 months in a year, they now have access to Manila wholesalers, to whom they could supply competitively for 9 months a year.

The co-op has a secure financial base and a track record of organized product supply. That opens the door to tap into higher-value, more stable institutional markets in the coming year. As the clusters work toward these high-volume markets, they also anticipate taking in more Siay farmers who want to join the co-op, using the existing clusters as the focus of expansion and as a way to provide hands-on training in marketing.

Lessons

Key role of the facilitator in building social and financial capital. Building social capital involves organizing producers into units (such as clusters) to consolidate produce, identifying leaders, and providing training on how to operate a business with a clear and well-organized management system. Building financial capital means growing individual savings to provide the financial base needed to spin off the project into a community managed enterprise, able to pay for its business development service costs.

Time-bound project support. Initial support from the development organization is necessary to cover start-up costs such as organizing farmers, providing training, installing systems to control product quality and manage marketing operations. But such support should be time-bound, with the farmers starting to assume responsibility for the business during the project timeframe.

Farmers as business partners. Farmers should be able to offer themselves to buyers as attractive business partners. A track record is important. The producers should be able to keep their promise to deliver a volume of a certain quality at a given time. Organizational discipline, together with a clear guide on what is expected from each cluster member, is a key competency in the organization.

Maintaining Milk Quality in Western Afghanistan



SEBASTIEN CAZENAVE, FARIDOOON BAHRAMI, NAZIR NOORI AND
KAMAL BHATTACHARYYA

“Women Must Be Represented”

In most of rural Afghanistan, women farmers face tremendous difficulties. Poorly educated and largely confined to the home, they have few opportunities to meet other people. They traditionally cannot attend social gatherings, and they rarely take part in development activities. When necessary they are represented by a male relative.

Bibi Gul is showing that things do not have to work this way. This 46-year-old farmer spoke up during a meeting on milk marketing organized for local women by a CRS project in Hawadeh, a village in northwestern Afghanistan.

“Women must be represented,” she said, “and they need to take part in decisions about milk production and marketing. After all, women look after the cattle and do the milking!” Most families in the village have one or two cattle, and the project aimed to improve milk production and promote marketing in the nearby city of Herat. Mrs. Gul wanted women to be represented on the board of the dairy group that jointly marketed their milk.

All the women at the meeting agreed to support Mrs. Gul as a board candidate. Mrs. Gul discussed this with her husband, who also supported her. In the election, nine men and Mrs. Gul were candidates. With the women’s support, Mrs. Gul was elected deputy president of the group. All the village women were proud, and then men also saw the development positively: they understood that it would help improve milk production and enable their wives to play a fuller role in decision making and the community.

Mrs. Gul now visits at least six women a day to advise them on milk hygiene, quality and other issues. The CRS project has trained her how to monitor the condition of the cow barns and milk hygiene. As a result, the quality of Hawadeh milk is excellent. There is little spoilage due to lack of hygiene, and the women are very committed to producing good-quality milk.



Figure 35. Bibi Gul visits milk producers in her village regularly to advise them on production and hygiene

Focus on Women

Mrs. Gul is not paid for her work. She feels rewarded because of the prestige her position gives her and because the other women look up to her as a role model. She encourages other women in the village to follow her example and take an active part in society. As a result of her efforts, women in the village are now much more motivated and participate actively in group discussions, workshops, and they propose ideas for the group to consider. After a few meetings, the women get to know each other better, and start to exchange information and experiences. Informal groups of women form spontaneously. They meet, and with the help of project staff, they come with innovative ideas. The project gathers these ideas and funds the most promising ones as pilot enterprise projects: cheese processing and small-scale poultry, for example.

Despite these advances, it is still difficult for male project staff to meet with the women villagers. So the male field officers work with male farmers on improving stables, cattle nutrition and milk marketing, while the female field officers train the women farmers on milking, hygiene aspects and monitoring. They also help organize the women and build a strong social network on which later interventions can be built.

The project is also studying women's livelihood projects. This will compare different models of intervention, self-help groups, women's enterprises, mutual lending, matching grants, capital investment, etc.

“Before the start of the program in our village, no organization reached women,” says Mrs. Gul. “Since the CRS dairy officers started hygiene training and explained

to us our role, I have understood that this program is for us women farmers. It is about milk—and we are the main players. My goal is to teach what I learn to the other women members of the group and support them in fulfilling their personal goals.”

Maintaining Milk Quality

Maintaining quality is critical if the dairy farmers of Hawadeh are to keep and develop their market. The lack of government inspection services means that the CRS project supporting these farmers has to ensure quality itself. Efforts include:

- **Training on hygiene.** The project has trained each man and woman on how to maintain hygiene in the stables, and during milking and transport to the collection centers. It was necessary to train men and women separately because of cultural restrictions on men and women mixing in this conservative area of the country.
- **Equipment.** The farmers use clean plastic buckets while milking, then pour the milk into small plastic churns with screw-top lids to take it to the collection points.
- **Monitoring.** Project staff or trained local people (such as Bibi Gul) visit each farmer regularly to check on hygiene and advise on improvements.
- **Health checks.** A team of veterinarians checks the cows regularly for tuberculosis and other diseases.
- **Milk testing.** The women who do the milking rarely leave their homes, so their children usually deliver the milk to the collection centers on their way to school in the morning. There, a staff member tests the milk for density (to detect whether it has been diluted) and acidity (a check of bacterial contamination). Adulterated or contaminated milk is rejected, and Mrs. Gul or one of her colleagues visits the farm family to advise them on how to avoid the problem.
- **Chilling.** The collection centers chill the milk immediately and deliver it to clients in large metal churns before 8 a.m. each morning.



Step 3.3 Innovation and Value Addition

Markets are dynamic. Consumer preferences often change, and customers become more demanding in terms of quality and the way that food products are produced. Changes in production practices in one part of the country, or policy changes in another country that produces the same product, can affect the demand and price of an enterprise's product.

To face the continuing challenge to maintain the competitiveness of their products, agroenterprises need to seek ways of becoming more efficient in production and marketing and find ways to reduce costs. Alternatively, they can add value to their products by changing the quality or the way the product is presented. They do this with the intention of more closely meeting the needs of purchasers and therefore receiving a higher price.

All the improvements that can come about through changes in technology or the way things are done can be thought of as innovations. Innovations can come from many different sources. Many ideas for innovation come from the outside, through research and development agencies or extension workers; others are generated from within rural communities themselves.

The case below describes how farmers in Nicaragua organized themselves to maximize innovation in their value chain. They created small groups of their own members who were specifically trained to identify innovations that would improve the performance of the different links in the chain.

Innovation Groups in Nicaragua



SANTOS PALMA

This case from Nicaragua shows one way of arranging certain business development services to farmer organizations: by facilitating groups of members to provide them. This helps the organization increase its effectiveness and ensure that ordinary members learn new techniques and keep in touch with market developments. At the same time it develops a sustainable approach to marketing that can continue without the outside facilitator.

Innovation Group Boosts Co-op Profits

Farmers in San Dionisio and Esquipulas, two municipalities in Matagalpa, a department in central Nicaragua, were unhappy with the prices they were getting for their grains and vegetables. So in August 2004, 20 of them got together to found the Multi-Service Cooperative of Esquipulas, or Cosemes for short.

The Cosemes president, Don Rufino Hernández, says that the cooperative members used to have no way of collecting, storing and processing their produce. They asked CRS to help build a collection center. That led to the group signing an agreement with Agropecuaria Lafise, an agricultural and financial services company based in Managua, the Nicaraguan capital. This agreement has enabled Cosemes to get better prices and increase the profitability of its business.

Twelve members of the cooperative have since organized themselves as an innovation group to learn about the production and marketing of their crops and to pass their knowledge on to other co-op members.

“The innovation group has made it possible for us to increase the number of members in our organization from 20 to 57,” says Don Rufino. “We have increased the planting area from 25 to 123 hectares, and our profits to more than 25% of the capital invested.”

Don Rufino says that the group has helped the co-op adopt good agricultural and manufacturing practices, create jobs for local people, and get inputs much more cheaply than the local market price.

Role of Innovation Groups

Innovation groups like the one in Cosemes have become an important engine for sustainability and growth in Nicaragua. Even if they are organized into cooperatives, small-scale farmers find it difficult to compete in the marketplace for many familiar reasons: small scale of operation, inadequate production and post-harvest technologies, inefficient management, lack of market information, and weak organizational structures. There are few institutions, public or private, that provide technical, financial and business services to such farmers. Those few services that are available are too expensive for small-scale farmers.

Innovation groups, or *gestores de innovación de agroindustria rural* (GIAR) in Spanish, help fill this gap (see Box 18). These are members of the co-op who learn about various aspects of the production and commercialization of a product. They become internal experts who can plan, test, evaluate, develop and share small changes or innovations to improve the production and quality of the product. Successful changes can be applied by fellow farmers and other stakeholders in the chain, thus increasing the competitiveness of the product in the market. Because the innovation groups are comprised of local people, they can provide business services in a more sustainable way than outsiders can.

Forming Co-ops

CRS and its partners (CARITAS Matagalpa, Jinotega y Estelí and the Fundación de Investigación y Desarrollo Rural) began organizing and registering smallholder agroenterprises in Matagalpa in 2003–2004. The first step was to invite groups of farmers to community workshops to explore their interest in getting organized. The workshop explained the different business organization models allowed under Nicaraguan law, as well as the advantages and disadvantages of each model. The participants chose to establish “cooperative enterprises.”

During the next two years, the farmers formed five cooperative enterprises for grain and vegetable producers, and seven of coffee producers. The five grain and vegetable co-ops have come together as one central cooperative association, while the seven coffee co-ops form another. These agroenterprises have a total of 1,200 small-scale farmer members.

Starting a Business Center

As a second step, CRS and its partners supported the establishment of a “business center” to provide services to the co-ops. A multidisciplinary team in the center advises the agroenterprises on issues identified by the farmers, including administration and finance, business management, formulation of business plans, market information, and support for negotiation of contracts with clients.

The innovation groups focus on technological innovation and the local market, with an emphasis on production and post-harvest management links. The business center complements their work: it concentrates on formal regional and international markets, financial and administrative themes, business links and capacity strengthening.

Forming Innovation Groups

A third step was to form the innovation groups, beginning in 2006 with the help of the International Center for Tropical Agriculture (CIAT). A new set of market opportunities had arisen with the signing of the Central American Free Trade Agreement, which opens up markets in the United States to Nicaraguan produce. At the same time, the young co-ops were still getting their production and marketing organized: they sold more than 90% of their produce without adding value, and through informal intermediaries. That meant they could not get better prices from regional and international markets, and prevented them from creating jobs in the villages.

Each of the five grain and vegetable co-ops formed an innovation group. Three of the groups have beans as their most important crop, while the other two grow mainly vegetables (onions, chayote, eggplant, cucumber and okra). While each group has its own work plan, they all have a common interest: linking small-scale farmers to the market efficiently and in a sustained way by introducing innovations throughout the chain.

Here is how the groups were formed and operate.

Step 1. Choosing potential members of innovation groups. With the assistance of CRS’ local partners, each of the co-ops identified more than 30 candidates to become members of the innovation groups.

Step 2. Leadership training workshop. These candidates attended a training workshop, during which they studied the production and marketing chain and completed a skills survey.

Step 3. Selecting members of innovation groups. Six to 12 of the candidates from each co-op were selected, based on the following criteria:

- Leadership and experience in organization and producing the crop selected
- Communication, technology transfer skills and participation in innovation processes
- Willingness to work with different stakeholders in the chain

Why is there this number of people in an innovation group? The number depended on the amount of work needed for each commodity chain: for example, a more complex chain would need a bigger group to deal with it. The candidates who were not selected became members of support commissions in their home areas.

Step 4. Developing knowledge. The innovation group members went on exchange tours to other organizations, some in other countries, to see how various crops were managed, study the experiences of other farmer enterprises, establish new market contacts, and learn about product presentation and packaging, quality standards, food safety practices and export requirements. This key step for the groups' effectiveness required a significant investment.

Step 5. Formulating a work plan. Each innovation group drew up a 1-year work plan, again with the assistance of the CRS team and its partners. At the end of each year, the group reviews what it has done and plans for the following year.

Step 6. Implementing the plan. The innovation groups implemented their plans, using the knowledge they had gained during the workshops and on exchange visits and tours. Table 23 lists the typical activities in a work plan.

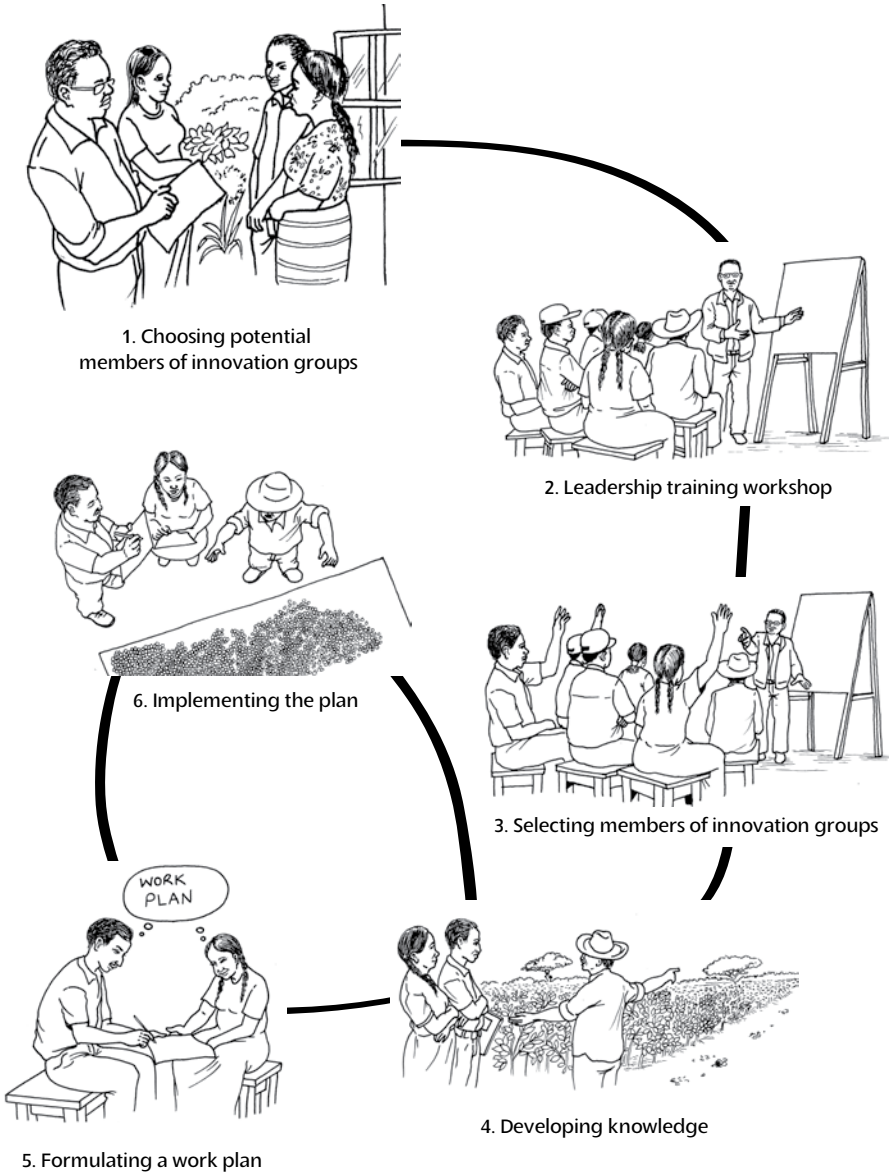


Figure 36. The first six steps in the formation and operations of the innovation groups

Table 23. Work plan for the innovation group

Link	Typical activities
Production	Establish validation plots for new varieties, crop nutrition Go on exchange trips Hold field days Implement good agricultural practices Produce certified seeds
Post-harvest	Improve harvesting practices and selection of produce Implement good manufacturing practices Manage value addition (selection, cleaning, sorting, moisture control, packing) Ensure food safety and traceability of the products Control quality of products Control storage pests
Market	Identify market opportunities Negotiate with buyers Ensure appropriate presentation of the product in terms of weight, packaging, and quality standards for different markets Participate in fairs Manage contracts

Step 7. Reflection workshop and field visits. In August 2006, six months after the innovation groups had started implementing their plans, the facilitation teams and group members held a workshop to reflect on progress. This workshop included a field visit to the groups' work areas and a close look at the value chains. The workshop participants analyzed constraints to fulfilling the work plans. The most significant of these were a lack of financial services for the different links in the chain, and a lack of infrastructure for production and value addition (such as irrigation and locations for collecting and selecting produce).

Step 8. Reformulation of plans. At the end of the year, the facilitation team held another workshop with innovation groups to revise and reformulate their work plans. The new plans were better directed at addressing bottlenecks and constraints hindering the co-ops' competitiveness.

Step 9. Follow-up and evaluation. CRS and its partners systematically followed up the innovation groups' activities through the workshops, tours, training and discussions. The innovation groups have become collaborators and information providers for CRS and its partners in planning projects.

Creating and consolidating the five innovation groups cost a total of \$18,500. That covered the technical assistance from CIAT, CRS personnel costs, and the expenses of facilitating organizations, materials, equipment and logistics.

Achievements

The innovation groups have produced several achievements:

- They helped diversify production, stagger planting of crops to provide a constant supply, produce certified bean seed, add value in the harvest collection and storage centers, and formulate new markets.
- Produce quality has improved by planting over 1,700 ha of certified bean seeds and introducing Good Agricultural Practices and Good Manufacturing Practices.
- The co-ops have reached agreements with providers of various financial and non-financial services. They have negotiated contracts with buyers that include the payment of incentives for quality produce. Farmers' incomes have risen and new jobs in the villages have been created, mainly for women. The five co-ops' cumulative sales have topped \$1 million.
- The participants identified the strengths and weaknesses of their co-ops in the face of market opportunities, and the co-ops' transparency, democracy and good governance have increased. The co-ops have through their umbrella association reaped economies of scale in purchasing inputs and selling produce, so getting better prices. While each co-op manages its own business, they have together taken advantage of opportunities not available to them individually.

Weaknesses

A major problem occurred in managing the purchase, storage, standardization and sale of beans. The co-ops suffered significant losses early on because of this difficulty.

To overcome this situation, the co-op members responsible for marketing visited several buyers and other leading bean companies to learn about product standards. The co-ops then conducted field trials, in collaboration with the buyers, so they could apply what they had learned. This training was complemented by the distribution of basic equipment such as moisture testers, certified seeds and improved crop management techniques, thereby improving product quality.

Lessons

Groundwork. Before beginning to work with innovation groups, the enterprise facilitator should ensure that the commodity has market potential, a market study has been done, and the chain has been analyzed and understood. If none of these are true, it is still possible to work with innovation groups, but more effort will be needed to gather information and ensure effective implementation.

Distribution of functions. Each of the members selects and focuses its work according to its knowledge and experience in the market links. That is efficient, but risks creating information gaps among group members. It is better for several group

members to deal with a single aspect, easing communication and ensuring the group does not rely on the expertise of individual members.

Commitment to the process. Once it has chosen to use the innovation group approach, the agroenterprise facilitator should implement the approach fully in order to ensure it is successful.

Prioritizing the process, not the results. Participation is vital. The group work plans must prioritize the process first and then the results. Getting the process right at the beginning will prevent enthusiasm for attaining results from suffocating the participatory process which, in the end, will help the farmers achieve their own development.

A performance thermometer. It is important for the innovation group and the facilitator to reflect about internal aspects and strategic issues of the organization. This reflection serves as a thermometer for measuring progress and identifying aspects that can be improved. This in turn ensures sustainability in business relationships and increases the enterprise's competitiveness.

Evaluation. A great deal of care is needed to identify the contributions, constraints and other factors that affect success or failure. As in any process, external factors may affect the market and hinder the application of the innovation group approach.

Challenges and Next Steps

Sustainability. Will the innovation groups function without external support for training and infrastructure? What motivates the group members to work without remuneration? CRS faces the challenge of continuing to support the groups until they are sufficiently valued by their co-ops, can function alone, and are sustainable.

Incentives. As the innovation group members gain skills, they will become more attractive to other organizations and to private enterprise, or they may leave the co-op to establish their own businesses. However, this does not represent a total loss if they stay in the area or work in the same chain. Some group members have become recognized as local experts, and the co-ops pay for their services. An evolution toward paid services would make the model more sustainable.

Documentation. The innovation groups approach must be adequately documented and disseminated. The approach must be incorporated into other agribusiness projects and regions.

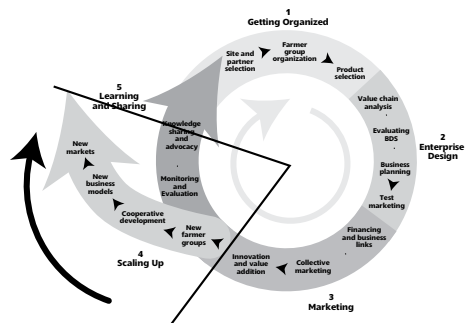
Guide: See Mosquera et al. (2007) (tinyurl.com/aurts8) and *Alianzas de aprendizaje* (tinyurl.com/7oq38c).

8

Step 4: Scaling Up

STEP 4 INVOLVES THE FOLLOWING ACTIVITIES:

- 4.1 New farmer groups
- 4.2 Co-op development
- 4.3 New markets and business models



This chapter deals with growing the agroenterprise after it has started running smoothly and the problems described in the previous section have been ironed out. As with the production-based approach, scaling up can only be achieved when there is sufficient demand. Therefore any changes in supply must be planned and executed so the produce remains competitive, quality is not compromised, and risks are considered and minimized.

Agroenterprises can be scaled up in different ways.

- Perhaps the most obvious way is for individual members of the marketing group to **grow more** of the product. But such an approach quickly hits a ceiling because smallholders have limited amounts of land, and it is risky to rely too much on one product.
- New farmers can be added to the group. However, if a group gets too large, it becomes unwieldy and hard to manage. It is better in such circumstances to encourage the formation of **new groups**, perhaps with a core of experienced farmers to guide it as it begins production and marketing.
- As the number of groups expands, they can be affiliated into **second-order marketing associations**. These can organize the delivery of larger amounts of produce and negotiate better prices with buyers. They can also take on

additional activities such as grading, sorting, processing, transport, credit, input supplies, and so on.

- Once they are organized, farmer groups can also seek **new markets** for their produce. A new market may mean a more distant market (perhaps a principal district town, a market in the capital city or even an export market), a new set of buyers (supermarkets, fast-food chains, hotels and other institutional buyers), or a new product (cowpeas as well as peanuts, or a value added product such as peanut butter from the peanuts). Such markets are more lucrative, but also more discriminating: they have stringent requirements on quality, reliability, timeliness, traceability, and so on. Farmer groups must have the skills to tap into these markets, be able to produce and deliver the volume and quality of product required. Another way of tapping new markets is to produce a different product, using the same organizational skills and marketing approaches as for the initial product.
- It may be possible to find **new business models** where farmers interact with the market in different ways. A “business model” is how an individual firm organizes itself and its relationships with other chain actors to create and capture value. Business models include fair trade, contract farming, and new business models are working to find more flexible ways of encouraging more robust chain-wide business relationships such as fostering relationships with specialized intermediaries or working with friendly traders.

Fair trade is probably the best known ethical trading model that seeks to support poor smallholder farmers and differentiate their products from the mainstream in commodity markets. For products to be assigned a fair trade label, buyers must comply with certain regulations (defined by a certifying institution such as TransfairUSA or FLO), which typically guarantee a floor price and other benefits to groups of farmers. Fair trade is often coupled with organic niche markets, taking advantage of the higher prices available for organic produce.

Fair trade has proven to be an effective business model for both smallholders and buyers, but the sector is relatively small and has not reached many farmers. And while fair trade is an attractive option for farmers, it comes with stringent requirements for the buyers and associated retailers. To qualify for this business model, farmers have to be well organized and comply with strict production, sales and community based guidelines. Buyers also have to meet rigorous standards in order to be accredited to use a recognized fair trade label.

CRS has been working within the fair-trade movement for some time but works only with so-called 100% fair trade organizations, which means that all the goods procured by the company must be fair trade. Whilst this is a highly effective way of

creating market differentiation, the very nature of its strict adherence to regulations excludes many companies that have strong ethical buying policies. The Fair trade business model is also built around strong cooperatives and again, many of the larger trading houses prefer to work with a combination of traders and farmer networks rather than cooperatives, as they find these relationships more flexible and firms often feel that many cooperatives are not operated competitively.

However, buyers are increasingly aware that the ethical market is considerable, and processing and retail companies are interested to explore new business models that utilize many of the sound business principles of fair trade but are more flexible in the production and procurement standards.

Contract farming is another alternative business model that farmer groups can use to lock in procurement deals with larger buyers. However, farmers must be wary of the fine print: they should ensure that the contracts do not burden them with all the risk or lock them into disadvantageous relationships, such as being forced to purchase overpriced inputs from unscrupulous suppliers. Contractual arrangements should also ensure that farmers are able to re-invest in their production systems and not forced into situations where they overproduce for a limited number of years before production levels fall and buyers move to areas with better soils. Not all crops and markets are conducive to contractual arrangements and therefore facilitators and interested farmers and firms need to consider issues such as the competitiveness of the buying and selling locations, alternative market options for farmers, the ability of farmers to sustain production and the service options and conditions that a large buyer will offer farmers in order to maintain contracts. Crops or products where contracting appears to work well include crops that require industrial processing, such as cotton, coffee, starch, high value produce. On the other hand, contracts in informal markets with limited opportunities for concentration often suffer from side selling and contractual breaches on both sides of the agreement, and therefore contracting is only successful in specific situations.

Friendly traders. One promising type of new business model focuses on “doubly specialized intermediaries” or “friendly traders”. These traders or trading entities can provide farmer groups with market channels to develop their commercial abilities and at the same time link them to a number of services to promote their market performance. The growth in the specialized intermediaries is a new way of trading with farmers that offers the same types of services as offered by a cooperative but is more flexible in terms of its links with farmers and smaller traders. Larger buyers and firms can deal with the intermediary without having to take on political or social entanglements that they feel uncomfortable with when dealing with cooperatives.

Other new business models. There has been increasing interest recently to build on the sound ethical principles of fair trade but to find ways of broadening the segment of buyers who are willing to engage in self-regulated procurement systems. Many corporate buyers are interested to learn more about new business models that are inclusive of poor, smallholder growers and support the idea of assisting farmers to be more consistent suppliers or higher quality produce. However, they also fear that being locked into an ethical trading arrangement may make them less agile in the marketplace and therefore less competitive. Nevertheless, with ever more discerning consumers in the more sophisticated markets of industrialized nations, having strong corporate responsibility credentials is an increasingly important point of differentiation in the marketplace. CRS is working with agencies such as the Sustainable Food Laboratory and partners from the private sector to investigate ways of formulating new business models that offer the prospects of more stable and durable trading relationships between corporations and smallholder producers.

These methods are not really steps, in the sense that one has to be performed after the other. Rather, they are alternatives that the agroenterprise team and the farmers can consider and use where appropriate when looking to scale up a successful agroenterprise in a growth market.



Step 4.1 New Farmer Groups

Success breeds imitators. If one group of farmers successfully produced and markets a particular crop or livestock product, other farmers often get interested, leading to spontaneous scaling up. However, the relative success of such spontaneous initiatives may depend greatly on whether the new farmer groups can access the technical assistance and training that will help them to produce and market profitably and sustainably.

If the project that initiated the process is still continuing, then it may be able to serve the new entrants as well as the initial participants. The case presented below, on producing navy beans for an export market in Europe, shows the investment required to mobilize and get the commitment of many different service providers—from both the public and private sector—in order to scale up from a pilot level of production and meet the demands of a market that requires many thousand tons of product.

However, it will not always be possible for a project to expand and organize services for new farmers or farmer groups. In these cases, project staff need to think early on about how certain services might still be provided locally after the end of the project.

Continuity of local services when projects close is clearly an important part of sustainability and there are cases where this ongoing provision of services is being built into projects. In the case of savings and lending groups, locally selected community agents are trained and provided with the materials and equipment to offer ongoing services and this has proved very promising (see the Tanzanian chickpea case, in chapter 7). When they have seen how successful such groups are, other communities want to establish their own savings groups. That has generated a demand for the services of the community agents and a spontaneous growth in the number of savings groups. The agents are able to charge modest sums for their services—which suggests that while the demand exists the agents will continue to provide the service. The work being done in El Salvador on local business centres (chapter 6) and the development of chain-wide innovation groups in Nicaragua (chapter 7) highlight ways of building in the seeds of sustainability or ongoing upgrading processes within chains.

As part of a scale-up strategy, mechanisms need to be established for upgrading the skills and expanding the range of services of such community agents, for example by giving them opportunities for training in national institutions.

Scaling up Navy Beans in Ethiopia



LEGESSE DADI AND SHANE LENNON

Getahun is happy with the sacks of navy beans he has just harvested. At the start of the season, he had sown 50 kg of seed of a new bean variety, called Awash Melka, which he had received from a CRS-supported project that promotes navy bean production and marketing. Getahun is just one of more than 2,000 farmers in the Oromia Region of Ethiopia who have tried out the new seed. The project distributed almost 146 tons of seed, enough for each household to plant up to half a hectare.

Since beginning with the project, Getahun has produced 1.2 tons of beans from his 0.4 ha field. He has sold nearly a ton for \$400. Each harvest he keeps 50 kg as seed for the next season, and he hopes to become self-sufficient in seed. “I will buy oxen with the money I have earned from selling them,” he smiles. He will use the oxen to plow his fields. “That will help us grow more food,” he adds.

Getahun and his fellow farmers have received a good price for their beans. That is in part because of the high quality of their product. But it is also because of a combination of a new buyer entering the market and the strong upward trend in commodity prices at that time: farmers’ cooperative unions are now competing with traders to buy the beans, and they are bidding up the price for the farmers’ beans.

Beanz Meanz Marketz

Called “navy beans” in North America because they were a staple of the United States Navy, the small, white beans are used to make the baked beans common in American and British supermarkets. There is strong world demand for the beans, making them an attractive export commodity for Ethiopia. They are also a popular crop among farmers in the project districts because they grow better than other crops during dry periods. A short-season crop, the beans are ready for harvest in September and October, before most other crops and at a time when farmers are particularly in need of food and cash. And in East Hararghe, the crop is ideal for intercropping with critical staple food crops such as sorghum and maize.

CRS works with several local NGOs to promote navy beans: the Meki, Alem Tena and Wonji Catholic Churches in the East Shewa and Arsi zones in the Rift Valley, and the Hararghe Catholic Secretariat, in East Hararghe Zone, to the east. These NGOs have a great deal of experience in the area, and implement the project on the ground. From 2003 to 2005 this project team tested improved varieties of navy bean, and decided to promote two that performed well, Awash Melka and Argane, along with various technologies to improve yields and post-harvest handling. In 2006, they began promoting these varieties on a wider scale. The team later decided to drop the Argane variety because it was susceptible to rust disease and was hard to sell particularly after one of the larger buyers decided to reduce buying which affected the demand and price of this variety.

Organizing for Scaling up

Scaling up production and marketing is a demanding task: it involves working with many more farmers and organizations, and undertaking different activities from a pilot project. The responsibilities for supplying inputs, providing extension services, managing production and marketing, quality control, etc., lie with different institutions. Cooperation and networking among stakeholders is vital for effective coordination and implementation.

A steering committee, chaired by the zonal administrator, coordinated the scaling-up activities. This committee consists of representatives from the Ethiopian Institute of Agricultural Research, CRS Ethiopia, the local government agriculture and rural development offices, Sasakawa-Global 2000, exporters, and the local farmer cooperative union. This cooperative union is a tertiary-level organization: an association of cooperatives, which in turn are made up of a number of farmer groups. The project dealt mainly with the Alem Tena Farmers Cooperative Union, based near Nasreth in the central rift valley, where navy bean production is widespread.

A technical committee was also established; it was responsible for supporting the production of the bean varieties. Task forces in each *woreda* (local government district) were established to monitor and provide information to the technical and steering committees and to ensure that farmers received advice on production and post-harvest management.

Analyzing the Value Chain

A value chain analysis was done before work to scale up the navy bean production and marketing began. It identified various constraints: a lack of trust between farmers and traders, a lack of market information, low purchase prices, and the poor-quality product. It also revealed that prices for navy beans did not vary by variety with quality of the product, i.e, there were no quality premiums. A shortage of improved seeds and poor seed distribution were also critical constraints to enhancing productivity.

The analysis identified five leverage points that could be used to expand production and benefit the various actors in the chain:

- Demand for navy beans for export is greater than domestic production. The number of export companies has risen over the past 5 years from four to 35. Some of these new investors are larger European companies that have come with modern processing technology, management and links to market.
- Ethiopia is a lower cost producer than the United States or Canada, which produce the bulk of navy beans worldwide. Ethiopia is also closer to its export markets than its main competitors in China, so has a cost and transport advantage.
- As prices have increased, farmers have become more interested in expanding production.
- Improved technology have boosted productivity and improved quality.
- The Ethiopian government now has a policy to promote investment in market-oriented agricultural production.

CRS and its partners took these findings into account when they drafted a plan to scale up navy bean production and marketing in 2006. They presented this plan to a meeting of stakeholders, who agreed how to proceed. The plan called for the wide use of improved bean varieties, seed distribution through credit, the formation of farmer groups, facilitating access to markets, and improving the quality of product through price incentives.

Many small-scale farmers in the project area already grow local varieties of navy beans. But limited resources and a shortage of seeds of improved varieties made it impossible to reach all of them. To decide which farmers to work with, the project

determined various criteria: the farmers had to be interested in participating, willing to join an agroenterprise group agree to repay seed credit, and have suitably sized plots to grow the crop.

Procuring and Distributing Seed

The seed industry is not well developed in Ethiopia, so it was difficult to get seed of the improved varieties. In 2006, CRS bought 158 tons of seed from an exporter that had purchased it from farmers and a large commercial farm. The project partners then distributed the seed to the farmers with the assistance of the local agriculture and rural development offices, officials of the *kebele* (the lowest administrative units) and farmer group leaders.

In 2007, the partners purchased 105 tons of seed directly and distributed it with assistance from the agriculture and rural development offices.

Table 24 shows the amount of seed distributed and the number of farmers who received the seed. After a pilot planting of 80 ha in 2005, the total area planted rose to 1,451 ha in 2006 and 1,050 ha in 2007. Each household planted 0.5–1 ha.

Table 24. Quantity of improved navy bean seed distributed

Year	Seed distributed (t)	Number of farmers	Average quantity per farmer (kg)	Total area planted (ha)
2005	8	163	49	80
2006	158	2,940	54	1,451
2007	105	2,567	41	1,050

It is not sustainable to buy and distribute seed each year, so the project has been looking to establish a more permanent solution to supplying improved varieties through establishing seed grower groups. Two such groups have been organized and trained on seed production and linked with research institutions and commercial seed companies.

The farmers did not get the seed for free. Instead, they were given it on credit, and had to repay the cost (without interest) later. The project approached a local microfinance institution to manage this scheme, but it was not ready to do so, so the project partners had to take on the task of disbursing the seed and recovering payments.

This is also not sustainable, so in 2008, the project started using farmer groups to buy and distribute seed. Two groups have bought 13.9 tons of seed and distributed it as loans to 278 farmers. If this system is successful, it will be expanded.

Organizing for Marketing

The farmers were initially organized into large agroenterprise groups with 20–70 members each, perhaps from several villages. But the project staff found that it was difficult to organize meetings of so many people. So in the middle of the season in 2006, the groups were reorganized into smaller groups of 5–10 members in a single village. This improved the interaction between members and made it easier to organize the collective marketing at harvest time.

In all, 225 small groups were organized. While they were formed to access seeds and to market produce collectively, only a few stayed together as groups after the harvest. In 2007, another 110 groups were organized. These groups also did not stay together after the harvest. Only groups that received direct support from CRS to build a common storage facility stayed together.

Finding Markets

The first attempt to find a market for the beans failed. A British-based trading house expressed an interest in buying beans directly from the farmer groups at the prevailing market price, plus a premium for a high-quality product. But this trader delayed and then suspended this plan because prices of beans had become too high and competition in the market was creating unrealistic prices: the trader said that the domestic market price of \$280 per ton was higher than the international price (even though the Djibouti free-on-board price was \$470 per ton at the time). Even after adding the costs of processing and transport, the domestic price was still lower than the Djibouti price. The buyer clearly had a more competitive price from elsewhere in the world, possibly China, which highlights the highly competitive nature of export markets.

What to do? The project team found a solution. The Alem Tenu Farmers Cooperative Union agreed to buy beans, provided that the farmers could put together at least 5 tons at collection centers in each village.

The lack of collection centers proved a problem—but again, creative solutions emerged. Local government offices, development agent offices, farmer training centers and school compounds were all used as collection centers. In some cases, individual farmers offered their houses. If no qualified persons were available for identification, weighing and guarding the beans, individual farmers volunteered to handle these responsibilities.

These problems hampered sales by the groups. The participating farmers were able to sell only a quarter of their harvest collectively to the Cooperative Union and other exporters. Traders bought the rest at lower prices.

The cooperative union paid an average of 289 birr (\$33) for 100 kg of beans, while farmers who sold to private traders received an average of 268 birr (\$31), plus an extra 5–10 birr if they had to transport it to the market. So it was worthwhile selling to the Cooperative Union. However, the union's pricing structure was very rigid, and it did not raise its prices as the season progressed. That made it uncompetitive and it stopped buying in that season, probably a result of limited funding, (though it did start to buy again in subsequent seasons).

Ensuring Quality

A standard grading system is important for smooth transactions among market actors. Such standards exist for exports, though the system is not transparent and each exporter has its own methods of determining impurities and quality. For domestic trade no such standards exist.

When the Cooperative Union bought substantial amounts of navy beans for the first time in 2006, it and other stakeholders introduced a grading system to set minimum acceptable standards. It rejected bean lots that had more than 10% impurities. It paid a floor price of 245 birr per 100 kg for beans with an impurity level of 10%, and progressively higher premiums for qualities better than this. For purity levels of 90%–94%, it paid a 5% premium; for 95%–96% purity, it paid 10% extra, and for 97%–98% purity it paid 15% extra. Despite some variation among districts in setting the thresholds, this policy laid the basis for improving quality, and farmers responded accordingly by supplying a better product. Other traders have similar grading schemes, but all are different. There is also a widespread habit amongst traders who buy at different rates from farmers for them to mix their grain to produce uniform produce for onward sales. Hence price signals based on quality at the market place are weak, and when competition is strong in the market (as it has been for the past 3 years), traders will buy whatever quality is offered the result being that processing factories received average poor quality produce rather than increasingly improving quality based around clear grades.

Market Information

The project has played a significant role in identifying prices at primary and terminal markets and communicating this information to farmer groups. Staff have helped assess the volumes farmer groups have to sell, and communicated this to exporters, the Cooperative Union and Ethiopian Seed Enterprise (a government enterprise that handles seed production and distribution).

These activities, however, were not done systematically: they were undertaken in response to specific needs and to fill information gaps. A more systematic approach is needed to create a sustainable market information system. Ethiopia

in general requires better access to market information, and many traders who work in export markets have little access to information on international price movements that affect buying in the country. This makes trading in export markets somewhat precarious.

Microfinance and Seed Credit

Ethiopia's banking system is not designed to address the particular savings and credit needs of small-scale farmers. People in rural areas have little access to formal financial services, forcing them to rely on traditional moneylenders who charge interest rates as high as 100% on a 2–3 month loan.

Before 2006 no financial institutions were able to provide financial services to the project farmers. In 2007, however, a CRS-supported microfinance institution called Metemamen, which aimed to expand its services to rural areas, developed an agricultural loan scheme known as “Eshet”, *Eshet means ripened crops or ready to harvest*. CRS and Metemamen decided to pilot this scheme with the navy bean farmers. Metemamen has no branch offices in the areas where many of the bean farmers were located, so it decided to start small and learn from experience before trying to serve larger numbers of clients.

CRS and Metemamen jointly developed a strategy to ensure that the Eshet loans would meet the borrowers' needs. They first visited farmers to check their situation and needs, and to assess the capabilities of the project partners. They decided to conduct a pilot test in two areas, Meki and Alem Tena, which the team thought had the best chance of success.

During this pilot, Metemamen provided loans to 119 bean farmers. The farmers were organized into village bank units to access the loans. They received a comprehensive orientation on the program objectives, loans and savings policy and village bank group management. They drafted bylaws to govern how they operated. Metemamen disbursed the loans before planting time. This pilot is still ongoing and CRS is investigating ways of scaling up this loan instrument if it is successful. CRS is also interested in developing multi-phase loans for farmers and would like to investigate whether Metemamen will take on the risk of such options.

Training Staff and Farmers

The farmers lacked skills in improved production techniques, post-harvest management, product quality and marketing. The project team devoted considerable effort to improving such skills so they would be able to respond effectively to market signals. The team used a training-of-trainers approach, first training project staff, and then farmers. In 2006 and 2007 it held two courses for project staff and

extension workers, facilitated by CRS staff, researchers and the Oromia Cooperative Promotion Commission, a government body focusing on co-op development. The course participants went on to train over 3,500 farmers in 2006 and 2007.

Other capacity-building measures included an exposure visit to enable implementing staff and farmers to learn from each others' experiences, and the distribution of a Market Facilitator's Guide, which was translated into Amharic, Oromiffa and Tigrigna, and distributed to extension workers.

The issue of product quality was a primary concern covered in the courses. Samples of cleaned and canned navy beans were used to demonstrate to trainers what the quality product must look like. They in turn demonstrated the quality levels to the farmers. A visit to a bean processing plant demonstrated to the trainees how the cleaning and grading processes occurred.

Outcomes

Bean yields rose as a result of these promotion efforts: the average yield of the improved varieties was 0.9 t/ha in 2006 and 1.2 t/ha in 2007, compared to 0.8 t/ha for the local varieties. Yields varied widely from place to place, however: from a high of 2.8 t/ha in Sire district to a low of 0.3 t/ha in Dodota. This can be attributed to differences in rainfall, management practices and inputs used. Farmers who applied the recommended management practices obtained higher yields than those who did not.

The farmers also enjoyed a better price for their produce. The Cooperative Union entered the market for the first time and bought a substantial amount of beans at a premium price. It introduced price incentives for quality, and created competition, which encouraged private traders to raise their prices.

As a result of higher yields and prices, farmers earned more. In 2007, farmers planting the improved variety earned an average net income of birr 1,748/ha (\$196), 36% more than the birr 1,285/ha (\$144) farmers earned from the local varieties. Part of this rise can be attributed to higher yields, but most is due to the better prices paid for higher quality.

It was not just the farmers who benefited. Traders, the Cooperative Union, transporters and exporters benefited from the higher production and better-quality product. New linkages were created among the value chain actors and new institutions—farmer groups—were established and started supplying beans.

The training helped to change farmers' attitudes and behavior. The farmers became more interested in producing improved navy beans. They were more conscious of

quality and the importance of plowing and weeding. They became readier to market their beans collectively to large buyers.

Challenges

Shortage and quality of seed. The lack of an adequate seed industry in Ethiopia means there is a shortage of seed, especially of pulses such as navy bean. An export company tried to overcome this problem by supporting the production of seed of improved navy bean varieties. It bought seeds from farmers and stored them until planting time. CRS bought seed from this firm, but quickly realized that it was full of dust and broken and shriveled seeds. CRS asked the firm to clean the seed, but this made the problem worse as the cleaning machine broke more of the seed. Alternative sources of good-quality seed are needed. One way to solve this problem is to strengthen existing groups of seed growers, and establish new ones, to create a farmer led seed supply system.

Awareness of new varieties. Because the new varieties had only recently been introduced, traders, brokers and exporters were not aware of them. Some refused to buy them. Others agreed to buy at lower prices, then mixed them with local varieties and sold them on at a higher price. This greatly discouraged the growers. More effort is needed to popularize the new varieties among various actors in the chain and make them aware of their advantages and to find ways of developing single variety supply channels from farm to market.

Limited capacity of major customer. The Cooperative Union undertook to pay the farmers at the time of sale. In a few cases, though, it failed to pay on time. In other cases, the union truck failed to arrive at the collection center, and the farmers were forced to sell their beans at lower prices to local traders.

Lack of collection centers. Collection centers are vital for collective marketing. They have to be easily accessible, have room to store produce in bulk, and have facilities for weighing and packaging. But many villages lack suitable buildings. It is necessary to find ways to construct such buildings in each village so small-scale farmers can effectively engage in group marketing.

Lessons

Ensure farmer groups are strong. Organizing farmers into groups was vital to several aspects of the production and marketing process. It enabled farmers to get seeds on time, and loans for the seed to be collected. Groups of farmers attended training, and pooled their produce to sell. But unfortunately most of these groups have not stayed together at the end of the season, which implies that the members do not see the value of the group throughout the year. Some members sold their beans

on the side as individuals rather than pooling them to sell collectively—even though the collective sales brought higher prices. The groups need to be strengthened to improve their bargaining power and to access inputs and information. Groups do not only need a common vision; they also need physical assets such as a collection center to keep the members together or more binding financial links to maintain group integrity and focus, as achieved in Tanzania with the SILC reinforced farmer marketing groups.

Dealing with a single company is risky. While it can be an advantage to deal with a single supplier or buyer, it is also risky. For example, the company that supplied seed of the Argane variety refused to buy the farmers' beans after they had been harvested. Working with several buyers spreads risk and gives the farmers options for selling their produce. Where this is not possible, better communications need to be developed between buyers and farmers so that they both know what is happening in the marketplace.

Promote sustainable business services. To get the production and marketing processes started, CRS and its partners have provided many business services themselves: they have provided market linkages, negotiated agreements, purchased and distributed seed, provided credit, and so on. Such interventions may be justified for a short period in the absence of other input providers. But it is necessary to find other players (including farmer groups) who can take on these roles, and to develop and strengthen them if necessary.

Promote incentives for quality. Buyers are prepared to pay a premium price only if they benefit in some way—for example if farmers bulk the produce (making purchasing and transport more convenient), supply superior varieties, or clean the grain of dirt and foreign matter. The project showed that farmers do all these things if they have a price incentive. Introducing a new buyer (the Cooperative Union) which was prepared to pay such incentives stimulated other buyers to adjust their prices upwards. In some cases, however prices signals were obscured when traders bought grades of produce and then mixed for onward sales.

New business models. The project is dealing with a number of buyers including small traders, farmer cooperative unions and larger processing factories. Each of these buyers has advantages and disadvantages to the farmers, and therefore CRS is seeking ways to organize less opportunistic strategies for trade and to build stronger business relationships with reliable buyers. In the 2007 and 2008 seasons, CRS strengthened links with one of the new large European trading houses in Ethiopia. The project is now seeking to build a new type of business model for sales of beans to the factory (Box 22).

Box 22. A new model for bean marketing in Ethiopia

The long-term investments made in the Ethiopian bean sector are gradually coming to fruition. Seeds of new varieties are reaching more farmers, and links to markets are gaining momentum. One of the latest approaches to market linkage has been between traders, farmers and a large bean processing company that is selling produce into European markets.

In addition to trading relationships that work through a cooperative, CRS is exploring the prospects of building new business models. These attempt to provide farmers with trading options through procurement standards that can work in a flexible way with any traders, unions or farmer groups that agree to meet with a procurement standard.

The bean business model is based around the following principles:

- A clear post-harvest standard to ensure improvements in the supply chain
- Transparent pricing
- Assurance of a fair minimum price
- A communication system to connect farmers to the market
- Definition of appropriate quality specifications
- Measurement and communication of outcomes to show development benefits.

Currently the framework for this new business model is being established within specific traders and farmers' networks to test the system. The intention is to increase both rigor and scale of the business model as farmers and traders see the benefits.



Step 4.2 Co-op Development

Farmer groups are generally too small to take on the full range of market functions and provide many of the services that farmers need. Often they cannot muster enough produce at a particular time to fill a truck; they cannot guarantee premium quality or continuity of supply, they do not have the facilities to be able to dry and store produce until the price rises after the harvest season is over, and they lack the financial muscle to negotiate credit or pay farmers for their produce when they deliver it to the collection center.

Several farmer groups can overcome these problems by affiliating into second-order marketing associations, which have enough members and produce enough of the product to generate economies of scale. This book contains several examples of such associations or co-ops:

- The farmers' association in Timor, Indonesia (chapter 5).
- The farmers' associations in Homa Bay, Kenya (chapter 5).
- The savings and marketing associations in the Lake Zone of Tanzania (chapter 7).
- The cooperative enterprises for grain, vegetables and coffee in Nicaragua (chapter 7).
- SAFIDY, a farmers' association in Madagascar (chapter 9).

In addition, Normin Veggies in Mindanao ("A Friendly Trader in the Phillipines," below) is an association of larger producers that follows the same logic as cooperatives of small-scale farmers. Under the leadership of its vice-president for marketing, it also cooperates with groups of small-scale producers.

The Kenya Smallholder Farmers Investment Company, or KESFIC (Box 23), illustrates the potential of alliances of farmers' groups in marketing, as well as some of the challenges.

In the area of finance, CRS is working with associations of self-help or savings groups. While farmer groups generally bulk their product for sale, these associations are more focused on bulking their savings so they can leverage larger loans at lower rates on behalf of their members.

CRS countries and regions with specialized agroenterprise and microfinance staff are supporting this type of second-order associations. In Central America and India, several CRS projects work with cooperatives, often in collaboration with other partners.

However, for the most part CRS places most effort on working with farmers to organize atomized individuals into more coherent farmer groups. At the cooperative level, CRS tends to work with other partners to assist in association development and strengthening.

A number of organizations specialize in cooperative development, including ACDI/VOCA, CLUSA and TechnoServe. These often begin their interventions at the association level. CRS intends to explore synergies in such support in the coming years.

Box 23. Kenya Smallholder Farmers Investment Company

George Odingo



Founded with support from a project involving TechnoServe, CRS and the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Kenya Smallholder Farmers Investment Company, or KESFIC, is an apex body formed by 57 producer groups in western Kenya. It purchases groundnuts during the harvest season, and then sells them at a premium to urban markets when prices rise. It also provides its members with support services, including the purchase of inputs such as groundnut seeds, the provision of gunny bags, storage services, technical advice, and equipment such as groundnut shellers on hire.

These are valuable services. But KESFIC still handles a relatively small volume of the farmers' output: only 20%. The farmers sell the rest to local traders, who are prepared to pay a better price. Farmers complain that KESFIC pays for the groundnuts only after a week, while the traders pay immediately on delivery. KESFIC started out with little working capital and an overambitious program. And many of its constituent farmers groups saw it as a competitor rather than as complementing their own services.



Step 4.3 New Markets and Business Models

The first case in this section describes how CRS helped small-scale farmers in Nicaragua organize to supply the fair trade coffee market in the United States. As the case points out, the real benefit of fair trade may not be in the additional income that it generates, but in the way it induces farmers to organize themselves to supply a particular market.

An example of this type of model is outlined in the second case below from the Philippines, which illustrates how CRS helped farmers in the southern island of Mindanao to start supplying rice, corn, vegetables, coffee, citrus, abacá and handicrafts to various buyers, some of them in distant Manila.

Much of the credit for this market linkage goes to the intermediary, Joan Uy, the subject of this case. Joan is an example of how a friendly trader can work with farmers to identify markets and enable farmers to upgrade their produce to meet buyers standards. The case on test marketing of calamansi (chapter 6) also describes how Joan helped farmers develop a new market for their produce.

Another example of a new business model is in Ethiopia, where navy bean farmers are linking to a processor that is establishing a model based around chainwide production, trading and procurement standards (Box 22). In this case the business model is more sophisticated, and links smallholder farmers into the social corporate responsibility statements and procurement standards of the processing and retailing firms.

CRS is interested in new business models as they can operate in mainstream markets and they have the attraction to CRS of offering an exit strategy, in which business relationships can be left to develop between the trading companies and farmer groups, whilst CRS disengages and transfers resources and staff skills to new areas and new market challenges.

Fair Trade for Smallholder Coffee in Nicaragua



MICHAEL SHERIDAN

In Nicaragua, as in more than 50 other countries around the world that export coffee, most smallholder farmers sell their coffee at the prices they are offered in local markets. They have limited access to services and credit. They have few opportunities to improve their farming practices or the quality of their coffee. They lack information about market trends and are isolated from other actors in the market chain.

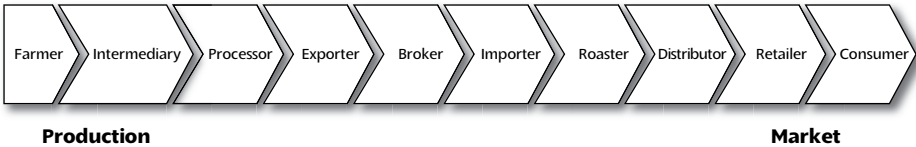


Figure 37. Conventional coffee market chain

Smallholder coffee producers may be as many as eight links in the chain away from the people who drink the coffee they grow (Figure 37). And they earn just a tiny fraction of the retail value of their coffee—5% or less—and are exposed to the risk associated with unstable prices in world coffee markets. Most of the profits in the chain are earned by actors at the market end of the chain. CRS has a history of working in Fair Trade coffee markets and wanted to find out if farmers in Nicaragua could be supported to enter this alternative business model.

Building a better business model

With \$1.1 million in funding from USAID, CRS and its local partners worked in Nicaragua from 2003 to 2007 to help 316 smallholder coffee farmers create a new trading model based on the principles of social, economic and environmental

sustainability. The CRS partners were *Cáritas Matagalpa* and *Addac* (*Asociación para la Diversificación y Desarrollo Agrícola Local*, or *Association for Local Agricultural Diversification and Development*).

When the project began, the farmers were selling their coffee to local buyers for as little as \$0.18 cents per pound. The value of their coffee depended strictly on its weight. They had no contact with other buyers or farmer organizations. They produced less coffee than their farms were capable of, and their coffee lost quality—and value—through poor production, harvesting and processing practices.

The project helped farmers boost their incomes by producing for high-value markets. That meant helping them organize into cooperatives, improve the quality of the coffee they produced, and getting certification as Fair Trade and organic growers.

Fair Trade and Organic Coffee

Fair trade is a scheme where retailers and other chain actors aim to ensure that disadvantaged farmers, organized into cooperatives, get a fair share of the profits from their produce. It fosters the provision of market information, credit and technical assistance to farmers. Farmers receive a guaranteed minimum price, plus “social premiums.” In Nicaragua, the minimum Fair Trade price for washed Arabica coffee is \$1.25 per pound (\$2.76/kg). If the coffee is certified as organic, buyers pay an additional \$0.20. For both organic and conventionally grown coffee, buyers also pay a \$0.10-per-pound social premium (Box 24).

Box 24. Fair trade coffee prices in Nicaragua

	\$ per pound (0.45 kg)
Minimum price for Fair Trade washed Arabica coffee	\$1.25
Plus social premium	\$0.10
Price paid for fair trade non-organic coffee	\$1.35
Plus bonus for coffee certified as organic	\$0.20
Price paid for fair trade organic coffee	\$1.55

These prices are guaranteed minimums no matter what happens in the mainstream commodity market. In the coffee crisis from 2000 to 2004, when world prices for coffee slumped to their lowest levels ever, the minimums helped keep farmers in

the fair trade market from ruin. When market prices rise above the Fair Trade minimum, fair trade buyers will meet the market price and pay cooperatives the \$.10-per-pound social premium on top of that.

Cooperatives can use these funds however they wish, but generally reinvest them in their cooperative business or put them toward community development projects. Examples of uses of social funds include schools, health clinics, wells, roads, transportation and other activities that benefit the community.

Fair trade coffee value chains are generally shorter and involve fewer players than conventional market chains (Figure 38).



Figure 38. The fair trade value chain

Organic coffee is grown without synthetic inputs and using environmentally responsible management of production and post-harvest processes. Organic coffee is grown on farms that have been inspected and certified to meet those standards. Organic certification does not guarantee that farmers will earn an organic differential (as Fair Trade certification does), but the market naturally rewards organic certification with higher prices.

Many coffee drinkers are concerned about social and economic justices as well as the environment, and the fair trade scheme pays extra for organic coffee. So much fair trade coffee is also certified as organic.



Figure 39. Fair trade ensures that farmers get a fair share of the profits

Forming Farmers' Groups

To increase their bargaining power and tap into the fair trade and organic markets, it was necessary for the farmers to organize themselves into cooperatives. They had no previous experience with co-ops, so the project team helped them get organized, trained them on cooperative principles, helped them get legally registered. As a result they formed Cecosemac, which is short for Central de Cooperativas de Servicios Múltiples Aroma del Café (Aroma of Coffee Multiple Services Central Cooperative). This is a second-tier cooperative comprised of six community-level cooperatives that together include nearly 200 members.

The creation of Cecosemac helped its members do things they could have never achieved on their own: buy farming inputs at discounted prices, pool their production to reach the levels of volume that coffee traders look for, transport that coffee to the next stop in the coffee chain, and market it to potential buyers.

The cooperative created benefits for its members relatively early on in the process—long before it made any direct exports to fair trade markets in the United States. During the first harvest after it was formed, Cecosemac sold coffee to a local buyer for \$1.06 per pound—more than 25 cents per pound more than the farmers would have earned by selling their coffee individually.

The formation of Cecosemac was necessary to enable participating farmers to compete effectively in the marketplace and to access Fair Trade markets, since only legally registered cooperatives are eligible for Fair Trade certification.

Improving Quality

CRS invested heavily in helping Cecosemac's members improve the quality of their coffee. This involved technical assistance to improve farming practices, harvesting techniques and post-harvest processes. It also included building the cooperative's capacity to coordinate activities such as gathering coffee at collection centers and transporting it to coffee mills for further processing. All these can have a major impact on coffee quality.

The project team helped the farmers replace aging coffee plants and advised them on improved practices such as providing shade cover (which raises bean quality and preserves biodiversity on the farm). The team also helped build facilities such as concrete basins and troughs for coffee fermentation and washing, and trained the farmers in wet milling, drying and handling. Other actors in the value chain often do such processing; by doing it themselves, the farmers could sell their product at a higher price.

There was also significant investment in equipment at the community and cooperative levels. The project helped the community co-ops to set up, repair or build collection centers, and constructed two labs for coffee tasting, or “cupping,” for Cecosemac. It trained one “cupper” on the Cecosemac staff to set up quality control systems. The cupper became very good at understanding the qualities buyers were looking for. More important, however, when he tasted a bad cup of coffee, he was able to tell the farmer what specific step of the process needed to be modified.

Quality improved as a result. At the start of the project, a high percentage of the beans were defective and the coffee scored in the mid-to-high 70s on a 0–100 scale—below the 80 points necessary to qualify as “specialty grade” coffee. By the end of the

project, the rate of defective beans had fallen to acceptable levels and cupping scores were consistently in the low 80s—solidly in the specialty coffee export range.

Getting Certified

The project team provided technical assistance to farmers and the cooperatives to help them meet the stringent requirements for fair trade and organic certifications. At the farm level, this support was centered on training in organic farming methods. CRS also provided financial support for farmers to buy equipment to make organic fertilizer. At the cooperative level, the team focused on building Cecosemac's capacity to meet the minimum standards of fair trade certification for general and financial management.

The project facilitated the organic certification of 173 farms and fair trade certification of the Cecosemac cooperative. The organic certification has increased the value of the coffee produced there and increased the value of the land itself—the most valuable asset most smallholder farmers own. Fair Trade certification made Cecosemac eligible to earn fair trade prices at a time when market rates were much lower.

Creating a Coffee Value Chain

Meeting the strict quality requirements for the fair trade and organic markets was not enough to ensure farmers' entry into those markets. Cecosemac also had to build relationships with buyers and other actors in the value chain. CRS helped the co-op build two strategic alliances, one in Nicaragua and one in the United States.

- In Nicaragua, CRS facilitated an alliance with the Central de Cooperativas de Café del Norte, or Cecocafen, a third-tier cooperative with some 2,000 members. Cecocafen is active in fair trade and organic markets worldwide. It buys coffee from Cecosemac, then dries, grades and selects it, then stores it before finding a buyer for it and exporting it.
- In the United States, the CRS headquarters' Fair Trade Coffee Program <http://www.crsfairtrade.org/> linked Cecosemac with Cooperative Coffees, an importer that works exclusively with smallholder farmer organizations and buys 100% fair trade and organic coffees. Beginning in 2005, Cecosemac has sold an increasing amount of coffee through Cecocafen to Cooperative Coffees. After the 2007–2008 harvest, Cecosemac sold its first full container of double-certified fair trade and organic coffee to Cooperative Coffees at a price of \$1.67 per pound. Cooperative Coffees has begun to provide additional business development services to Cecosemac, delivering market information and inviting the co-op to participate in farmer-to-farmer exchanges with other cooperatives in its partner network.

Challenges and Opportunities

FARMER GROUP FORMATION

Forming functional farmer groups takes time. This project demonstrated just how hard it is to coordinate the activities of hundreds of farmers effectively for the marketplace when those farmers have no previous experience with farmer organizations. It took more than 2 years for Cecosemac to be organized and legally registered. Coping with frequent changes in leadership, internal divisions and generally low levels of management capacity consumed a large portion of the time of CRS and partner staff devoted to the project during those first 2 years. More than 5 years after the project began, organizational strengthening continues to be a priority.

Aligning participant selection with CRS mission. The decision to work with unorganized farmers was consistent with the agency's mission to serve the poorest members of society. It took time and resources away from some of the project's other important processes, however, such as improving coffee quality, pursuing fair trade and organic certification, and engaging with other actors in the coffee market. When projects are intended to help farmers access new and competitive markets, *it is very difficult to achieve project goals without a functioning farmer organization.* This is especially true when projects are of short duration. On the basis of this experience, CRS has decided in Nicaragua to work only with established farmer organizations in the coffee projects it has implemented since this project closed. CRS is aware that this criterion may exclude some of the neediest farmers, and has made a special effort to support weak and vulnerable farmer organizations in service of the agency's mission.

COFFEE QUALITY

Coffee quality is a prerequisite for participation in the specialty market. Coffee cooperatives cannot access the specialty coffee markets unless they can meet strict quality requirements. In most cases, this means that cooperatives must invest in the training and equipment necessary to improve coffee quality.

Coffee quality is a continuous concern. Breaking the 80-point barrier to accessing specialty coffee markets does not mean that farmers and their organizations can stop worrying about quality. High-value coffee markets are competitive and dynamic. Quality requirements are steadily rising and constantly changing. Cooperatives that wish to compete in this environment must put systems in place to control quality, provide the support their members need to meet those requirements, and invest in these activities continuously.

There are limits to coffee quality improvement. Many of the factors that affect coffee quality are determined by weather patterns and the physical environment. Some of these, like altitude, are permanent. Others, such as soil type and rainfall patterns, are beyond the control of farmers but may change over time. Farmers can affect other factors to a limited extent, such as average temperature and average humidity levels, through practices like effective shade management. Future programming around coffee may benefit from analysis of the conditions in the communities under consideration. Identifying the upper limits of coffee quality in each community in advance of the project may help participating cooperatives target the appropriate segments of the coffee market.

CERTIFICATION

Transition to certified organic production is long and hard. The transition from conventional farming (using synthetic inputs) to organic certification takes three years. While there is no standard price premium for certified organic in the conventional trading system, organic certification adds \$0.20 per pound to the price cooperatives earn. Unfortunately, that premium does not kick in until the farm where the coffee is grown is certified. In other words, even though farmers may be two years into the three-year transition period, they are not eligible for organic premiums. What is worse, productivity may fall significantly. This drop is common, but usually temporary. Over the long term, farmers who attain organic certification are able to recover their losses and improve profitability since they earn higher prices for their coffee. But the needs of poor farmers—food, medicine, schooling, etc.—are often immediate. They simply cannot afford to wait for long-term payoffs. Some form of subsidy maybe required to assist poor farmers during this transition period.

Organic production costs are high. Even for farmers who manage to maintain their yields through the transition process, the higher prices they earn for their certified organic coffee may not be enough to make up for the high costs of organic farming, which demands more labor and (organic) fertilizer than conventional farming. Keeping coffee farmers in organic production—to say nothing of getting more farmers to adopt organic practices—is a strategic challenge. This is especially true when market prices are high for non-organic coffee: why would farmers decide to invest in organic farming when it is such hard work and the benefits are so hard to see?

FAIR TRADE

The “stand-alone” value of fair trade certification may be declining. There is limited demand for Fair Trade coffee that is not also certified organic. Cecocafen has received this signal consistently over the past 3 years through its exchanges with

Cooperative Coffees and other U.S. importers. This means that the stand-alone value of Fair Trade certification has been reduced. Farmers in Fair Trade-certified cooperatives may have to attain organic certification to unlock the value of Fair Trade certification.

The real promise of fair trade: Value chain relationships. Fair trade certification has various benefits to farmers. It guarantees them a decent price and steady income during times of market instability. It pays a social premium, which enables investments in social projects that neither governments nor markets provide in coffee-producing countries. But these are not its main benefit. The other things that tend to come with fair trade—effective organization, access to business development services, direct relationships with other actors in the value chain, and participation in specialty coffee markets—may be even more important. This suggests that CRS might help facilitate the participation of smallholder farmers in high-value coffee markets without Fair Trade certification by focusing on these activities.

Creating a Coffee Value Chain

Building relationships with chain partners. Where farmer organizations engage directly in the coffee value chain, the various actors in the chain can work together to determine an acceptable distribution of risk and value, identify inefficiencies and weaknesses in the chain, and collaborate in resolving problems. They may draw on the assets of actors in the chain, the expertise of their networks of business development service providers, or their ability to collaborate creatively to improve chain performance.

The fair trade marketplace is dominated by major retail brands whose approach—from the way they relate to Fair Trade cooperatives to the way they behave in the marketplace—is different from that of the Fair Trade pioneers. Such “corporate” fair trade does not usually involve direct relationships with cooperatives. Instead, big companies purchase fair trade coffee through specialized traders so that the main benefit to farmers is merely the higher price they receive. There is already a degree of consumer confusion about food labels and fears that private retailer labels are crowding out the effectiveness of fair trade as a clear market differentiator.

That makes “mission-driven” fair trade companies, and the business development service providers that support their value chains, the preferred partners for CRS in developing Fair trade value chains. These companies have a deep commitment to the principles of social, economic and environmental justice that underlie the fair trade model. Their vision of trade as a vehicle for sustainable rural development overseas is aligned with the CRS agroenterprise approach. And they have a proven record in helping struggling smallholder cooperatives access competitive markets.

Fair Trade principles are being adopted beyond the fair trade marketplace. Fair trade started more than 60 years ago as a **development** program, but it has made a **business** case for trading models that give farmers a fair say, a fair share and a fair chance in the marketplace. More and more, buyers in the market for specialty coffees are adopting traditional fair trade practices, whether they sell fair trade certified coffee or not. They have come to recognize what fair trade's pioneers knew from the beginning: the retailer's ability to meet the demands of its consumers depends on the strength of the chain that connects it to producers. The power of the ethical consumer is also gaining notice from processors and retailers and one of the positive effects of globalization is that consumers are more aware of the effects of their buying in the marketplace.

CRS will work in Nicaragua to help facilitate value chain relationships between smallholder farmer organizations, coffee companies and other actors that are committed to the principles that underpin the fair trade model, whether they operate within the Fair Trade marketplace or beyond its narrow boundaries.

Specialty coffee is naturally inclined toward value chain formation. The nature of coffee and the specialty coffee trade can lead naturally to value chains. The chemical make-up of coffee is incredibly complex, meaning that there is an enormous number of ways that one coffee can be differentiated from another. Buyers who seek quality, distinctive coffees must spend time with farmers to identify the coffees they want. There are many places along the chain where coffee can lose value. Growers must produce quality beans, and the cooperatives must preserve that quality between harvest and export time. So coffee companies outside the Fair Trade market are investing more than ever in identifying distinctive coffees, cultivating direct relationships with growers, and building the capacity of smallholder farmer organizations. In doing so, they are borrowing practices that were first developed in the fair trade model.

This experience is relevant beyond coffee. The coffee trade is similar in many ways to other high-value smallholder market chains: small production areas, high market values, strict quality standards, participation in private certification systems, processing at the farm level, etc. These chains create similar opportunities for collaboration with other chain actors to improve chain-wide performance. CRS' experience with high-value coffee markets in Nicaragua may provide insights that can be applied to agroenterprise projects in other chains and other parts of the world.

Sustainability and Scale

In October 2008, CRS launched the Coffee Assistance for Enhanced Livelihoods (CAFE Livelihoods), a three-year, four-country, \$8.2-million project that takes this

value-chain approach to a larger scale. CAFE Livelihoods will reach more than 7,000 farmers. In designing the project, CRS built on lessons from the experience in Nicaragua. For example, the project in Nicaragua started with unorganized farmers who had never produced for specialty markets. Under CAFE Livelihoods, CRS will work in all four countries with existing cooperatives that are already working to add value to their coffee and access higher-value markets. We expect that this will shorten their path to the market.

Certain questions that arose during the Nicaragua project remain unanswered, however, and certain issues that continue to be a source of concern.

- **How much does it cost?** Helping farmers move into dynamic, competitive markets—and stay there—is expensive, regardless of the point of entry. The investment needed in farm inputs, on-farm equipment and training to build high levels of capacity is significant.
- **What is the role of the facilitator?** The ideal is to act as a facilitator and create opportunities for participating farmers and organizations to take each of the steps in agroenterprise process themselves. But agroenterprise projects have ambitious goals and short cycles, so CRS often finds itself working with its partners to provide services directly that in the future will need to be provided by the local marketplace.
- **How long does it take?** A three- to four-year project cycle is not sufficient to develop a market chain and then disengage from local partners with confidence that they will thrive in the market. This is especially true in the case of highly competitive markets such as specialty coffee. In the case of Nicaragua, CRS was able to string together three successive streams of agroenterprise funding that enabled it to accompany Cecosemac beyond the close of the project. By the time the CAFE Livelihoods project ends in 2011, CRS will have been supporting Cecosemac for more than 8 years and devoted nearly \$2 million to its relationship with the cooperative.

A Friendly Trader in the Philippines



SHAUN FERRIS

The farmer group in Mindanao wanted to grow and sell peppers. Before they invested in the seed and planted their fields, they needed a guaranteed market. Who would buy their crop? How would poor smallholders learn to access new markets, and how could a durable business relationship be fostered?

These are routine problems for Joan Uy, an agroenterprise consultant with CRS Philippines. She took two CRS staff who had been advising the group to meet

someone she knew—the buyer from a company that makes chili sauce. Joan knew the company well: it buys sweet pepper from Normin Veggies, a group of vegetable producers that Joan helps run. Normin Veggies already had a contract to supply 18 tons of pepper to the company. She knew it needed the types of pepper that the CRS-supported farmer group grew. She introduced them to the buyer, who said the company would be interested in buying from the group.

Opening market opportunities is just one of Joan’s tasks with CRS. She also provides development service support: working closely with CRS staff in assessing supplies, analyzing market chains, managing visits to markets, forming clusters of farmers, arranging test marketing, and scaling up production.

Joan is not a CRS staff member. She is a part-time consultant. She also produces vegetables on her own farm, and she helps run Normin Veggies (short for Northern Mindanao Vegetable Industry Producers Association), which supplies high-quality fresh vegetables to supermarkets on the northern island of Luzon. In the months when Luzon is unable to meet its own needs, Normin Veggies’ production fills the supply gap. The association has opened a series of successful market channels, bulks and coordinates its members’ production and sales, and negotiates financial support from credit providers.

Joan has lots of NGO experience too: she was director of an NGO for 10 years before starting up her own farm. So she has a commitment to social development, a deep understanding of vegetable production based on hands-on experience, as well as the business skills and marketing connections that traders need.

That combination of skills means Joan plays a vital role in CRS’ program to assist small-scale farmers in Mindanao. She is a “doubly specialized intermediary”: a trader in her own right and knows the marketplace, as well as a provider of advice and market opportunities to poor smallholder farmers. Farmers like to work with Joan as they know she has market linkages. They also understand that to gain from her experience and market services that they must meet her exacting standards.

From Producer to Adviser

As a self-financed, independent vegetable producer, Joan joined the Normin Veggies association. That opened her world to business networks: her fellow association members include owners or executives of vegetable businesses, retired corporate farm executives and young entrepreneurs.

She became the association’s vice president for marketing and organized a new business entity, Normin Corp, to handle marketing, and helped found the Normin Veggies Consolidation Center to provide services such as storage, packaging,

cleaning, transport, contracting and shipping. She pioneered marketing clusters (farmer groups) in Normin Veggies to diversify from wholesaler markets to modern, institutional markets. These clusters, each consisting of ten growers, program their production around market commitments and deliver high-quality vegetables that can be traced back to source. She worked with seed companies to supply varieties that buyers' wanted, with logistics firms for transport and cold chains to extend shelf life, and with various types of buyers (fast food chains, food processors, supermarkets and their consolidators) to serve their distinct requirements.



Figure 40. Joan Uy is a trader in her own right, and advises smallholders on marketing issues

She also worked with government agencies like the Department of Agriculture for technology development, and development programs such as USAID's Growth with Equity for Mindanao Program, which helped develop the vegetable industry and used Normin Veggies as a business development organization.

In this expanded world of business, she saw how isolated NGOs were: they were working with limited funds in short-term projects, focusing on improving

productivity. She realized that if NGOs could link with the business sector, they would be able to take shortcuts, and efforts to improve farmers' income would not be so slow and elusive.

Excited by the idea that just opening markets to farmers would enable them to make the big leap forward, she started to connect again to the NGO world.

Easier Said than Done

She started working with groups of small-scale farmers. The idea was that they would supply vegetables to her marketing cluster in Normin Veggies. Her fellow-growers in Normin Veggies were more cautious: they said that bringing in small-scale farmers was too risky, and they would not supply quality products or deliver on schedule. She persisted, though, and tension indeed rose when the small-scale farmers did not deliver. Joan found herself in a dilemma: pulled by the needs of the farmers and the concerns of the independent growers that their markets would be affected.

In the end, she accepted that the constraints small-scale farmers face in marketing their produce were too complex for her and her group in Normin Veggies to address. The farmers needed development support first to build their capacities, prepare them to engage with the other progressive growers in Normin Veggies, and benefit from existing markets. In addition, the NGOs supporting them also needed to have a better idea of markets and the work that was necessary to help farmers access them.

Working with CRS

In early 2005 Joan learned about CRS' approach to agroenterprise development, and realized it might help small-scale farmers become more prepared for marketing. CRS invited her to work with the agency as a consultant with the U.S. Department of Agriculture-supported Small Farms Marketing Project in Mindanao. She agreed, but said she also needed to continue working on her own business interests.

On visiting the project's five pilot sites, she saw that it was taking too long to gather data. She helped the CRS team choose a minimum set of data about farmers, resources, products and supply capacity so they could move rapidly on to the next step, market chain analysis.

In the business world it is important to move fast, but many farmers take time to reach decisions. Joan saw the need to organize farmers' groups. This was not a step in the original agroenterprise approach CRS was then using. CRS should help farmers form groups and develop a management system and business plans, she said. That would let them take responsibility for marketing right from the beginning. The project staff should remain facilitators.

Joan has been working with CRS for two years. Progress has been rapid. In that time, 154 farmer groups with 1,808 farmers have been organized. The groups have pooled and sold rice, corn, vegetables, coffee, calamansi (chapter 7), abacá and handicrafts, generating combined sales of over \$300,000. Joan has helped the agroenterprise staff synthesize what they have learned into a book, *The clustering approach to agroenterprise development for small farmers* (see Box 21).

The next step? Into her third year with CRS, Joan faces challenges of growth. Several clusters are trying to formalize into co-ops. Buyers tell her that a business to provide specialized marketing services for the clusters or co-ops is needed if their businesses are to survive and remain competitive. CRS is studying this option.

Learning from Joan

A key lesson from this work is that NGOs should seek help from people, like Joan, who have experience in working with market chains. Many NGOs have an innate fear or suspicion of traders and business people as they often worry about the informal, unscrupulous nature of the business sector. However, as with all worlds, the business sector holds a larger majority of well-meaning people, as well as a few people who act, for numerous reasons, in their own self-interest to the detriment of others. Traders are especially vilified in development organizations as exploiting poor farmers.

It's good to work with traders. CRS' experience in working with Joan has been very positive. She understands how the fresh fruit and vegetable market works. She will always be better informed about this market than a development worker because her livelihood depends on her business success.

Matching farmers and markets. One of the strategies that Joan used in buying from farmers was to link their product to at least two markets with clear price differentiation. This allowed Joan to sell the highest quality produce into the more lucrative distant markets and also to sell medium to lower quality into local shops and wholesale markets. The farmers were immediately rewarded for good quality with a price premium, or punished with low returns for poor quality. Joan made sure that all farmers could be identified and told them which percentage of their goods went to which markets and why. Farmers responded quickly to this price signal.

Accelerated impact. In building its relationship with Joan, CRS has learned a great deal—probably saving the project 2–3 years from the start to improving the market performance of smallholders. Rather than the staff having to learn how to organize farmers, understand market needs and link to buyers, the challenge was to work with Joan's group to identify which market opportunity best suited the target farmers and then to train the farmers how to supply the market.

Farmer organization is key. One of the most important factors was organizing farmers and making them responsible for providing quality produce so they could sell to the best quality market. Joan did this. She made it clear to the farmers what was required for a range of markets, and the prices they should expect from local wet markets, local supermarkets and Luzon processors. This places the responsibility for success with the farmers and allows the facilitators to support farmers rather than do the work for them.

Paying for services. CRS typically assists farmers at every step in the market linkage process. In working with Joan, the project charged the farmers a regular fixed fee for the market service. That meant the farmers were paying for a business development service so that they could learn how to access the highest value market. This again reinforces the aspect of responsibility, and that there are no free lunches; farmers who want to succeed need to invest in their futures.

Sustainability. Many development projects are unsustainable despite the best efforts of project staff. The perennial problem is how to disengage project support services and retain the profitability of a new enterprise. One way to do this is to replace the project services with business development services, and to work alongside traders and business partners. In working with Joan's group, the farmers have access to a consolidator and can grow their business with Joan's group. Or in the future they may be able to develop their own market linkages, having learnt how to do so by doing it themselves.

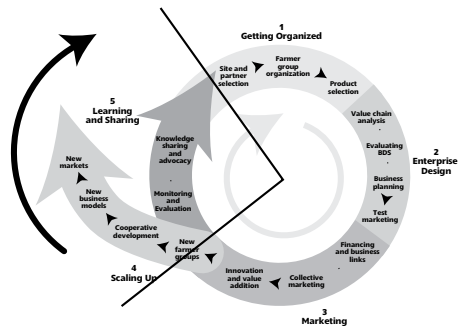
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Step 5: Learning and Sharing

THIS STEP INVOLVES

- 5.1 Monitoring and evaluation
- 5.2 Knowledge sharing
- 5.3 Advocacy

These are not really steps: they should be done continuously throughout the life of the intervention, not (as implied in the agroenterprise development cycle diagram) at the end.



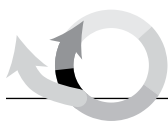
This is most obvious with monitoring and evaluation. This begins at the start of the agroenterprise development process, when the team gathers baseline information about the area, the farmers and the markets. It continues throughout the intervention, with regular monitoring of activities, as well as periodic reviews such as annual or midterm evaluations. At the end of the intervention, a final evaluation sums up the experience and draws lessons for future activities.

Knowledge sharing is also a continuous activity. It includes sharing knowledge and skills with staff and partners, many of whom may be unfamiliar with marketing or the agroenterprise development approach. CRS' learning alliance methodology (chapter 1) and the working groups (chapter 5) are useful ways to lead staff and partners through this learning process. Knowledge sharing also takes place with farmers, traders and other stakeholders: they need new attitudes and skills if they are to work together as groups and as collaborators in value chains. And it is important to find ways to inform neighboring communities, local governments, potential partners and peer institutions about agroenterprises

during the development process, not just towards its end. Cross-visits, field days, chain studies, learning journeys, meetings and seminars are useful ways to do this, as are fostering media relations and documenting experiences in print and video form.

Knowledge sharing is not a one-way, top-down process where an agroenterprise expert imparts knowledge to ignorant farmers or trainees. Rather, it is a multi-way exchange, where everyone has something to contribute, and everyone learns. Nor is there a set body of existing knowledge, ready to be tapped. Yes, there are a series of principles and techniques that can be learned; but much of the knowledge will be generated through the agroenterprise development process itself. And the knowledge is constantly changing as the production situation, market conditions and prices fluctuate.

Advocacy is a special type of knowledge sharing, aimed at government, donor and development agency policymakers. It aims to change the policy and regulatory environment to support agroenterprises and overcome barriers preventing communities from taking such initiatives.



Step 5.1 Monitoring Progress

“How Are We Doing?”

A simple question that many people involved in agroenterprises ask. Members of farmer groups, implementing organizations such as CRS’ local partners, and development agencies like CRS itself—they all want to know “how are we doing?”

A simple question. But answering it is complicated. That is partly because of the difficulty in collecting and analyzing data, and partly because different people want to know different things.

Farmer groups want to know their financial position, information on markets and the profitability of different crops. Typical questions include:

- How much money does the group have?
- What is the price of cowpeas?
- Will we make more money growing cowpeas or groundnuts?

Partner organizations need to tell how well the farmer groups are functioning so they can plan field activities. They tend to be interested in output and process indicators, including the sales, revenues, purchases and cash balances of the farmer groups they advise. Typical questions include:

- How much money did the farmer group earn last year?
- Which of the ten farmer groups in this area is performing best?
- How much staff time is needed to serve a farmer group?

Development agencies need to be able to guide the agroenterprise development process, and to judge whether, and where, it is appropriate to invest in it further. They are primarily interested in program impact a measure of their return on investment and the types of outcomes that were achieved such as (changes in skills levels, adoption of innovative practices, improvements in productivity, increases in profitability and ultimately, farm income). They also want to know about other outputs, such as partner performance, cost and quality of the delivery of support services, particularly training. There is also a strong interest in the viability of agroenterprises. Typical questions:

- How much extra yield have the project farmers produced (compared to non-project farmers)?
- Which partners are most effective?
- Are farmers groups good value for the costs? Is working with traders more cost effective?
- Are the farmer groups becoming self-sustaining?
- Will the groups or agroenterprises survive the withdrawal of external support?

Within the development agency, the country, regional and headquarters offices may have different requirements. For example, a regional or headquarters office may want to compare agroenterprise development activities among different countries with very different agro-ecological, social and political systems.

There are obvious overlaps among these questions. For example, all three levels are interested in the profitability of the marketing activities. But some types of data are unique to one group.

Collecting and Reporting Data

It is difficult to collect data, write it down in an appropriate format, and report it to the people that need it. Doing so requires skills, equipment (such as forms, computers and an internet connection), interest and diligence, a mandate to collect the information, and a means to collect it, interpret it, and communicate it to a ready audience.

Monitoring systems often ask farmer groups to fill in thick forms detailing all kinds of information. Filling in all these forms takes a lot of time, is burdensome for the (volunteer) secretary of the farmer group, especially as the farm group itself has no need for these data.

As a result of these problems, data are frequently inaccurate or inconsistent, recorded haphazardly, wrongly transcribed, or not recorded or reported at all.

The case below describes how CRS is designing a monitoring and evaluation system to gather and report information on its agroenterprise activities. Beginning in East Africa, this is a pilot project that, if successful, can be rolled out to cover CRS' agroenterprise activities worldwide.

Farmer Group Space in East Africa



BEN WATKINS, ROB ROSE AND MARGARET MWANGI

CRS is working on agroenterprise activities in more than 40 countries. To monitor progress across all these different organizations, commodities and situations, it started a support project led by Kimetrica Ltd, a Kenya-based company. This project aims to develop a web-based system to gather information from the field and track impacts. This system is called “Farmer Group Space” (www.farmergroupspace.net) to emphasize information-sharing and networking, which are key to effective monitoring.

Farmer Group Space currently focuses on Ethiopia, Kenya and Tanzania, but it is intended to be flexible enough to be used for other CRS projects worldwide, and simple and robust enough for people to use even if they have few computer skills and the internet access is slow. CRS is also working on offline versions of [farmergroupspace](http://www.farmergroupspace.net) so that forms and profitability calculators can be used in remote areas, and the data then uploaded into the online system when the computer is brought back into areas with connectivity.

What Do We Need to Know?

The first step was for Kimetrica and CRS to understand what information different groups needed so they could choose what to measure. They looked at the information needs of CRS country, regional and headquarters, the project partner organizations, and the farmer or agroenterprise groups. They ended up with more than 60 variables that were considered useful.

That was far too many. The list had to be pruned to make reporting more manageable. To find which bits of information were the most important, Kimetrica surveyed CRS and partners in East Africa. This survey came up with 17 indicators that the project team and the partners said were essential (Table 25). This list does not consider measuring the performance of savings groups: that is done through a separate system.

Table 25 Indicators needed by CRS and partners

<p>Inputs</p> <ul style="list-style-type: none"> • Input utilization levels by group members • Input prices for agricultural production
<p>Production</p> <ul style="list-style-type: none"> • Expected crop production (type, area, yield), estimated before harvest • Actual crop production (type, area, yield), measured after harvest
<p>Sales</p> <ul style="list-style-type: none"> • Expected individual sales by farmers • Actual individual sales by farmers • Expected group sales • Actual group sales • Market group sales ledgers or financial records
<p>Markets and prices</p> <ul style="list-style-type: none"> • Market information: Information on prices, supply and demand • Actual sales prices for agricultural products from groups • Expected sales price for products on offer by groups • Trader contact information: For each crop/variety, which traders are operating where, and how to contact them
<p>Agroenterprise groups</p> <ul style="list-style-type: none"> • Group profiles (gender, age) • Group survival rates: How far do groups survive after external assistance is withdrawn • Attendance at group meetings • Impact of training on groups

CRS staff are primarily interested in program impacts and outcomes (changes in skill levels, adoption of innovative practices, improvements in productivity, increases in profitability and farm income) and in output level indicators, mainly those relating to partner performance and delivery of support services, particularly training. There is also a strong interest in the viability of farmer and agroenterprise groups. Are they becoming self-sustaining? Do they survive the withdrawal of external support? And at a fundamental level, does agroenterprise compromise or improve food security?

Partners tend to be interested in output and process indicators, including the sales, revenues, purchases and cash balances of the agroenterprise.

The team also assessed information demand for a small sample of farmer and agroenterprise groups in Kenya. They mainly need information on the group's financial position, markets (not included in this project) and the profitability of different crops.

Problems in Gathering Data

A monitoring and evaluation system that covers many different groups, commodities and countries has to deal with considerable complexity. There are many groups and partners: some very capable of gathering and reporting data, others less so. The projects and agroenterprises they support are diverse. To be adopted in dozens of countries, the system must be practical and replicable in the lowest capacity settings.

Table 26 summarizes the practical challenges the Kimetrica team identified in gathering data on CRS-supported agroenterprise activities, as well as the solutions they proposed.

Table 26. Challenges and solutions in gathering data

Challenges		Solutions	
Challenges faced by agroenterprise groups			
<i>Farmer/agroenterprise groups are weak in management and record-keeping</i>	⇒	<i>Design simple, streamlined formats for record-keeping with visual aids and clear guidance</i>	
<i>Staff of farmer/agroenterprise groups are unpaid volunteers</i>	⇒	<i>Minimize the amount of reporting the groups have to do. Collect seldom-used data less often</i>	
<i>Staff make mistakes entering data</i>	⇒	<i>Use online forms to enter and check data</i>	
<i>Computer support is poor</i>	⇒	<i>Use web-based forms that need only a browser and connectivity</i>	
Challenges faced by CRS and partners			
<i>High volume of data makes it hard to analyze quickly</i>	⇒	<i>Use online database to quickly aggregate and analyze information from many sources</i>	
<i>Costs of supervising many dispersed agroenterprise groups are high</i>	⇒	<i>Design light monitoring formats and use spot-checks on randomly chosen sites</i>	
<i>Paper-based reporting is slow, but CRS and partners must respond quickly</i>	⇒	<i>Report online so information arrives quickly</i>	
<i>Managers need to compare information across very different countries and project activities</i>	⇒	<i>Use standard formats that are flexible enough to reflect all the main types of agroenterprise projects</i>	

Recording data by and about the agroenterprise and farmer groups is the greatest challenge. A follow-up survey in Kenya showed that the groups were not completing the data-entry forms that CRS had provided because they did not think they were useful for them.

But the groups did keep financial records on their agroenterprise activities in ledgers, with information similar to that used by small local shops to keep their accounts. Neither CRS nor the partner had asked them to collect this information. They did so because they felt the information was valuable for their own decision-making.

This provides a clue for what format is likely to work in the Farmer Group Space project. The forms must at least meet the critical information needs of the people who fill them in. The farmer groups should collect data that they and their members find directly useful. Likewise, partners should collect information that is directly relevant to their planning. Above all, the groups should be required to report only a bare minimum data set, otherwise they will not fill in the forms.

Five Toolkits to Record Information

Kimetrica proposed a series of five “toolkits” to collect and capture data, each targeted to a specific user group. The frequency of reporting depends on how often the information is needed for decision-making. These toolkits keep the regular information burden on the agroenterprise and farmer groups and CRS’ local partners to a minimum, yet provide the priority information needed at all levels.

1 PRODUCTION AND MARKET SURVEY TOOLKIT

This helps determine the profitability of a proposed agroenterprise investment (which product(s) are viable?) and identifies the priority areas for investment (e.g., training needs, input provision and marketing services). Annual surveys using the same toolkit will measure the intervention’s impact on sales, productivity, adoption of innovative practices, sales, and profitability.

The toolkit is based on techniques used by the World Bank, FAO’s Investment Centre and IFAD for assessing rates of return on investments. These techniques have been simplified and adjusted to meet the specific information needs of agroenterprises.

Partners will undertake the surveys in conjunction with farmer/agroenterprise group members. They will report on the survey results to the group before they upload the data.

The toolkit contains two primary instruments:

- **Production and marketing cost worksheet.** This records farm-level information on production inputs, yields, costs, risks, opportunities and constraints for a given crop. It calculates the profitability of different crops and identifies areas where external assistance is needed.
- **Market opportunities worksheet:** This is based on market interviews and assesses marketing outlet, market conditions, output prices, mark-ups, marketing constraints, and scale economies.

2 FARMER/AGROENTERPRISE GROUP TOOLKIT

This toolkit records basic data on the group activities. The group treasurer or secretary fills in the forms. It has two parts:

- **Group ledger.** Each agroenterprise group maintains a ledger based on standard small enterprise accounting practices. This ledger records the cash book, profit and loss data and asset accounts. It ensures proper stock keeping and can be used to judge the group's viability and financial sustainability. Members can get an immediate idea of the group's financial position and its stock of products, and can ensure that the bank account, cash book and stock ledgers are fully reconciled. In addition, the ledger contains basic records of meetings and deliberations. The ledger is based on the "parallel" bookkeeping system used by local shopkeepers. It uses icons so people with limited education can use it. Partner organizations can easily extract the summary data from the ledger.
- **Meeting record book.** This records the frequency of group meetings, the composition of the membership and the minutes of the meetings.

3 PARTNER MONITORING AND EVALUATION TOOLKIT

This toolkit includes forms for partner organizations to use in monitoring, evaluation and reporting:

- **Group registration form.** This form ensures that the group is properly registered so that all CRS-supported groups are included in an inventory and can be viewed on a map or in a table.
- **Regular group monitoring form.** This form gathers information on the farmer/agroenterprise groups so the partner organization can check that they are complying with basic procedures. The field worker fills in the form each month (if it is possible to visit each group this often) or through random spot-checks (if only some groups can be visited in any one month).
- **Annual group monitoring form.** This form captures the group's performance in more detail. It is based on a thorough review of the group's records, and extensive interviews with group members. It contains several sub-forms:
 - **Group management.** This covers compliance with business plans, assembly resolutions and membership details (number of meetings, average attendance by gender)
 - **Group service review.** This records which crops, livestock and services are profitable and successful (and why), the marketing approaches used and their results.

- **Group accounts analysis and reconciliation.** This records whether the group is viable and whether the accounts are in order.
- **Capacity needs assessment.** This shows the training the group members have received, the main skills gaps, and other capacity constraints and needs.
- **Partner activity report.** This report provides CRS with information about the partner organization's activities. It can be submitted monthly (or less frequently) and will generate an annual report on cumulative progress. It is divided into four main sections covering training services, group formation, partner monitoring and evaluation, and the partner's expenditure.

4 SERVICE EVALUATION TOOLKIT

This toolkit evaluates the quality of service from the perspective of the client, service provider and (in some cases) peers. It gathers both qualitative and quantitative information.

- **360 evaluation tool.** This tool rates the performance of farmer groups and partners against pre-determined performance criteria. It is intended to be used by the lead NGO, such as CRS, to monitor project performance in the field.
- **Training and extension service evaluation tool.** This tool rates the training at all levels against general quality criteria (comprehension, etc.) and specific learning objectives. The tool gathers information about the trainees' skills and knowledge of innovation, production, agroenterprise and internal savings and loans.

5 CRS MONITORING AND EVALUATION TOOLKIT

This toolkit helps CRS country and regional staff to manage their programs.

- **Partner registration form.** This ensures that all partners are correctly registered and the geographical scope of their operations is mapped.
- **Partner capacity evaluation.** This checks the partner's ability to provide groups with support services and identifies additional support that may be needed.
- **Partner monitoring form.** This allows for random monitoring visits to assess partner performance and risks and to corroborate information the partner has provided.

How Can We Report It?

How to get all these the data to the people who need them? Kimetrica proposes various methods, depending on the type of information and the capacity of the data gatherer (Table 27).

Table 27. Methods for data capture and transmission

	Toolkit	How to record information	How to transmit information
1	<i>Production and market survey</i>	<i>Excel spreadsheet on rugged computer, laptop or handheld</i>	<i>Via email attachment or upload/export function</i>
2	<i>Farmer/agroenterprise group</i>	<i>Hardcopy</i>	<i>Partner field agent to collect summary sheets</i>
3	<i>Partner monitoring and evaluation</i>		
	<i>• Low capacity partners</i>	<i>Hardcopy forms</i>	<i>Send to CRS for digitization</i>
	<i>• Medium or high capacity partners</i>	<i>Web forms</i>	<i>Internet</i>
4	<i>Service evaluation</i>	<i>Hardcopy for later entry on web forms</i>	<i>Internet</i>
5	<i>CRS monitoring and evaluation</i>	<i>Web forms</i>	<i>Internet</i>

Mobile phones. In remote rural areas, mobile phone short message service, or SMS, is a promising way to communicate small amounts of information that need to be collected often. Mobile phones are widely accessible and the technology is stable and easy to use. Market information services use SMS to communicate prices. CRS is working with partners such as Esoko (www.esoko.com) to test systems for gathering and dissemination information such as market prices and other basic data responses such as crop performance, weather conditions and products for sale using SMS texting. But SMS has its limitations and this method is less suitable for transferring richer data or larger amounts of information, particularly responses to multiple choice questions and long pieces of text, which normally require a form or a link to the internet.

Laptop computers. CRS is working with Kimetrica to investigate the prospects of using new technologies and software to support data flow to and from the field. This initiative is being developed in collaboration with a consortium led by Nethope (www.nethope.org) and CRS that includes, INTEL, Agilix and Formrouter: This learning and data capture solution has three main components

1. A rugged laptop computer which has been developed with support from Intel (see www.intel.com and www.classmatepc.com).
2. Distance learning software from Agilix (www.agilix.com) for training field staff.

3. Data-gathering software from FormRouter (www.formrouter.com) that can be used to collect data when offline and then transmit data when the computer is back online.

This type of solution is designed to work in areas where the internet connection is dodgy or non-existent. Until this method is proven, Kimetrica suggests that agroenterprises and farmer groups also keep records of their information on paper. The partner organizations' field workers can then copy this data onto hardcopy summary sheets, or type it directly into a laptop, then upload it to the Farmer Group Space website when they go back to the office.

A web-based solution is the most practical in the long run. It will speed up data transfer, reduce transcription errors, and reduce the amount of face-to-face meetings.

For the farmer surveys, Kimetrica proposes using forms based on an Excel spreadsheet. The field agents can sit with farmers and type the responses directly into a laptop (or a handheld computer or personal digital assistant, or failing that, fill in hardcopy forms). The spreadsheet automatically calculates the group's profitability so the agents can discuss it with the group members. They can upload the completed forms back at the office. Kimetrica have developed a farm calculator application that helps to guide field workers through profitability analysis.

For the partner and CRS levels, the best way of transferring information is through the internet. All CRS partners have some form of internet access, and improvements are expected as telecommunication systems are upgraded. Once the data are uploaded, the website has built-in tools that will allow on-the-fly tabulations and aggregations of variables. Partners with no internet access will have to send hardcopies to the CRS country office to enter online.

Box 25. A management information system for savings groups in East Africa

Edward Charles



The savings and internal lending communities in East Africa (chapter 7) have a robust management information system that gathers quarterly monitoring data from individual savings groups.

Each group fills in a hardcopy data sheet that volunteers in each group pass to the CRS partner organization. The partner digitizes the data and emails it to the responsible project officer at the CRS country office. This officer verifies and collates the data, writes a qualitative narrative report, and sends the summary data and report to the regional technical adviser for microfinance at the CRS East Africa regional office.

This adviser then collates the data across countries and sends the summary back to the country programs, which in turn send it back to the partners and eventually to the individual savings groups. All the CRS country programs can see the progress of the savings groups in other countries. The regional adviser gives public recognition, or “brownie points,” for country programs each quarter based on the quality of their reporting and progress in group development.

The data collected by the savings groups is based on a standard questionnaire with about 20 pieces of quantitative information that are easy to gather each quarter. The information includes the numbers of men and women and their attendance at meetings, the levels of savings and lending, and loan recovery rates.

After the partner has entered the hardcopy data into a formatted spreadsheet, the data are analyzed automatically using standard microfinance indicators.



Step 5.2 Knowledge Sharing

CIAT and CRS developed the learning alliance process to share the agroenterprise approach within CRS country and regional offices and among partner agencies. This approach is described on in chapter 1, so is not covered further here.

For farmers, agroenterprise projects aim to build their knowledge and understanding of business and marketing. To produce and market their output successfully, farmers need a whole range of skills (see Figure 5), of which marketing is just one. They must learn complex ideas that are hard to grasp even

for well-educated people, let alone for poor farmers with little or no formal education.

But how best to do this? Formal training courses are vital, but they have to be organized and presented the right way, otherwise participants will fail to learn, or will give up halfway through.

The case below shows how CRS Madagascar used a series of games, videos, posters, T-shirts and other approaches to help participants learn key skills and concepts. Not only that: these approaches made learning about marketing fun.

This step does not occur after most of the others, of course. It is necessary to train farmers on marketing concepts quite early on in the process (the type of training will depend on the particular stage in the process). The game presented in this section could be repeated periodically, perhaps with new questions, as the farmer group progresses through the agroenterprise development process.

Learning Marketing in Madagascar



FANANTENANA RAZATOVO ANDRIANAIVOTIANA

A group of farmers are sitting on the floor around a big piece of paper. One rolls a dice, then moves a counter three squares forward on a snaking track drawn on the paper. There is a big letter *V* written on that square, so she picks up a card from a pile marked with that letter. Unable to read herself, she passes it to another player.

“A simple way to success is to produce what you are good at rather than what customers need,” says this player, reading from the card.

The player who rolled the dice thinks for a second, then says “True!”

“Wrong!,” says another player. “How can you sell something that people don’t want to buy?”

“No, she’s right,” says someone else. “You have to be good at producing something, or you won’t have enough to sell.”

A heated debate ensues, with some players taking sides, and others nodding or shaking their heads. Eventually they take a vote: the majority decide the player was wrong. She ruefully moves her counter back one space on the board. Her turn is over: now it’s the next player’s turn to roll the dice.



Figure 41. The marketing game makes learning fun

Learning Marketing by Playing Games

It's a game, but it has a point. The point is to learn about the “four Ps” of marketing: product, price, place and promotion. And it is part of a CRS course for vegetable farmers in Betafo, a district in Vakinankaratra Region in central Madagascar.

“I really like this method of learning by playing. In just two hours we learned a lot about marketing which is really new for us!” says Jean de Jesus Razafindrakoto, one of the players and a member of SAFIDY, a farmers’ association in Betafo.

How does the game work? The players take turns throwing dice to move their pieces around a board. Each of the squares on the board has a letter or symbol: *V*, \$, *L*, *F* or ? (Figure 42). The letter *V* stands for *vokatra* (“product” in Malagasy). The \$ sign stands for *vidim-bokatra* (price), *L* for *làlam-barotra* (place), and *F* for *fampivelarana* (promotion). The ? sign stands for a general problem in marketing.

These questions are related to the what is called in marketing the four P's or the marketing mix. The four P's include Product, Price, Place and Promotion and these are the basic variables that entrepreneurs use to develop marketing plans or marketing strategies to improve the sales of their products.

In the game there are five piles of question cards, each marked with the same symbols.

Land on a *V*, and the player has to draw a card from the *V* pile, then answer the question on it about the product. The player answers "true" or "false." Then the other players say what they think. If the majority say the player is right, he or she moves the piece forward a square. If they think the player is wrong, he or she moves back a square.

Land on one of the other symbols, and the player picks a card from the corresponding pile. The *\$*, *L* and *F* cards have true/false questions, while the *?* cards have open-ended questions like this: "Your cows give a lot of milk but there is no industry around to purchase your milk. How do you sell the milk?" The player who picks up a *?* card has to answer the question on it, and the other players also give their opinions. Because these are more complex questions with no one right answer, the player who picks up a *?* card does not move his or her piece.

The game continues, with players taking turns to move their pieces and draw cards. The first player to reach the end wins! The game is over when all the players have reached the last square on the board.

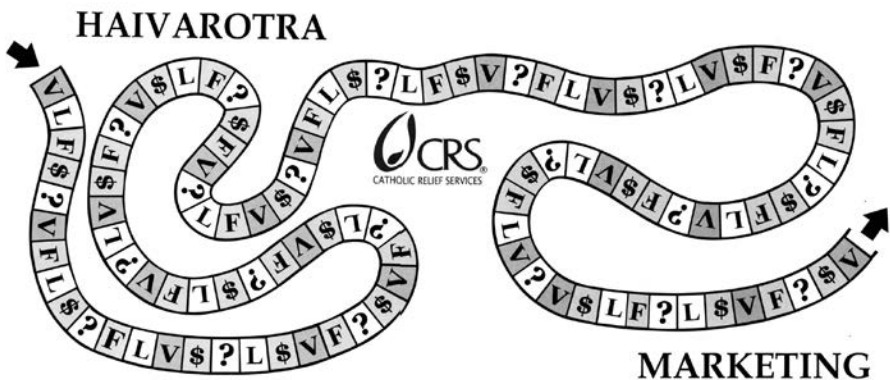


Figure 42. The marketing game board

Challenges in Training

The marketing game is just one of the techniques CRS Madagascar used to help the SAFIDY farmers learn marketing techniques. The farmers were eager to learn, but

they were a challenging group to teach for several reasons:

- They lacked skills to run a business, deal with the market and clients, and expand markets to increase revenue.
- They lived in remote areas with limited access to information. They were naturally hesitant to learn about new and different things.
- Few were literate, so it was difficult to use written handouts.
- Most had no experience of collaborating with the private sector.
- The government, NGOs and other actors in this sector had typically focused more on the availability of food and had little appreciation of market-led production.

CRS became involved with SAFIDY after one of the association members found a pamphlet on agricultural marketing promoted by CRS and Caritas Antsirabe, the local branch of the international NGO Caritas. Intrigued by what the pamphlet said about marketing, SAFIDY asked to meet Caritas to explore ways to improve its members' incomes. Caritas and SAFIDY established a partnership and invited CRS to help with the training.

Training Curricula

The CRS team developed two types of training on marketing: one for farmers, and another one for technicians. Both use games, role plays and group work to encourage participation and ensure that the training is relevant to the farmers' and technicians' needs. It includes a visit to a market and exercises where participants calculate the cost of production, helping them understand how markets work and the value of the farmers' own family labor.

TRAINING FOR FARMERS

The training for farmers is divided into three sessions, each consisting of 2 days of training. Between the sessions the trainer leaves 1–2 months for the farmers to practice what they have learned, before they come back for the next session.

In the first two-day session, farmers learn about marketing basics, the marketing approach, and how to do market opportunity identification. They then visit a market to study it and identify opportunities it offers.

In the second session, the farmers select among the market opportunities they have identified, following certain criteria and using three selection matrices to evaluate options, these matrices help the use to gather information on production, marketing and finances. They then go back to the field to identify potential stakeholders and problems.

During the third session, the farmers do a value chain analysis, study the value chain and draw up a simplified business plan for an agroenterprise project. They do this by answering a set of questions (Figure 43 to Figure 47).

Finding an outlet for my product

Product: _____

1. My product: What am I going to produce?

Why do consumers buy from me rather than elsewhere?

How can I learn about changes and new trends in consumers' demand?

How can I improve my production?

Should I increase or decrease my production or move to another type of production?

How can I develop my production or decrease my production costs?

Challenges related to products:

Possible solutions:

What are the challenges for which I do not have any solution?

Figure 43. Questions to help farmers plan their agroenterprise: questions about the product

2. Outlet: Finding the best outlet for my products

How do consumers feel about the venue where I sell my products?

What is the simplest and cheapest outlet for my products?

How can I reduce transportation and storage costs?

What about processing my production before selling it?

To what extent should I rely on middlemen? Is there any other way for me?

How can I cooperate with other producers to reduce my production costs?

Challenges related to outlet

Possible solutions

What are the challenges for which I do not have any solution?

Figure 44. Questions to help farmers plan their agroenterprise: questions about the place

3. Development: Finding ways to convince consumers to buy from me

What can I do to make my products well known?

What brand or logo can I put on my products to make them different? How can I improve them?

What are the new ways I can use to make consumers visit my venue, stay there for some time, and buy? Some examples: which ones have I used and/or am I going to apply?

- Giving free samples
- Having a brand on my products
- Advertising with a loudspeaker through the town
- Making a bell ring to catch consumers' attention
- Making demonstrations of the product's use
- Using attractive packaging
- Offering drinks to buyers
- Adding one well known product to the items I sell
- Other
- Other

Challenges related to development

Possible solutions

What are the challenges for which I do not have any solution?

Figure 45. Questions to help farmers plan their agroenterprise: questions about promotion

4. Product's cost: Setting a price for benefit

How do I set my product's price?

How much do competitors pay for the product?

What will happen if I increase my product's price? What if I decrease it?

"COST + BENEFIT": a good formula used by many people to set product's price:

Costs _____

Raw materials (seeds, animals) _____

Fertilizers _____

Feeding _____

Medicine _____

Tools _____

Salaries _____

Packaging _____

Development _____

Miscellaneous _____

Total cost _____

Amount of production _____

Unit cost (cost/amount) _____

Optimal unit price _____

Challenges related to products

Possible solutions

What are the challenges for which I do not have any solution?

Figure 46. Questions to help farmers plan their agroenterprise: questions about the price

5. My strategy

Challenges related to **products** _____
 Possible solutions _____
 Expected assistance _____

Challenges related to **outlets** _____
 Possible solutions _____
 Expected assistance _____

Challenges related to **development** _____
 Possible solutions _____
 Expected assistance _____

Challenges related to **product's price** _____
 Possible solutions _____
 Expected assistance _____

Challenges **out of my control** _____
 Solutions considered _____
 Person/company that might provide support _____

**Figure 47. Questions to help farmers plan their agroenterprise:
summary questions to plan a strategy**

The participants do a lot of role plays during the second and third sessions. They relive and adapt the scenes they experienced during their market visits and assessments.

After they have finished the training, the farmers are ready to put what they have learned into practice—to start an agroenterprise following the business plan they have designed.

TRAINING FOR TECHNICIANS

Ideally, the training for technicians would last 4 weeks, but they cannot stay away from work for this long. So the project team designed a workshop lasting 2 weeks, and then, for technicians who could spare only one week away, for 5 days. This meant skipping the field practice and combining some exercises, but the training still covers the major topics that technicians must know about in marketing.

Training and Awareness Materials

The team developed a set of training materials to use during the courses, as well as awareness materials to help spread the message about marketing.

- **Training materials.** These are adapted from materials developed by CRS' worldwide agroenterprise learning alliance (see chapter 1), translated into Malagasy and simplified for use with farmers. The farmers provided critical feedback to improve these training materials.
- **Marketing game.** The team adapted this from an original by Kindervatter (<http://tinyurl.com/cqn8jc>) used to train entrepreneurs. The team simplified and adapted it to suit farming in Madagascar, and translated it into Malagasy. Figures 48 to 52 give the text on the game's question cards (one question per card).

V

- Your products should be different from others'.
- You should aim at making consumers satisfied with your products.
- The demand never changes.
- You may have to take a loss when selling new products at the beginning but your trade will increase as people get to know your products.
- There are three ways to know consumers' needs: surveys, observing what they buy, and experimental sales.
- If you can satisfy consumers better than your competitors, your business may develop very well.
- Look for a successful person and what he/she produces then produce the same, and you will be successful.
- Price is the only factor that makes people buy from you rather than elsewhere.
- The size of trade has not changed for a long time. You should find new ways to improve your production.
- You decided to produce hens. This option should be analyzed every 30 years.
- A simple way to success is to produce what you are good at rather than what customers need.
- All you need to do is to produce what is popular in big urban centers.
- Crops have been good this year so they will also be good next year.
- Surveys can help you know what consumers' needs are but this is a big waste of time.
- A woman produced dark-colored eggs while consumers prefer fair-colored ones. The only thing she can do is to find fair-colored ones and sell them.

Figure 48. Text for true/false question cards on *vokatra* (product)

\$

- The selling price does not need to take into account rental, tools used, or salaries.
- Variable costs vary according to the amount of production.
- The higher the price, the higher your profits.
- Products' prices must not change over the year.
- Profit depends on the product's price, the demand, competitors and other factors.
- You are the only one to sell hens in the region, so you can set a very high price.
- Low prices may lead to increased profits.
- It is a good thing to periodically review your prices.
- You should take the following into account when you set a product's price: its cost, your production capacity, competition, and consumers.
- Consumers are driven only by price in their purchases.
- In setting a product's price, you should take into account its fixed cost, its variable cost and the profit.
- Fixed costs do not change regardless of the amounts produced.
- You should take depreciation into account in setting a product's price.
- The product's price should cover production costs in such a way as to be reasonable to consumers while ensuring that the producer does not incur losses.
- $COST + PROFIT$: a good formula to calculate a product's price

Figure 49. Text for true/false question cards on *vidim-bokatra* (price)

L

- Bean producers in Menabe sell their products to collectors. Production costs will decrease if they group and rent a truck.
- The women would like to sell themselves the tomatoes they produce. A better outlet would be to have a seller take their products.
- Many producers have to discard part of their production due to poor storage.
- The farther the market, the more you need middlemen.
- Good production means producing as much as possible during the year.
- There are two ways to sell products: sell it yourself or use a middleman.
- You can get more money by selling your products without any assistance from other people.
- Choosing your market opening is very important.
- In many regions, middlemen are the only outlets for the products.
- Producers may save money by reducing the number of middlemen.
- Good storage means money lost.
- Door-to-door selling is a good way to sell eggs in a small town.
- Access to safe storage has not much importance for production.

Figure 50. Text for true/false question cards on *lâlam-barotra* (place)

F

- Development means developing a good public image of your products.
- Advertisement uselessly increases your production cost.
- Good advertisement tells everything about the product.
- Posters, radio spots, and brochures are some advertisement methods.
- Small farmers do not need advertisement.
- The system by word of mouth does not have any effect on production.
- A nice venue attracts consumers.
- Development consists in letting consumers know about your product and leading them to purchase it.
- Sample exhibitions and fairs are costs that are not reasonable for small producers.
- Advertisement targets new clients only.
- I do not feel that the advertisement on my product is attractive.
- Advertisement must tell the advantages of the product.
- Publication in newspapers is one advertisement method.
- There are 3 steps in trade: identifying consumers' needs—showing them the product—sales.
- Advertisement consists solely in denigrating my competitors' products.

Figure 51. Text for true/false question cards on *fampivelarana* (promotion)

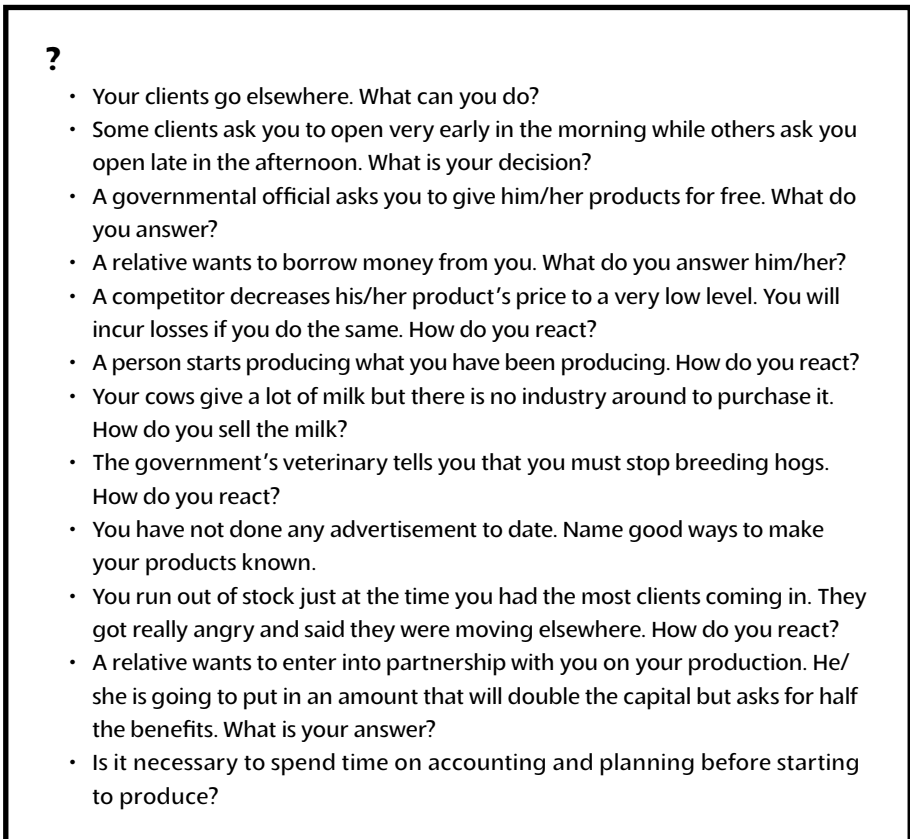


Figure 52. Text for open-ended question cards on marketing problems

- **Posters and clothing.** The farmers also requested CRS to create other materials to promote the marketing concept. As a result the project produced posters, T-shirts and *lambahoany* (large, rectangular pieces of colourful cloth that women wear like a skirt to protect their clothes). These items bore a printed message, "Produce what you can sell" (in Malagasy, of course). A communications expert advised CRS to change this to "Farmer, seek the market first before producing."

The farmers also suggested some changes in these information materials. They said the poster design should be changed and simplified to make it consistent with the training using the four *Ps* (Figure 53). And they suggested translating all the marketing messages into local dialects to reach more farmers.

- **Video.** CRS also developed a 30-minute film relating farmers' experiences with the marketing approach. CRS staff members drafted a script, then discussed

it with farmers. The film tells a story of how farmers learned the marketing approach, dealt with buyers and suppliers, and applied the skills they had learned. The farmers played themselves in the film. The first version of the film was shared with the CRS agroenterprise learning alliances in East and West Africa, and colleagues provided feedback. The final version was produced in Malagasy and English. CRS uses the video to sensitize farmers and partners on the usefulness of the marketing approach.

Training Outcomes

In 2003, CRS trained its own agroenterprise staff in the marketing approach. It then turned to the project partners and farmers. By 2008, the project had trained 239 technicians and 13,100 farmers in 798 groups, and had distributed 15,000 T-shirts, 3,900 *lambahoany* and 4,000 posters. Everyone who has received training or materials is asked to help spread the agroenterprise message. The materials have proved very popular and helped farmers in remote areas understand marketing better. Other organizations have asked for copies of the materials to use in their own activities.

The farmers who participated in the training have become more open and eager to learn and take initiatives. Two-thirds have adopted different planting techniques and new crops (peas, onions, cucumbers, garlic and poultry). Some who did not attend the training have also begun to use the marketing approaches by copying their neighbors.



Figure 53. Old and new designs of poster

Several farmers trained by the project have gone on to become trainers, while others have been hired by local organizations which support farmers and agriculture.

Over time, more and more women participated in the training and joined farmer associations. This is remarkable since in this part of Madagascar women play very traditional roles in the household; they normally do not help make decisions and have little say in how to allocate resources. Since 2007, more than 50% of the trainees have been women, and within the SAFIDY association women have taken responsibility for the market assessment. Overall, community women are participating more in development activities than before the project.

SAFIDY registered as an NGO in 2007. It has been hired by the government to expand the training in four other districts. The SAFIDY president ran for public office and became the mayor of his town.

Spreading the Word Further

CRS encourages partners and organizes visits to promote the marketing approach in other parts of the country. These visits enable the partners to learn and share ideas, and motivate staff to continue and improve their work.

Every year, the project has organized a “national learning alliance” to promote the marketing approach and techniques. One of these alliance meetings takes 4–5 days. CRS invites other organizations involved in agricultural marketing to take a part: participants include officials from the Ministry of Agriculture, NGO technicians, staff of other projects, and the farmers they support. The meeting begins with an overview of CRS’ marketing approach. The other organizations then present their experiences on marketing, a particular farming technique or commodity. The meeting also includes a field visit to allow direct exchanges between researchers, farmers and technicians.

The first two alliance meetings took place in Antananarivo, the Malagasy capital. Subsequent meetings were held in Antsirabe and Toamasina. Changing the venue has permitted participants to see the situation in different locations and get to know different groups of stakeholders.

During the meeting in Toamasina, one interesting recommendation was to develop a national strategy for agricultural marketing in Madagascar. The basis of this strategy is the same four steps of the marketing territorial approach.

Challenges

The project trains farmers directly, rather than relying on a “cascade” scheme where trainees in turn train others. The latter would lead to a loss of information and lower rates of adoption further down the cascade.

The training is free of charge, enabling the project to reach more farmers and expand and scale up the approach more rapidly. The training is free because smallholder farmers cannot afford to pay for it.

However, running training courses is expensive. It is difficult for partners and farmers to continue them without outside support. If the project no longer supports these costs, CRS' local partners will be unable to continue the training in the future.



Step 5.3 Advocacy

Agroenterprise development faces many barriers. Local governments impose overbearing taxes and sometimes arbitrary charges on the movement of goods. National governments promote top-down solutions that stifle enterprise rather than promoting local initiative. Development agencies impose the latest development fads. Well-meaning donors ship huge amounts of free food into disaster areas, some of which may arrive long after the crisis period has passed. This risks perpetuating a dependence on handouts, inadvertently undermining the local market, and eliminating incentives for farmers to produce more food. Until recently, many development agencies saw traders as farmers' enemies rather than a vital link in the value chain. Infrastructure, such as vital roads to markets have been allowed to decay. Quality standards, legal systems to enforce contracts, and education for farmers are neglected. Credit facilities are focused on the urban middle class rather than the rural poor. Corruption is widespread among politicians, government officials and police. Women are held responsible for providing family food when husbands are working away from home, but few women have the same local rights as men in terms of land access, market decisions and inheritance when men fail to return.

Overcoming all these problems to promote flourishing agroenterprises requires a long-term effort. It also depends heavily on two things:

- It requires firm evidence that agroenterprise development is effective—that it benefits large numbers of the rural poor, and is a key weapon to combat poverty, along with other approaches such as primary education and health care.
- It requires effective advocacy efforts that present the evidence in a compelling way to policymakers in local and national government and in donor organizations and development agencies.

Agroenterprise development is still a relatively new field, and CRS has limited experience in it, so has not yet gathered the necessary evidence for a major lobbying and advocacy effort. It has done a certain amount of advocacy at four levels:

- **With communities.** The ideas of agroenterprise, organizing from the bottom up (rather than into cooperatives imposed from above) and collaboration with traders are new in many communities. So too are ideas such as democratic management and the empowerment of women. Local savings groups, for example, empower women financially, elevating their social position and giving them a voice that was previously not heard.
- **With local governments.** Local governments have been closely involved in several of the efforts described in this book and are enthusiastic about the approach and promote it further within their jurisdictions and with higher levels of government. In some cases this had led to joint projects with local governments.
- **Within CRS itself.** As the agroenterprise efforts mature and are proving successful, they are gathering support from a growing number of managers in more and more countries.
- **With donor agencies.** CRS relies largely on donors for its funding. Efforts to promote the agroenterprise approach include case studies to promote its activities and building agroenterprise strategies into its project proposals. This book is also part of CRS' campaign to promote market led agricultural development.

As CRS gains further experience and evidence on agroenterprise development, it will scale up its advocacy efforts, especially with host national governments and donors. The most effective advocates are people who have gone through an experience themselves and have succeeded. CRS will draw on these individuals and help them to make their case with the appropriate policymakers.

10

Conclusions and Way Forward

SHAUN FERRIS

The process of upgrading agency agroenterprise skills and learning how to link poor, smallholder farmers with a range of markets has been a rewarding one for CRS, our partners, and the farming communities with whom we work. This chapter highlights eleven main areas of progress, as well as issues on which CRS will focus its attention in the future:

- Finding an agency niche
- Participation
- Women in agroenterprise
- Partnerships
- Finance
- Timeframes
- Integrating agroenterprises with other sectors
- Hardware, software and chainware
- Information and communication technologies
- Introducing agroenterprise into an organization
- The learning alliance process

Finding an Agency Niche

Some donors believe their limited resources should be focused on the poorest of the poor. Some argue that funding should be directed towards the “viable poor.” Others give more emphasis to the economically active poor. Such segmentation is based on the experience that certain types of investments are most appropriate to support the needs of the very poor, whereas other types of investments show greater returns with more economically viable groups. Donors also realize that supporting the vulnerable takes considerably longer to produce results than supporting the

economically active. Setting the beneficiary levels is therefore a logical strategy when seeking gains in a relatively short timeframe.

CRS projects tend to support people in the vulnerable-to-viable category, and the agency does not attempt to exclude the poorest in the hope that it can make more rapid economic gains for the few. Communities are complex social structures, and CRS believes that poor communities can play an important role in supporting the less-well-off by drawing on the help of those who have more. But the development process itself has few shortcuts. The agroenterprise methodology has helped the agency to develop new business opportunities for rural communities by targeting its activities more effectively.

CRS sees its role as working at the bottom of the pyramid in Figure 54. It aims to bring together poor, atomized farmers and build their capacity to take on new technologies, learn basic management skills, identify market opportunities, and then develop profitable agroenterprises that respond to those opportunities. Farmers at the bottom of the pyramid are poor, vulnerable, and perhaps recovering from disaster. CRS aims to start them on a process through which they can organize themselves and develop their social, financial, and agroenterprise skills.

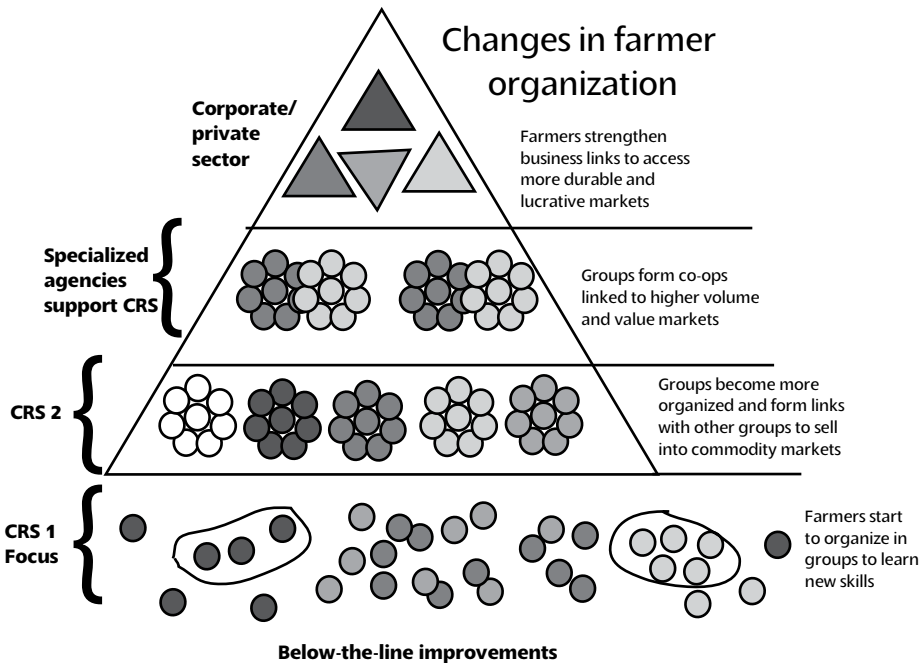


Figure 54. Focus of CRS support for agroenterprise development

Farmer groups. The CRS teams have developed several variants on farmer marketing groups. These include:

- Groups that merely bulked their produce and sold it to a buyer at a higher price than individuals could obtain.
- Farmer clusters, as in the Philippines (chapter 7), where small groups of farmers worked with a specific trader to target new markets.
- Multi-skill farmer groups. This is a new approach being developed by CRS. The first results are being seen in Tanzania (chapter 7), where farmers involved in agroenterprises have learned microfinance skills to strengthen their social bonding and fine-tune their business approach.

All these are valuable ways for farmers to work together to improve their market performance.

Over time, CRS also facilitates the coalescence of first-order groups into second-order associations or clusters (the second level in the pyramid). For farmer organizations to graduate further would in most cases require more specialized management training than CRS can provide. To help them to do this, CRS seeks partners with the specialist skills needed for scaling up financial and business systems.

New business models. As CRS becomes more involved in agroenterprise projects, the types of business models it deploys are coming under increasing scrutiny. Models such as fair trade provide smallholders with an equitable trading platform compared with mainstream commodity markets, but have limited reach and require linkage through established cooperatives. CRS' agroenterprise work often takes place below the formal co-op level, so it is working on new business models that are based around farmer groups linked to traders and other intermediaries such as processors, in addition to co-ops. One promising model focuses on “doubly specialized intermediaries” or “friendly traders” (chapter 8). These traders provide farmer groups with market channels to develop their commercial abilities. Another example can be seen in Ethiopia, where navy bean farmers are linking to a formal, factory-level processor that is establishing chain-wide production, trading and procurement standards (chapter 7). CRS is interested in these approaches as it works in mainstream markets and provides the agency with a scaling and exit strategy, in which business relationships can be left to develop between trading companies and farmer groups.

Agroenterprise planning. Simple business planning methods are an important part of the agroenterprise approach. One such method, developed in the Philippines (Table 21), provides targets and checks for the agroenterprise team to follow during implementation. This method is an invaluable tool for farmers and development

agents to use during pilot testing and when taking the new agroenterprise to a commercial scale.

Business development services. The cases from Latin America show the most progress in linking farmers to local business service providers. The marketing environment appears to be more advanced in Latin America than in Africa, where staff found it challenging to find suitable service providers. Future agroenterprise development projects should pay greater attention to evaluating and supporting local service providers so they can play their role in raising the efficiency of value chains by providing vital sources of innovation, advice, and specialized services that make trading more competitive.

Participation

Experts vs. amateurs? Over the past 10 years, market-oriented strategies have slowly penetrated the development sector, with donors increasing their support for market linkage projects. This shift towards greater commercialization in smallholder farming communities has led to the development of a range of market facilitation tools which have consolidated around the “value chain” theme. Most of the methods used have been relatively sophisticated, and many market-based assessments and business planning processes have been undertaken by economists or agribusiness experts. While this approach is effective, it requires highly skilled technical assistance, and rarely are members of the farming community involved in the project design studies. The beneficiaries do not always acquire new skills, do not learn how to monitor markets, and do not learn to make the types of decisions required when dealing with dynamic markets.

In contrast, the CRS agroenterprise process is participatory. It can be learned and implemented by non-economists, with the full involvement of the target communities. Rather than being informed about the results of market studies and business plans, communities learn about market opportunities and help collect and analyze the market information needed to develop a business plan and to invest. They make decisions on testing market options, and they evaluate the financial options. The trade-off is that this process is not as quick or sophisticated as using expert consultants. But it does allow the communities and partner staff to learn skills that they can apply in dynamic market conditions.

However, the approach does not underestimate the rigor required when working on new agroenterprises. Markets can be complicated, and considerable preparation and planning are required when involving farmers in activities such as market studies. Sometimes it may be necessary to study parts of a market chain

first, then arrange meetings between farmers and chain actors. Development agents need to learn how to do this.

Focusing on a few commodities. One potential disadvantage of the participatory approach is that farmer groups in an area can choose to work on many different products. This makes it difficult for the development agency to assist each group with the right resources, expertise, and linkages, and also makes it hard to scale up the marketing effort by getting individual groups to combine into marketing associations. To overcome this problem, CRS proposes to offer farmers in selected areas of Africa assistance on a limited number of commodities in three groups: in Central and parts of West Africa, CRS is focusing on roots and tubers (cassava, sweet potatoes); in East Africa, it is focusing on pulses (white [navy] and red beans, soybeans, chickpeas); in West Africa a cluster of countries is focusing on rice; and in southern Africa the focus is on cereals (maize, rice, sorghum, millet). The poor grow these crops and face challenges in marketing them. Initial large-scale projects are being developed with an emphasis on cassava, rice and white beans. Once these value chains have been upgraded, they should serve as innovation hubs for similar products: for example, improved cassava marketing should lead to improvements in the sweet potato marketing chain.

Women in Agroenterprise

CRS is committed to improving the lot of women in agriculture. They are vital players in production and agroenterprise, but they often do more work than men yet have less say in decisions and reap fewer benefits. CRS uses various approaches to promote women's interests: fostering savings-led groups, supporting enterprises that handle products traditionally managed by women, or finding ways to reduce the time women spend away from the house.

Partnerships

Project working groups. It is rare to find a single development organization that has all the services required to support farmers in their first agroenterprise needs. So they should develop partnerships to cover at least those areas that they cannot support. These partners can come together as working groups, as illustrated by the Indonesian case study in chapter 5. Such working groups are informal structures, and their role is to facilitate services, support partnerships, and cement relationships between experts and those who need their services. The working group may not be active throughout the development of the agroenterprise, and different players may be more active at some times and less at others. The role of the lead development agency is to keep tabs on the members, call quarterly meetings, and locate key experts in the working group when they are most needed.

Local government. Development organizations are sometimes criticized for creating parallel institutions to local government. CRS is sensitive to this situation and strives to include government planners, researchers, and extension officers in its agroenterprise activities. Including them in the working group is one way of ensuring their involvement. CRS aims to collaborate in projects with local government and government-controlled banks. That will allow the agency to leverage local skills and resources to increase sustainability and local responsibilities.

Other service providers. Other, longer-term relationships with key service providers are also needed. Among these are research organizations, an important source of new seed varieties and other technologies. CRS is strengthening its links with international research institutions in the Consultative Group on International Agricultural Research. Another area is microfinance; CRS is also seeking stronger ties with microfinance agencies so it can offer new financial services to communities. A third area is the food industry. CRS is a member of the Sustainable Food Lab, a forum that brings together major food companies in the United States and Europe and NGOs. This provides CRS with communication channels to large companies to explore ways of trading with smallholder farmers.

Finance

Financial support is a vital part of any business, and farming is no exception. Unfortunately, formal credit systems for farmers practicing rainfed agriculture are virtually nonexistent in most developing countries, due to the high risk for lenders. Microfinance has been unable to reach much beyond peri-urban areas. Most low-income farming enterprises must use savings to buy inputs or gain support from traders or local money lenders, and those resources are seldom adequate. Many farmers take small loans from the same traders they will sell their grain to at the end of the season. This is not necessarily a bad type of relationship, and for many it is an essential part of the trading cycle, but it can put the seller at a negotiating disadvantage. Unscrupulous traders can also exploit this situation.

Agroenterprise can help to break that cycle and compensate for missing credit systems. It may start with saving seed, or saving money as a group to buy seed and other inputs at planting time. Savings groups or low-interest loans can also prevent cash from running short around harvest time, enabling farmers to avoid having to sell crops immediately and giving them time to seek higher value markets. All of this requires careful planning and agreements among farmers, lenders and buyers. Farmers need to understand the value of money, the cost of finance, and how they can work with money to their advantage. CRS is testing various financial instruments, including savings, multi-phased loans and warehouse receipts.

Timeframes

Many projects call for development agencies to transform highly vulnerable communities into economically sophisticated entrepreneurs in a five-year timeframe. This is often impractical. CRS works in a range of environments, and differences in feasible program outcomes for, e.g., farmers in Latin America, where services exist and education levels are reasonably high, and farmers recovering from long-term distress in rural Africa have to be taken into account.

The minimum duration of an agroenterprise process is one season—the amount of time needed to identify a market, grow a product, and sell it in the marketplace. However, to gain experience and go through the process of planning, training communities, and testing whether they understand and can do the process on their own will take a minimum of two or three seasons. These are minimums; experience shows that helping farmers move from working as individuals to working in effective farmer marketing groups in fact takes four to five years. Graduating farmers groups into associations may take another three to four years. Even starting with economically active farmers, the whole process may take a decade.

CRS makes long-term commitments to communities. Its links to the church and church partners give it a unique ability to support communities over a generation. Generational change may appear out of phase with current development programs that make investments over a three-year or five-year period. But in many marginalized parts of developing countries, it will take several generations before people can enjoy anywhere near the standard of living that even the poor have in the developed world. A generational investment plan is therefore grounded in a realistic change timeframe.

Integrating Agroenterprises with Other Sectors

The agroenterprise approach does not replace the need to work with farmers on improving their agricultural productivity. Rather, it uses the market to guide farmers to decisions about what to produce and how to produce it. All the traditional skills needed to boost production and productivity are still needed: crop and livestock production, pest and disease management, seed production, natural resources management, irrigation and water management, veterinary services, and so on. What the agroenterprise approach does is to give direction to these production-oriented interventions. Instead of raising production and hoping the market will somehow take care of itself, the agroenterprise approach helps farmers identify what types of crops and livestock are in demand, which they should produce. Studying markets also helps farmers evaluate what production costs they can afford if they are to make a profit. It helps them prioritize the services they will need to access a market: research, extension, credit, seed supply, and so on. Support

from development agencies is still needed to ensure that these services are available and relevant to the farmers' needs.

Integration with other sectors. CRS is a broad-based relief-to-development agency working in many sectors in addition to agriculture: health, education, water, microfinance, emergency response, and food logistics and marketing. The agroenterprise approach lends itself to creating opportunities for integrating activities across sectors. CRS' agriculture department is developing projects that link agroenterprise with watershed management and microfinance, and is seeking ways of linking to health, nutrition, climate change and peacebuilding activities.

In CRS country offices with a strong agroenterprise effort, the agriculture team is expanding the scope of the agroenterprise work—for example, by combining agroenterprise and watershed approaches.

Trends in development interventions. There is a general shift in development interventions from production-based to agroenterprise-based projects. CRS' agroenterprise focus enables the agency to take advantage of the growing number of opportunities this opens up. It is now rare to see a CRS agricultural project that does not have a strong agroenterprise component. The rise of funding by foundations, proliferation of competitive grants, and increase in private-sector involvement (as in USAID's Global Development Alliance, for example) have accelerated the need to shift into marketing. The move towards agroenterprise development has been timely, and strong country teams have created some highly innovative programs that not only cover commodity marketing but also seek to integrate watershed management, gender, and finance.

Hardware, Software and Chainware

In the past 10 years there has been a swing away from project investments in infrastructure and other "hardware" to focus on "software": facilitation, support, and training. A more balanced approach is needed that will provide farmers with a package of hardware, software, and "chainware."

On the software side, training can focus on building farmers' skills in improving marketing, productivity and introducing new technologies. In terms of hardware, CRS is placing more emphasis on watershed management as an entry point to reduce the risk of droughts or floods. With more erratic and extreme weather, communities need greater protection from adverse conditions. Improved water management—small-scale irrigation, water harvesting, and soil and water conservation measures—is required in much of South Asia and Africa. Agroenterprise projects should evaluate water constraints as part of an initial environmental hazard analysis and invest in appropriate schemes to mitigate water

risks. The development organization should seek opportunities to co-invest in such schemes, as many local governments also have commitments and plans to reduce dependency on rainfed farming and support traditional irrigation schemes. There is also a desperate need for more roads to link farmers to markets. In many regions the return on investment for market-access roads is surprisingly high, and yet many donors are reluctant to make such basic investments.

“Chainware” involves strengthening business relationships between actors in the market chain, analyzing chainwide constraints, and supporting interventions and training people not directly involved in farming, such as providers of financial and other business development services. It may be important to support changes at other points in the market chain, so that upstream investments with farmers are not wasted because of a breakdown later in the value chain. CRS is complementing such chainwide analysis with support to higher order business investors (see the section on new business models above).

Information and Communication Technologies

CRS is working on ways to extend its reach through the use of improved communication systems and information and communication technologies. As mobile phones and e-connectivity platforms become more available to remote communities, CRS is working with entrepreneurs and farmer groups to link people to market information that they can put to use in their agroenterprises. Such technology also offers opportunities to record, gather, and analyze various types of data, and to keep staff, partners, and clients in touch with CRS and each other.

Linking with field staff. As internet-linked personal digital assistants and ruggedized computers become affordable, CRS intends to incorporate them into its learning and knowledge-sharing methodologies. Field staff will use the computers in three ways:

- To facilitate training
- To capture data in the field and add them to an internet database so they can be shared
- To provide time-sensitive information such as market prices, products for sale, disease outbreaks, and emergencies.

CRS is working towards systems that provide information both to the source of the data (such as farmers’ groups) and to the project team. An early example of this is a farm calculator developed with the Kenya-based firm Kimetrica to evaluate the profitability of farmer agroenterprises. CRS is eager to gather this information, and farmers find such data useful, so are likely to collect them regularly.

Online training. CRS has recently embarked on an initiative with the Agilix group from the USA to design online training courses. CRS is now in the process of developing an online agroenterprise course which will be available through the CRS Agilix website, <http://crs.gocourse.net>. The rapid ascent of online training has eluded much of the developing world, but with improved internet access such online training and assessment tools will become far more common. Clearly the approach, once established, is far cheaper than face-to-face training. When such systems are linked to monitoring methods, a true sharing of information is possible.

Introducing Agroenterprises into an Organization

Development organizations like CRS are not static collectives; their staff, strategies, and systems are constantly changing. They compete with each other in the marketplace of ideas, and to influence policymakers and attract funding. Ability to adapt is critical to an organization's competitiveness. But change is not necessarily straightforward. It takes time and considerable dedication to introduce new ideas. CRS is a large agency, working in around 100 countries. Applying change within even a single sector takes not months but years. Managers and staff can resist change because it is disruptive and may not lead to immediate benefits. Often, change only works once a local champion has been identified and that person or team shows that the change has merit.

Change champions. For CRS, the first change champions were regional advisers and highly motivated staff who realized that agroenterprise was a means of revitalizing the agency's agricultural sector and providing rural communities with services that they desperately needed. Having identified champions, the next issue was method: how would large numbers of staff across the agency learn these new skills, understand the benefits, and apply them in their work?

Hire or retrain? One solution for effecting change is to buy new knowledge—that is, simply hire an entirely new set of agroenterprise and marketing specialists. Many agricultural development agencies have adopted such a strategy, and this approach fits well with contractor groups. However, CRS is not a contractor; it has a large staff and tends to sink costs into countries, building teams over time and working with communities over the long term. The solution for CRS was to establish a learning methodology, the agroenterprise learning alliance (see chapter 1).

Strong support from senior country and agricultural project managers was critical to success. In most countries that support was forthcoming, and agricultural staff were encouraged to test the agroenterprise methods. In the most successful countries, the methods were quickly translated into projects, further stimulating the agricultural teams to explore agroenterprise development. In countries where

management was hesitant or unsupportive, the results were less impressive as staff were unable to put the methods into action.

Staff capacity is an important factor in taking on new agroenterprise skills. While the majority of staff were keen to learn more about marketing and made the connection between the needs of the rural communities and the opportunities for additional funding, not everyone was so motivated. In those cases, country managers had to choose between hiring new staff with marketing skills or persevering with training and integrating agroenterprise into staff performance evaluations, making it their responsibility and hoping that things would change. In the end, the combination of new and old staff was effective, as was rewarding staff in their annual performance scores for their agroenterprise engagement. Staff who made little effort to support the shift to agroenterprise and had no incentive to do so were least effective.

The agroenterprise learning alliance meetings were also scored, and managers were informed of staff progress. The participants started each meeting by informing the group about their progress in applying the new agroenterprise skills, and these presentations were scored. This information sharing created healthy competition among participants, and the effects of peer power was evident as some countries that struggled during one session but made impressive efforts in the next to upgrade their skills. Most participants found this system attractive and responded well to the evaluation systems. The training team could identify star performers and encourage them to maximize their skills, and could provide additional support to those with lower scores. In most cases there were specific reasons for underperformance, such as language, inexperience in agriculture, and unfamiliarity with marketing concepts. Once the constraint was identified, the trainers adapted course materials to specific needs. For example, CRS has made an extra effort to provide the materials in English, French, Spanish and all major national languages.

Staff retention. There was a mixed response to this issue. All organizations have staff turnover, and it seems to be higher where there is lots of short-term funding and the labor market allows for rapid transfers. Staff turnover was several times higher in Africa, which receives the highest levels of development aid, than in Latin America and Southeast Asia, where fewer funding opportunities translate into smaller staffs but less turnover. In Africa there were problems keeping staff trained in agroenterprise, and many who had learned marketing skills found they could get better-paying jobs elsewhere. Retaining skilled staff in volatile labor markets and in countries with limited numbers of skilled workers is a perennial problem. CRS was able to give raises or promotions to many staff who had proved their worth. In the

more stable countries, the staff have integrated agroenterprise programming into all of their agricultural projects and considerably increased the reputation of CRS through their ability to write sound proposals and achieve results in the field. In some countries with limited funding, the ability to develop strong agroenterprise projects has enabled staff to pursue their passion in development.

Agroenterprise development cycle. After its first five years of work in agroenterprise, CRS has made a number of modifications to the original road map outlining how to implement an agroenterprise project. The revised agroenterprise development cycle places more emphasis on supporting farmer groups, developing enterprise plans, and obtaining financing. The new agroenterprise development cycle will be rolled out into CRS country and regional offices that have not started the agroenterprise process, and used to train new staff.

The Learning Alliance Process

Developed by CRS and CIAT, the learning alliance method was first tested in two regions, Latin America and East Africa, using two models: one involving staff from different organizations, and one with CRS staff only. The former was probably the more innovative, while the second trained more CRS staff; however, both approaches were effective in enabling staff to learn and quickly integrate new agroenterprise skills into their ongoing projects.

The learning alliance is an iterative process with set tasks between each training session. In contrast to traditional training, managers pay for their staff to attend. The courses are evaluated by the participants, and the participants are evaluated in terms of the progress and comprehension of the methods and tools. Both participants and managers are privy to these evaluations. Participants who fail to undertake assigned tasks between the sessions, or who perform poorly at the sessions, are generally replaced.

The overall agroenterprise approach worked well in virtually all countries where it was tested. Different countries and regions adopted the approach to a different extent, depending on the staff's skills, the desire of managers and staff to apply and build on it, and the scope to integrate the newly acquired skills into ongoing projects. Some of the methods were less useful in certain situations, and it was necessary to add some new methods, some identified as a result of study tours and country evaluations. These new methods have been tested and where appropriate integrated into the overall agroenterprise development process.

Motivation. Many of the participants in the learning alliance said they found the process highly motivating. At the community level, farmers were equally motivated, highlighting their wish to learn everything they can to generate higher and more stable incomes from their limited resources. The participatory nature

of the agroenterprise process helps to build relationships at the community level, through joint planning, investing in a common enterprise idea and earning together through collective marketing. These factors help to build social capital and empower communities to learn, innovate and compete in markets more effectively. It also provides clear demand for development agency support.

Sharing experiences. The process of acquiring the agroenterprise skills through iterative regional workshops provided an opportunity for CRS staff and partners to meet and share information and experiences. The learning-by-doing process provides an opportunity for participants to share notes on what worked, how effective partnerships were achieved and the types of impact that different projects were having with communities. The writeshop that prepared this book also enabled the agroenterprise “champions” across the regions to come together to share information, learn about the problems others faced, and discuss how they overcame challenges and how to apply solutions in similar situations in other countries.

11

Resources

PARTICIPANTS AND PRINCIPAL CONTRIBUTORS

This section lists the participants in the writeshop that drafted this book, as well as other principal contributors who were not able to attend (marked with *). For a list of all contributors, see page xii.

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Edward is team leader developing farmers' groups in a six-country CRS cassava project. He previously worked in Tanzania for 8 years as program manager for agriculture with CRS developing agroenterprise projects. He was a founder member of the CRS–CIAT Learning Alliance in 2002. In Tanzania, he helped incorporate internal savings and lending financial skills into marketing groups. He has over 30 years of experience in agriculture, with a focus on linking farmers to centres of research and technology in Pakistan, Bangladesh and southern and central Africa. Edward has an MSc and BSc in agriculture from Reading and Glasgow universities as well as a diploma in tropical agriculture from the University of the West Indies.

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Tom has a Ph.D. in agronomy from the University of Wisconsin. Beginning as a Peace Corps volunteer in Mali in 1977, he has worked in Africa for the past 30 years. His interests include innovative approaches to agriculture, recovery from disaster, and linking poor farm families to markets with a focus on the staple crops such as cassava and rice. He has been with CRS for 14 years, including 10 years in Nairobi.

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Rob has over 20 years of international development experience in monitoring and evaluation, economic growth and training. He is responsible for directing Kimetrica's client relations and managing monitoring and evaluation and training activities. His interests are in the development of web-based monitoring and evaluation and decision support tools for the development and humanitarian sector. Prior to joining Kimetrica, Rob worked for the World Food Programme, USAID's FEWS Net Project, and several NGOs, including Catholic Relief Services in southern Sudan. He graduated from the University of Colorado with an MSc in Geography.

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Wendy-Ann manages CRS' knowledge management agenda for its microfinance initiatives and facilitates learning and knowledge exchanges among CRS and its partners as well as with the broader microfinance community. She has over eight years of experience in the microfinance industry and is an active member of the Small Enterprise Education and Promotion network. Prior to joining CRS, she served as technical adviser at World Relief, supporting capacity building initiatives for its microfinance institutions. She earned an MA in intercultural studies and international business from Biola University, and has over 12 years of experience in community development programming.

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RESOURCE MATERIALS

RUPERT BEST

This list includes publications, websites and other resource materials. Long web addresses have been shortened using the TinyURL service, www.tinyurl.com.

Approaches to and Methods for Rural Agroenterprise Development

CRS Madagascar. 2007. *The territorial approach to marketing*. CD-ROM. Food Security Unit, CRS Madagascar, Antananarivo. Running time 23:32.

CRS Philippines. 2007. *The clustering approach to agroenterprise development for small farmers: The CRS Philippines experience. A guidebook for facilitators*. CRS, Davao City, Philippines. <http://tinyurl.com/ddbqbe>

Ferris, S., E. Kaganzi, R. Best, C. Ostertag, M. Lundy, and T. Wandschneider. 2006. *A market facilitators' guide to participatory agroenterprise development. Enabling rural innovation in Africa*. Guide 2. Centro Internacional de Agricultura Tropical (CIAT). Cali, Colombia. 130p. ISBN 958-694-083-7. <http://tinyurl.com/djl276>

Ferris, S., R. Best, M. Lundy, C. Ostertag, M. Gottret, and T. Wandschneider, T. 2006. *Strategy paper: A participatory and area-based approach to rural agroenterprise development*. Good practice guide 1. Rural Agro-enterprise Development Project, International Center for Tropical Agriculture (CIAT). 44p. <http://tinyurl.com/753t3p>

Area Resource Assessment and Interest Group Formation

Lundy, M., M.V. Gottret, R. Best, and S. Ferris. 2007. *A participatory guide to developing partnerships, area resource assessment and planning together*. Good practice guide 2. Rural Agroenterprise Development Project, International Center for Tropical Agriculture (CIAT). 53 p. <http://tinyurl.com/azm3kr>

Business Development Services

Miehlbradt, A. O., and M. McVay. 2005. *From BDS to making markets work for the poor: The 2005 reader*. Tanburn, J. (ed.). International Training Centre, International Labour Organization, Turin. <http://tinyurl.com/cb4lkw>

Miehlbradt, A.O., and M. McVay. 2006. *Implementing sustainable private sector development: Striving for tangible results for the poor: The 2006 reader*. Tanburn, J. (ed.) International Training Centre, International Labour Organization, Turin. <http://tinyurl.com/badpqf>

Mosquera Echeverry, E.E., J.H. Hurtado Bermúdez, and C. Chilito Encizo. 2007. *Conocimiento del mercado, la brújula de la innovación. Gestores de innovación en agroindustria rural, un camino para llegar a este conocimiento*. Proyecto de Desarrollo Empresarial Rural. Centro Internacional de Agricultura Tropical, Cali, Colombia. 86p. <http://tinyurl.com/aurts8>

Farmer Organization for Marketing and Enterprise Development

Anandajayasekeram, P., J. Dixon, C. Ebong, O. Lungu, N. Mbuya, M. Nyoni, and A. Torkelsson. 2001. *A source book for farming systems approach in farmer training institutions*. Sable Press, Harare, Zimbabwe.

CAPRI. 2006. Working papers collection on collective action and market access for smallholders. Working papers 67 to 77. CGIAR Systemwide Program on Collective Action and Property Rights. www.capri.cgiar.org/pubs.asp

CRS and CIAT. 2007. Preparing farmer groups to engages successfully with markets. A field guide for five key skill sets. Catholic Relief Services. Baltimore, USA. July. 38 p. <http://tinyurl.com/adnj2y>

Robbins, P., F. Bikande, S. Ferris, U. Kleih, G. Okoboi, and T. Wandschneider. 2006. *Collective marketing for smallholder farmers*. 104 p. <http://tinyurl.com/d9rocf> or <http://tinyurl.com/dcbuzw>

Finance and Business Models

Allen, H. 2006. *Savings and internal lending communities: Field agent guide*. Version 2.0. Catholic Relief Services. 151 p.

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A learning and knowledge space on rural enterprise development for Spanish speaking countries. www.alianzasdeaprendizaje.org

Donor Committee for Enterprise Development (DCED). Promotes enterprise development, particularly for small enterprises in developing countries. It publishes common guidelines for member agencies and hosts an inter-agency website for the exchange of information on value chains, linkages and service markets. <http://tinyurl.com/butgc2>

Empowering Smallholder Farmers in the Market (ESFIM). A research and policy development program that focuses on successful and replicable regulatory policies and institutional arrangements that can empower smallholder farmers in markets. www.esfim.org

Global Agroenterprise Learning Alliance Dgroup. A learning and knowledge space that provides a forum for members of the CRS global learning alliance to discuss, share and reflect on new initiatives and innovation in the area of agroenterprise development and linking farmers to markets. <http://tinyurl.com/c4yrea>

Inclusive Business. An alliance between the World Business Council for Sustainable Development (WBCSD) and the Netherlands Development Organization (SNV) to address sustainable poverty alleviation through the involvement of the private sector. The alliance focuses on awareness raising of inclusive business models, brokering of new business opportunities, and advocacy. The first phase of this alliance focuses on selected Latin American countries. www.inclusivebusiness.org/agriculture/

Local Economic Development Knowledge portal. An online space for sharing the experiences and resources of people and organizations supporting economic development processes at the local level. www.ledknowledge.org

Making Markets Work for the Poor. A project whose purposes are to (a) conduct analytical work on the functioning of markets and the extent to which the poor are able to benefit from them, and (b) to build capacity to support pro-poor market development through research activities, networking and the promotion of policy dialogue in Laos, Cambodia and Vietnam. www.markets4poor.org

Regoverning Markets. A collaborative research project that analyzes growing concentration in the processing and retail sectors of national and regional agri-food systems and its impacts and implications for rural livelihoods and communities in middle and low income countries. www.regoverningmarkets.org/

SDC's Focal Point for Rural Development. Promotes joint learning, experience exchange, and knowledge management on rural development issues. www.sdc-ruraldevelopment.ch and <http://tinyurl.com/dxybte>

Sustainable Food Lab. A consortium of 70 businesses and social organizations from three continents. Its mission is to accelerate the shift of sustainable food from niche to mainstream in order to ensure a healthy future for the planet and its people. It tries out new ideas with live, on-the-ground, pilot projects so that theory and practice can interact. Its work centers on poverty alleviation through new business models, climate change and re-regionalization. www.sustainablefood.org

RESOURCE INSTITUTIONS

RUPERT BEST

ACDI/VOCA

www.acdivoca.org

50 F Street NW, Suite 1075, Washington, DC 20001, USA

Tel. +1 202 638 4661, fax +1 202 783 7204, email webmaster@acdivoca.org

Promotes economic opportunities for cooperatives, enterprises and communities through the innovative application of sound business practice. Its Agribusiness Systems area takes a comprehensive, analytical approach to increasing efficiencies along entire value chains—from crop production, through processing and marketing, but always with an eye towards quickly improving the productivity and profit margins of large numbers of smallholder farmers.

Catholic Relief Services (CRS)

www.crs.org/agriculture/

228 W Lexington St, Baltimore, Maryland 21201-3413, USA.

Tel. +1 888 277 7575

Works through local partner agencies to implement agriculture and environment programs for the poorest farm families and rural communities worldwide. CRS' immediate goal is to improve family well-being through agro-economic development and environmental stewardship. The agency's long-term goal is to strengthen the capacity of local agencies and farm communities to take control of their own development. Agro-enterprise development projects are undertaken in upward of 30 countries in Asia, Africa and Latin America and the Caribbean.

Consultative Group on International Agricultural Research (CGIAR)

The 15 research centers that belong to the CGIAR undertake scientific research and research-related activities in the fields of agriculture, forestry, fisheries, policy, and environment. Eleven of the 15 centers conserve and improve the germplasm of major and minor food and forage crops. One center is dedicated to livestock and another to fish. See www.cgiar.org for contact details for each center.

Cornell International Institute of Food and Agriculture Development (CIIFAD)

ciifad.cornell.edu/index.cfm

31 Warren, Cornell University, Ithaca, NY 14853, USA.

Tel. +1 607 255 0831, fax +1 607 255 1005, email ciifad@cornell.edu

Initiates and supports innovative programs with partners in Africa, Asia and Latin America that contribute to improved prospects for global food security, sustainable rural development and environmental conservation around the world. CIIFAD's focus is as much on relationships and processes as on new technologies and practices. Its aim is to inform policies and programs and build a stronger base of human resources and institutions, with rural people better organized and more empowered to make changes and contributions in their own interest.

Food and Agriculture Organization of the United Nations (FAO)

www.fao.org/ag/ags/index_en.html

www.fao.org/ag/Ags/subjects/en/agmarket/linkages/

Viale delle Terme di Caracalla, 00153 Rome, Italy

Tel. +39 06 57051, fax +39 06 57053152, email FAO-HQ@fao.org

The Rural Infrastructure and Agro-Industries Division advocates for and supports the development of entrepreneurship in agricultural support services. FAO member countries are assisted with appropriate policies, strategies and methodologies for strengthening agricultural support systems and the delivery of services as well as technologies for production and post-production activities. FAO has a dedicated web site on "Linking Farmers to Markets."

International Center for Tropical Agriculture (CIAT)

www.ciat.cgiar.org/agroempresas/ingles/index.htm

Apartado Aéreo 6713, Cali, Colombia

Tel. +57 2 445 0000 (direct), +1 650 833 6625 (via USA), fax +57 2 445 0073 (direct) +1 650 833 6626 (via USA), email agroempresas-rurales@cgiar.org

The Rural Agroenterprise Development Project develops methodologies, tools, information, and organizational models for strengthening rural agroenterprises and their support services, as a means of linking small holder farmers to growth markets. It developed the "territorial approach to rural business development."

Latin American Center for Rural Development (RIMISP)

www.rimisp.org/inicio/about_rimisp.php

Casilla 228 Correo 22, Santiago, Chile.

Tel. +56 2 236 45 57, fax +56 2 236 45 58, email rimisp@rimisp.org

Contributes knowledge to support processes of institutional change, production innovation and the strengthening of social actors, so revitalizing and transforming Latin American rural societies, as well as making them more just

and equitable. Its three research themes are social learning, rural territorial dynamics, and market transformations.

National Cooperative Business Association (NCBA)

www.ncba.coop/clusa_work.cfm

1401 New York Ave NW, Suite 1100, Washington DC 20005, USA

Tel. +1 202 638 6222, fax +1 202 638 1371, email ncba@ncba.coop

The CLUSA International Program has worked in developing countries to economically empower individuals and communities through development of effective, sustainable group businesses and democratic practices. The CLUSA approach is founded on the belief that clients should be the decision-makers and that CLUSA's role is in providing them with training in analytical, problem solving, and entrepreneurial skills.

Netherlands Development Organization (SNV)

www.snvworld.org

Dr Kuiperstraat 5, 2514 BA The Hague, Netherlands

Tel. +31 70 3440244, fax +31 70 3855531

Has considerable experience in the development of agricultural value chains. It helps to increase the share of benefits for the underprivileged by analyzing the entire chain from producers to consumers and promoting change wherever useful. It is familiar with business development services, strengthening the enabling environment, agricultural extension, (micro) finance and certification relevant to the sector. Commodity value chains that SNV specifically supports in 2008/2009 are cotton, biofuels and livestock/pastoralism

Practical Action

www.practicalaction.org

Schumacher Centre for Technology and Development, Bourton on Dunsmore, Rugby, Warwickshire CV23 9QZ, UK

Tel. +44 1926 634400, fax +44 1926 634401,

email practicalaction@practicalaction.org.uk

Formerly the Intermediate Technology Development Group. The Markets and Livelihoods Programme aims to improve the incomes and livelihoods of poor people where they are able to use technologies, and their skills, knowledge, networks and resources to enter into and adapt to market systems that work effectively and fairly. The international team has developed a strategic framework and approach known as Participatory Market System Development.

Royal Tropical Institute (KIT)

www.kit.nl

PO Box 95001, 1090 HA Amsterdam, Netherlands

Tel. +31 20 568 8711, fax +31 20 668 4579, email development@kit.nl

Undertakes consultancy and research on chain development: connecting people, markets and values. They work on rural poverty alleviation by developing value chains that benefit smallholder producers in low-income countries. Through this work, KIT integrates three dimensions of sustainability: social, ecological and economic or “people, planet, profit.”

Small Enterprise Education and Promotion (SEEP) Network

www.seepnetwork.org

1825 Connecticut Avenue NW, Washington, DC 20009, USA.

Tel. +1 202 884 8392, fax +1 202 884 8479

The leading international network and promoter of best practices in enterprise development and financial services is a global organization whose membership is committed to reducing poverty through the power of enterprise.

Springfield Centre for Business Development

www.springfieldcentre.com

Mountjoy Research Centre, Durham DH1 3UZ, United Kingdom

Tel. +44 191 383 1212, fax +44 191 383 1616, email global@springfieldcentre.com

An independent consulting, training and research organization specializing in private sector development in low and middle-income economies. It has particular expertise in the design, development and assessment of interventions in financial services, small and medium enterprise development, business services, the policy and regulatory environment, and sector development. It runs an annual two-week training course on “making markets work for the poor.”

TechnoServe

www.technoserve.org

1800 M Street NW, Suite 1066, South Tower, Washington, DC 20036, USA

Tel. +1 202 785 4515, fax +1 202 785 4544, email technoserve@tns.org

Helps entrepreneurial men and women in poor rural areas of the developing world to build businesses that create income, opportunity and economic growth for their families, their communities and their countries. It concentrates on developing entrepreneurs, building businesses and industries, and improving the business environment.



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