

Concept Note for a CGIAR Challenge Program

Linking Smallholder Farmers to Growth Markets within a Globalised Economic System

1. Background

Globalisation is causing dramatic changes that are transforming agriculture in developing countries away from supply driven production towards market-driven 'agrifood' business. The impact of these changes on people, economies and the natural environment is, and will continue to be, profound. An immediate impact has been that world commodity prices have fallen to their lowest levels for 35 years. Understanding and being able to respond to such change is vital for the livelihoods of millions of smallholder farmers in developing countries. Unlike their counterparts in industrialised nations, there are few safety nets for these farmers and yet this group is being asked to transform its business practice in order to compete within new market conditions. Providing market decision tools and support services is a first and vital step in linking these farmers to growth markets. It will also help retain, in rural areas, a higher proportion of the value added through post-harvest processing and marketing activities as well as provide future demand for products. This strategy offers a real opportunity for improving the welfare of the rural poor. Several options exist for smallholder communities in developing economies to:

- produce and market higher value crops/livestock, especially those where scale economies are less pronounced;
- add value to primary production through on-farm or rural processing, packaging, branding and other marketing arrangements;
- associate with other farmers to overcome scale disadvantages and gain market power, including aspects such as grades and standards, collective negotiating for input and output markets;
- seek to differentiate away from “commodities” towards “products” targeted at higher value market segments, including alternative, ethical and organic markets that value more sustainable production systems;
- expand from supplying local and regional markets to supplying international markets
- develop long-term equitable relationships with agrifood enterprises closer to the end customer (larger processors, retailers etc).

For smallholder farmers in developing countries to build on these opportunities, requires making difficult and different types of decisions. These will be based on new sorts and sources of information (on market demands, for example) and require different sets of skills, technologies and resources to those needed for traditional commodity production.

The globalising world economy offers opportunities as well as threats to the small-scale, resource poor farmer. Identifying and realising the opportunities will generally not occur by default. Society has a role to play in enhancing the capacity of the rural poor in developing countries to take advantage of the opportunities offered by global economic integration. It should put in place mechanisms that reduce the threats that may lead to further marginalisation and a backlash against market liberalisation.

2. Objectives

The objective of the proposed Challenge Program is to contribute to improved livelihoods, food security and sustainable development in developing countries. This will be done through the execution of dynamic marketing and value adding post-harvest interventions that equitably link smallholder farmers to growth markets. Four major areas within the post-harvest field have been identified. In each of these, collaborative research and development can make a difference in helping smallholder farmers and small rural agroenterprises benefit from the changes in the agrifood sector. They will:

- Improve the identification of market opportunities, so that farmers and enterprises can become more competitive in a market-oriented environment and able to make sound business decisions by identifying and developing market opportunities for agrifood based products (but not at the expense of environmental or social sustainability).
- Improve market access, by integrating farmers and small rural enterprises with agrifood supply chains that go beyond the local economy, under terms that are equitable as well as competitive, supported by affordable, sustainable and effective local business development services. Improved agrifood supply chains are key to allowing small enterprises to start playing a role in international trade.
- Foster technology innovation, enabling local communities to become more innovative in accessing, developing and applying appropriate post-harvest technologies to produce the products demanded by the market.
- Enhance product quality, so as to consistently meet health and regulatory standards and consumer demands for high quality, safe food products in their target markets (with corresponding implications at policy level).

3. Outputs and Impacts

The 'Linking Farmers to Markets' initiative has been developed by the *PhAction* consortium in consultation with a broad-based partnership. It will ensure that rural people, enterprises and communities in the developing world have access to information, technologies, methods and tools to help them make the right choices when confronted by new market opportunities. The initiative has been planned as a global program enabling cross continent analysis of experiences, providing information of a global nature on markets and trade relevant to all stakeholders and catalysing co-ordinated R&D interventions in market information, post-harvest research and enterprise development.

The principal outputs from the Program will be:

- Methods for rapid analysis of market demand and supply, spatial analysis of market opportunities, and for analysing the feasibility of business plans based on different levels of investment from clients.
- Methodologies for enhancing access to market information and market intelligence services by farmers and rural enterprises.
- Options for organizing integrated agrifood supply chains that allow small entrepreneurs to start supplying high quality-high value markets, both domestically and internationally.
- Options for organisational structures and relationships between actors that enhance local innovation and result in greater and more equitably distributed benefits through the supply chain for agrifood products.
- Options for the organisation and the sustainable improvement, in content and delivery, of business development services to small rural agroenterprises.
- Post-harvest technologies that enable smallholders to capitalise on market opportunities, improve competitiveness and adhere to food quality and safety standards.

- Information and decision support tools for introducing or improving post-harvest techniques and technologies at the local level.
- Quality and safety assurance methodologies that can be applied in developing countries by small and medium-scale enterprises.
- Quality and safety objectives for local regulatory systems in developing countries and feasible quality/safety targets for supply chain actors.

The medium- to long-term impact of these outputs will be:

- Strengthened capacity of government and non-government organizations to establish profitable and environmentally sound agricultural enterprises that link smallholder farmers with growth markets.
- On-farm and off-farm income and employment opportunities generated for men and women in rural communities in developing countries that contribute to the alleviation of poverty.
- Reduced rural to urban migration, reduced incentive for the production of illicit crops and more motivation to conserve biodiversity, soil and water resources upon which rural communities depend.

4. Proposal development

The World Bank's Sector Strategy for Rural Development (World Bank, 1997) identifies the task of strengthening the linkage of rural and urban economies through the food, feed and fibre commodity systems as "essential for fostering growth across the national economy and sustainable growth of the rural economy". Although critical for the sustainability of income generation in the rural sector, the post-harvest handling and processing, and trading and retailing components of these commodity systems have received scant attention and little investment from public R&D funds. Structural adjustment programmes in many developing countries, have also failed to deliver robust marketing services that were integral to the process of supporting the development of the emergent private sector. The need for a global initiative around the theme of 'linking farmers to markets' was proposed during the annual meeting of the Global Post-harvest Forum, *PhAction*, which was held in Eschborn in 2000. Since that meeting, a process has been put in train to identify needs and demands, and develop a coherent set of interrelated R&D themes that address the opportunities and constraints in the post-harvest and marketing sector. Needs and priorities are being identified through a series of regional consultations on post-harvest needs and priorities sponsored by GFAR and FAO. Concurrently, planning meetings with potential project partners have been held in Hanoi and Montpellier, in April and June 2001 respectively, in order to develop the priority R&D themes that are outlined above. At the CGIAR AGM in October 2001, the progress in this process was reported to actual and potential stakeholders at a lunchtime meeting.

5. Partners

The 'Linking Farmers to Markets' Program will be executed by a consortium of institutions that include members of *PhAction* and their partners in developing and developed countries. The current members of *PhAction* include:

5 Future Harvest Centers: CIAT, CIP, IITA, IRRI, IFPRI.

6 International Research and Technical Assistance institutions: NRI, CIRAD, JIRCAS, ICFR, FAO, GTZ

1 Donor: ACIAR

Institutions that have already expressed interest in being associated with this Program include: ISNAR, PRODAR-IICA, SEARCA, ASARECA (Foodnet), EMBRAPA (Brazil), PHTI (Vietnam), Michigan State University, and the World Bank.

Project teams will be formed around the four prioritised R&D themes. These teams are likely to have a larger number of participating organisations, including major international NGOs and representation of private sector retailing groups.

6. Funding and funding allocation

The financial resource requirements of the Program are estimated at US\$ 10 million per year over a period of 10 years, of which approximately US\$ 4 million per year would be counterpart resources from partner institutions.

7. Governance

The Consortium will have joint ownership and responsibility for the Program and provide specific leadership in the four key theme areas as follows:

Theme area 1, market opportunities - IITA, ISNAR

Theme area 2, market access - CIAT, NRI

Theme area 3, technology innovation - ACIAR, IRRI

Theme area 4, product quality - NRI, CIRAD

The CGIAR Executive Council will provide oversight. An advisory committee, with representatives of major stakeholder groups and including GFAR, will provide orientation on needs assessment, priority setting, relevance and quality of science. The committee will delegate to special panels those areas that they consider of critical importance to the achievement of the Program's objectives.