KEY MESSAGES:

The following factors have been identified in literature to successfully link smallholders to markets for cassava-based products:

1. Create comparative advantage through: finding a market niche; lower production costs.

2. Involve the private sector: involve intermediaries; enhance competitiveness.

3. Lower transactions costs through: build trust along the chain; improve infrastructure, transport and distribution systems; improve access to information through an industry platform; facilitate partnerships.

4. Create an enabling environment, supported by Government, providing: access to credit; market institutions; a public sector with a conducive business environment; and promotion of cassava-based products.

However, some factors listed above may not be relevant in particular situations, whereas other factors may be essential that are not included in the list. The importance of these success factors depends on the context.

Profitability at all levels, however, is a prerequisite in all situations for a value chain to succeed. Quality assurance and consistent supply of intermediate products are also essential for a sustainable value chain.

C:AVA
Cassava: Adding Value for Africa

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Linking smallholders to markets: lessons learned from past projects and implications for C:AVA

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Abstract. This paper reviews literature on past experiences with crop commercialisation and market development for pro-poor development, in order to extract lessons learned and implications for the C:AVA project. A list of success factors is identified. Profitability at all levels, however, is a prerequisite for a value chain to succeed. One unviable business within the value chain can cause its collapse. Quality assurance and consistent supply of intermediate products are also essential when developing cassava value chains. This can be achieved by involving intermediaries, but also requires intensive training of smallholders in processing technologies and business management. The importance of each success factor depends on the context. For example, partnership facilitation may be needed if there is a dormant market, but there are no established value chains yet. The creation of an enabling environment is important to encourage the out-scaling and replication of value chains but may be less important initially when new value chains are created.

Lack of competitiveness of smallholders in agri-food markets, including for cassava derived products, is a common constraint across Africa. The 'Cassava: Adding Value for Africa' (C:AVA) project aims to develop value chains for High Quality Cassava Flour (HQCF), as a means of increasing smallholder incomes. There have been various other attempts to increase smallholder incomes by improving their integration into markets, some being more successful than others. Valuable lessons can be learned from these past experiences and projects to better understand risks and appropriate strategies to assure the success of the C:AVA project.

For many developing countries, smallholder agriculture underpins their food security, export earnings and rural development (FAO, 2002; Kydd, 2002). Most countries in sub-Saharan Africa have untapped agricultural potential (De Louw et al., 2008). Growth in agricultural production and smallholder participation in higher-value agri-food markets are seen as essential to the improvement of rural livelihoods and the development process of a country

(Aliguma et al., 2007; Barham & Chitemi, 2009; Colman & Young, 1989; Shepherd, 2007). In order to unleash the agricultural potential, progress has to be made on three fronts: raising and sustaining productivity and competitiveness, diversifying production and trade, and improving access to (domestic and foreign) markets (FAO, 2002). The issue of connecting poor smallholders to markets has become increasingly important as i) many developing countries have liberalised the agricultural markets over the past 20 years; ii) exchange rates have been adjusted and international trade has been liberalised to provide greater incentives to exporters; iii) income growth and urbanisation cause a shift in consumer demand; and iv) supermarkets and processors are playing an increasingly important role in food marketing in response to new technology and changing consumer preferences (Minot & Vargas Hill, 2007).

Various projects have been reviewed to understand the factors of 'success' when linking smallholders to markets. However, these studies often do not define the term success and give little information on the benefits (e.g. profitability or business management) of the new market linkages for the actors involved. A large part of the literature is on the functioning of farmer groups in the market place; a critical assessment of market conditions and functioning is less common. But the following factors are thought to enhance success of smallholder inclusion in market value chains based on project evaluations:

Upgrading of smallholder production, *organisation and marketing* is essential to enable smallholders to meet demands (in terms of quality, quantity and consistency) of dynamic markets, which usually requires external support for prolonged periods of time (Aliguma et al., 2007; Berdegué et al., 2008; De Louw et al., 2008; Dunn et al., 2006; Kaganzi et al., 2009; Narrod et al., 2009; Shepherd, 2007).

Collective action amongst smallholders in the form of producer groups (formal or informal) is important to lower transaction costs, enable economies of scale, increase the effectiveness of capacity building activities and increase the bargaining power of smallholders (Berdegué et al., 2008; Kaganzi et al., 2009; De Louw et al., 2008; Narrod et al., 2009; Shepherd, 2007; Shiferaw et al., 2006; Wiggins, 2009). The following characteristics were identified that enhanced to collective action and contributed to the successful operation of producer groups:

- Trust (Aliguma et al., 2007; De Louw et al., 2008)
- Commitment (Aliguma et al., 2007; De Louw et al., 2008)
- Homogeneity (Coulter, 2007; Shepherd, 2007)
- Limited group size (Coulter, 2007; Narrod et al., 2009; Shepherd, 2007; Shiferaw et al., 2006)
- Natural assets, in particular access to water and land (Barham & Chitemi, 2009; De Louw et al., 2008; Shepherd, 2007)
- Enhancing technological and marketing skills through capacity building, education and training (Aliguma et al., 2007; Barham & Chitemi, 2009; Berdegué et al., 2008; Coulter, 2007; De Louw et al., 2008; Shepherd, 2007; Tuan & Cuna, 2005)
- Group maturity / history of collective action (Aliguma et al., 2007; Barham & Chitemi, 2009; Kaganzi et al., 2009)
- Strong and effective leadership (Aliguma et al., 2007; Barham & Chitemi, 2009; De Louw et al., 2008; Kaganzi et al., 2009)
- Agreed and enforced rights & responsibilities of group members (e.g. group statutes) (Coulter, 2007; De Louw et al., 2008; Narrod et al., 2009)
- Partnerships with R&D or NGOs (Aliguma et al., 2007; Barham & Chitemi, 2009; Berdegué et al., 2008; Coulter, 2007; De Louw et al., 2008; Kaganzi et al., 2009; Narrod et al., 2009)

Access to credit (financial services) for smallholders and processors. Financial arrangements (e.g. microfinance organisations) have to be made to address how best smallholders can fund their start-up and ongoing costs (Coulter, 2007; Dunn et al., 2006; Tuan & Cuna, 2005; Shepherd, 2007). Processors may require cash capital to pay for produce on delivery (Shiferaw et al., 2006). Greater capital availability also allows wholesalers and retailers to expand the scale of their businesses and spread their overhead costs over a greater volume of trade (Collinson et al., 2003). However, subsidies and marketing services such as

transport should be limited as these usually lead to problems when the external assistance ends (Shepherd, 2007).

Improvement of the market information flow leads to better spatial integration between markets and a reduction of transaction costs through the marketing chain, particularly to the benefit of farmers (Collinson et al., 2003). Agricultural growth happens when existing demand is transmitted effectively to the farm gate (Wiggins, 2009).

Involvement of the private sector (e.g. public-private partnerships) is important to draw upon their business management skills (Narrod et al., 2009; Shepherd, 2007). The private sector can bring along economic benefits for smallholders plus technical capacity-building, although generally it does not result in a lasting empowerment of smallholders beyond the trade relationship (Berdegué et al., 2008). Protection of intellectual property rights is crucial to the private sector (NGI, 2009)

Trust between smallholders and buyers is essential, and can be promoted by exchanging information and involve smallholders in contract negotiations (Shepherd, 2007). A high level of trust allows the trade partners to communicate efficiently, and develop and implement a shared vision (Aliguma et al., 2007).

Government support is needed to 'regovern' agricultural markets with pro-poor and pro-market policies (Berdegué et al., 2008; Braun & Kennedy, 1994; Hazel & Poulton, 2007; NGI, 2009), correct market failures without protecting the chain itself (Narrod et al., 2009) and create an enabling environment (Hazel & Poulton, 2007; Wiggins, 2009). Local authorities can also assist in improving market facilities (e.g. sanitation, road infrastructure) to reduce marketing costs (Collinson et al., 2003).

Partnership facilitation by a third party to enhance the participation and coordination of different agents in the market value chain, including collaborative arrangements between trained and organised farmers, information sharing, a receptive business sector, and conducive public policies and programmes (Aliguma et al., 2007; Berdegué et al., 2008; Narrod et al., 2009; Tuan & Cuna, 2005)

It is difficult to rank these factors in order of importance as this is largely dependent on the product and the context. Profitability at all levels, however, is a prerequisite for a value chain to succeed. One unviable business within the value chain can cause its collapse. Profitability can be increased by lowering the production and transaction cost, or increasing the price of the product. The latter option, however, makes the product less competitive for the end-users. End-users are generally willing to pay a higher price for a more reliable product (in terms of quality and consistency of supply) such as wheat flour than for HQCF. Quality assurance and consistent supply of intermediate products are thus essential to link farmers into cassava value chains. This can be achieved by involving intermediaries, but also requires intensive training and support in processing technologies and business management of processing groups.

The importance of other success factors depends on the context. Partnership facilitation may be needed if there is a dormant market, but there are no established value chains yet and processing groups lack the means and skills to find buyers. However, it is also possible that a processing group has a contract with a buyer that requires no involvement of intermediaries. The creation of an enabling environment is important to encourage the out-scaling and replication of value chains but may be less important in initial stages when new value chains are created.

C:AVA focuses in particular on the improvement of processing techniques, business skills of smallholders and intermediaries' access to credit. In addition, attention should be given to more intangible factors that determine the project's outcomes, such as:

- Advocacy and publicity campaign: efforts have to be made to raise awareness and create support amongst politicians as well as consumers.
- Establishment of producer platforms to strengthen linkages between value chain actors, disseminate market information and new technologies, etc.
- Awareness-raising among smallholders on costs and reasonable prices for HQCF and intermediate products.

- Development of grading & quality assurance systems to avoid products of inferior quality and guarantee food safety.

The list of success factors presented here is arbitrary, based on experiences of previous attempts to link farmers to markets. However, it is not said that a project can only succeed if all these factors have been addressed. Some factors may not be relevant in particular situations whereas other factors may be essential that are not included in the list. Linking farmers to markets cannot be done according to a formula; one has to work with the opportunities and constraints which are unique for each situation.

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C:AVA BRIEFING PAPERS

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Brief no. 2: Posthumus H. Linking smallholders to markets: lessons learned from past projects and implications for C:AVA. March 2010.

The Cassava: Adding Value for Africa (C:AVA) Project develops value chains for High Quality Cassava flour (HQCF) in Ghana, Tanzania, Uganda, Nigeria and Malawi to improve the livelihoods and incomes of smallholder households as direct beneficiaries. It promotes the use of HQCF as a versatile raw material for which diverse markets exist. C:AVA is supported by a grant from the Bill and Melinda Gates Foundation to the Natural Resources Institute, University of Greenwich. For further information contact: k.adebayo@greenwich.ac.uk