

PhAction Theme 1 Identifying market opportunities

Adaptation and institutionalising the use of appropriate marketing methodologies and agri-business decision making tools to support a more responsive approach and access to agricultural market opportunities

PhAction Goal

To contribute to the improved livelihoods, food security and sustainable development in Third World countries through the execution of dynamic post-harvest interventions that equitably link smallholder farmers to growth markets

Theme 1 goal: To enhance agricultural commodity trading in developing countries through improved understanding of market opportunities and agribusiness competitiveness leading to better market access and more stable stakeholder incomes.

Purpose (theme 1): To evaluate, adapt, institutionalise and develop capacity in best practice methods for the use of market decision making tools, by research partners and private sector clients, to identify market opportunities, assess changing market demands, evaluate agro-enterprise feasibility plans and implement or benefit from market support services.

Objective 1. To evaluate, adapt and offer a range of methodologies for market analysis and improve marketing support services, which target policy groups, researchers, extension, producers, processors and traders operating in the agricultural sector.

Objective 2. Institutionalise best practice marketing tools and information support services into public and private sector agencies including NARS, NGOs, Ministry of trade, and collective marketing groups.

Linkage to Themes 2, 3, 4. This theme aims to develop decision making tools and build capacity in skills, which will enable the agents working on:-

- **Theme 2:** Supply chain support, to conduct more effective analyses of their economic environment, market options and use of marketing support services.
- **Theme 3,** Technological innovations, to use business feasibility tools to (a) devise technologies that are profitable, (b) that are affordable by resource poor farmers and most importantly (c) that produce products that are linked to identified markets or can assist with developing and diversifying market opportunities.
- **Theme 4:** Implicit in the process of market access is the need to meet quality grades and standards and where possible seek opportunities that raise nutritional intake and improve consumer confidence in food products.

Background and justification

Globalisation, free trade, population growth, urbanisation, and trends toward reducing state intervention in agricultural and rural research and development present new and complex challenges for those institutions whose goals encompass the reduction of poverty, the provision of food security and the promotion of economically sustainable development.

Likewise, the livelihoods and well being of small holder farmers and the rural population in general depends to a large extent on being able to adapt to the changing circumstances brought about by these macro socio-economic and institutional shifts. In particular, the reduction of rural

poverty will rely heavily on identifying and developing competitive economic activities that generate income and employment in these areas.

Prior to market liberalisation, development goals could be developed within fairly defined geographical limits as global markets were not well integrated and specific countries followed a traditional supply of commodities to trade partners through national commodity marketing boards. In the past 15 years these framework conditions have changed radically with the disbandment of marketing boards and the opening of trade borders. Currently world trade policy and globalisation are driving market forces and many agriculturally based developing countries, specifically Africa, S and S E Asia, face serious economic challenges due to declining GNP revenues resulting from increasing competition in their traditional export markets.

In some cases, investment agencies such as the World Bank have contributed to a system whereby new countries have entered a major export market, with high short-term economic benefits. However, over the longer term, these new market entrants have led to a considerable oversupply of traditional markets, which have forced down prices for crops such as coffee, cotton and oil crops. Current prices for these traditional export crops are now at to 30 year lows, (Public Ledger, August 2001). Increasing competition between developing countries, not only forces down prices but also leads to shifts in geographical market share. Inevitably, it will be the poorest and least developed countries that are most vulnerable to losing market share and being unable to adjust to new market conditions and product requirements.

In a recent commentary from the *Kamran Kousari*, the United Nations Conference Development's special coordinator for Africa, he stated that per capita income in Africa in 2000 was 10% below the level reached in 1980 and despite some improvement in agricultural growth rates in recent years, 28m Africans are facing severe food shortages this year. Two decades of sub-standard growth have hit the poorest 20% hardest, their incomes dropping by 2% a year. However, if the global terms of trade had stayed at 1980 levels, Africa's share of world exports would be double today's figure. Also, Africa's growth per annum could have been 1.4 percentage points higher, raising per capita income to 50% above current levels.

Rapid trade liberalisation in Africa has not been reciprocated in terms of better access to markets for producers. Massive subsidies afforded to agricultural producers in advanced countries and other forms of protection have hindered Africa's efforts to upgrade capacity and alleviate poverty. Nor have African exporters been helped by the exchange rate misalignments and instability that have often followed moves towards capital account liberalization. Exposing low-productivity sectors to global competition has often provoked a wage cutting response from many African producers, adversely affecting productivity in the longer term.

At the same time, internal commodity markets in these countries are also under pressure as farmers contend with inefficient domestic marketing systems, poor infrastructure, the influx of low cost imported goods and consignments of food aid and monetised food aid programme that undermine local market systems.

When questioned, most farmers are extremely anxious about their market prospects and there is considerable frustration on the part of farmer's to find more stable markets or at least understand the dynamics of the market. This information gap, to a large extent stems from the lack of agricultural support services which have arisen due to agricultural policy reforms which have deregulated agricultural markets, reduced trade barriers and subsidies, but have failed to introduce conducive policies and farmer service support programmes that can assist the emerging

private sector, particularly small businesses, which are key players in developing agro-food chains.

Where support services have been developed, many have suffered from being over bureaucratic, costly and due to fiscal problems have collapsed. The failure of the co-operative system across much of Africa has led to the development of highly inefficient supply chains, where several transactions are required to aggregate commodity. A recent analysis by FAO, also shows that whilst every country in Africa developed a market information service in the 1970's almost all of these services collapsed by the 1990s due to lack of funding and poor performance, Shepherd (2001).

The results of policy failures result in poor market performance and low competitiveness means that producers receive low farm gate prices and consumers face rising retail costs due to the high transaction costs.

It is clear from interviews in Eastern Africa, that most producers do not receive marketing support, have abandoned collective or co-operative market action due to past mismanagement and consequently operate on the basis of weak market signals that lead to cyclic gluts and shortages in the marketplace. The decline in rural banking also makes it difficult for small rural entrepreneurs to access credit for the development of new business ideas and therefore producers and processors are unable to take on new technologies even if they were willing to test more risk but higher return options.

Against this background of radical changes in the economic framework, the research and extension services have, in many cases, been unable to evolve to meet these new challenges and most R&D institutes remain focussed on production technologies. Although these technologies are a vital component in the agricultural sector, it is apparent that significantly more efforts are required to find ways of understanding and developing market sectors, such that producers and processors can be more responsive to changing market demands and be sufficiently dynamic to exploit new opportunities as they arise.

The fundamental question, that this theme seeks to address is (i) what new tools are required by public and private sector agents to improve their understanding of market opportunities and sound business planning and (ii) how to build capacity in this skills area such that public and private sector agencies can work more effectively to develop tools and services that will enhance the ability of producers, traders and processors to understand and operate more effectively in their marketing systems.

The implementation, analysis and launching of products from this theme will essentially follow a typical marketing approach, in which the decision making tools are the products being developed.

1. **Step 1 Generate Ideas** (evaluate what types of analytical tools are available and what is needed by the client base, target is above the enterprise level)
2. **Step 2 Product Conceptualisation** (Evaluate if current methods are already effective and merely require retargeting, or if methods require adaptation or if new methods are required)
3. **Step 3 Market segmentation** (Decide how the methodologies need to be designed to meet the needs of a specific type of client, i.e., policy analyst, institute based researcher, enterprise. Ascertain what are their needs and most effective means of segregating tools)

4. **Step 4 Develop Product Prototype** (Test the marketing tools with partners and evaluate the results based on these studies. These studies will clearly have merit on their own, in which case linkage with Theme 2 is immediate)
5. **Step 5 Product Testing** (Having established most effective methods, test these with partners and provide training for product on a wider basis. This is the institutional aspect of the process)
6. **Step 6 Final Product** (assess progress and fine tune)
7. **Step 7 Launch** (use tools on a wide basis in target areas, this aspect will involve higher level investment to train target groups in analytical skills in order to service policy and institutional requirements)

Why was this theme prioritised

This theme area was prioritised due to the apparent lack of market orientation in the public research and development programmes and the high demand from private sector agents including producers, traders and processors to become more competitive within their domestic and export markets.

This theme within the PhAction strategy aims to assist partners to meet the new challenges brought about by liberalisation and globalisation of trade. The outputs from this work will mean that

- Clients have a better understanding of markets and access to information that can use to make basic decisions on production and sales.
- Projects and institutional investment will be based on a more commercial perspective and this will lead to a greater contribution to economic growth, including rural employment generation and urban food supplies.

Project stages

It should be clearly noted that the activities planned in this theme does not assume that we are starting from a blank page. There are a number of marketing tools available and there are already some projects, which are evaluating available techniques. This project will therefore act as a cohesive mechanism to bring together the outputs from a number of teams of researchers and development agencies working on marketing based methodologies, and who are piloting these methodologies to further our understanding of market opportunities.

The project will focus on:

- Identifying and reviewing a selection of marketing based methodologies.
- Provide training for researchers and development agents to test the most suitable tools for market analysis, agri-business planning and market support services.
- Evaluate the methodologies being piloted with the view to fine tune and characterise these tools.
- Validation and institutionalising the marketing methods within the agricultural research and development sector, to ensure wider use of methods. This activity will be done in close collaboration with actors in **Theme 2**.
- Advocacy and promotional role for adoption of methods for market orientation.

The types of marketing methods that will be evaluated and implemented include:-

- ***Methods for rapid analysis of market demand and supply.*** There has been considerable work done in this area and current thinking is to focus on rapid methods for the analysis of market demand and support this work with rapid methods for supply chain analysis. Methods for evaluation will include those based on Holzmann and those currently being used by consultancy agencies, CGIAR scientists and NGOs. Demand studies are likely to focus on urban potential. Supply chain studies will provide information on actors and margins in the supply chain but also aspects such as production costs from various supply areas and associated reference studies for competitor and substitution crops and or products. The research for these tools will also investigate the understanding of the social capital required to build business relationships along a market chain taking into account the measures that relate to trust and the requirements for collective action activities such as collective marketing that is viewed as essential if atomised small-scale producers and processors are able to gain economies of scale through aggregation of input purchases and aggregation of output sales markets.
- ***Methods for spatial analysis of market opportunities based on local conditions and market access.*** This approach aims to assist partners in evaluating the market options and possible products within a defined geographical zone. Spatial analysis for market access and comparative advantage can also be analysed on a larger (ie national – subregional) basis using economic modelling and GIS methods through technologies such as the IFPRI, developed DREAM software. DREAM enables researchers and policy makers to evaluate the comparative market opportunities for specific types of crops and or products within countries or across countries. The usefulness of this method is that clients can make more rational decisions on the types of crops that may have the best opportunities. This process then feeds into product driven marketing studies. These types of spatially driven market access tools will be designed for a range of clients, i.e., policy researchers, extension workers and private sector entrepreneurs / associations. The types of decision making tools that are currently being investigated are DREAM (IFPRI), Axe GIS based software, CIAT’s spatial analysis system for rural agro-enterprises, “Where in the world” and Accessibility Wizard. These tools can be refined on a sub-regional basis to assist both policy and investment groups to make clearer decisions on where to target interventions or what is possible for producer associations. This activity will initially aim to service above the enterprise level clients but can be adapted for service type information to enterprise level agents.
- ***Methods for analysing the feasibility of business plans based on different levels of investment from clients.*** As groups develop ideas for technologies and interventions along supply chains, it is ever more important to evaluate the feasibility for a new and or existing product within an agro-enterprise framework. Develop simple tools to analyse the business feasibility for a new and or existing product within an agro-enterprise framework. These tools will be developed for application at different levels of investment and associated market types, i.e., local – global. The business tools will consider the fiscal, technical and environmental options required to capitalise on identified markets and thereby enable the investor to assess the potential returns on investment. Information for this type of study will developed from the demand and supply chain analyses. This aspect is particularly pertinent to R&D activities involved with scaling-up issues.

- ***Methodologies for encouraging collective action.*** It is apparent, that rapid market reforms were in part responsible for changes in management systems that led to the collapse of the co-operative movements in many African countries. This has meant that economies of scale enjoyed by farmers and also the quality control of products available to the market have declined. To combat this process, new methods of collective action and new agencies to promote this activity are required, to bring together farmers, who will then be more able to aggregate produce, improve quality standards and negotiate more effectively with traders to increase their incomes. Collective action is virtually a prerequisite to effective trade and given that there is strong evidence of collusion between traders in many African countries and evidence that farmers are paid below-market prices, tackling this issue is critical. Most small enterprises have no means of communication with the outside world or even the nearest town. Low farm-gate prices caused by the lack of market transparency means that resources (money) is flowing away from the countryside thus increasing rural poverty.
- ***Methodologies for enhancing market information / market intelligence / MIS services.*** This activity is based on the need for more effective market information services that increase market transparency and assist in reducing market collusion and high transaction costs. Improving market information services is however not a simple task and efforts are required that develop services, which are able to meet the needs of clearly identified target groups, perform on a cost effective and provide sustainable business plans.
- ***Methodologies for selection of partners.*** As part of the process of institutional and market access activities, it may be necessary to develop simple check lists for evaluation of partners. In many cases agricultural intervention has taken a rather development based approach to project development and this has meant that scaling up is often difficult as the groups did not have the necessary business skills, location based possibilities, or support services to move beyond the limits of a project / pilot plant. This method would be used by intervention agents to screen partners for specific types of activity to increase the rate of impact at the enterprise / producer level.
- ***Methods for encouraging institutional change towards greater market orientation and to tackle the issue of scaling up of technologies and markets.*** The need is based on the evaluation of current rates of change of institutions involved in the agricultural sector from production to more market led approaches. To accelerate this process and to assist in strategic manoeuvres towards a more business like approach to interventions leading to improved market access, methods are required in terms of advocacy and lobbying such that change in institutional investment and capacity can be made in the next 5 year period. This activity will focus on the need to explain to a wider audience the necessity and benefits of the change to market oriented R&D. This includes the institutions we work for, Donors, bilateral agencies, CGIAR. To effect this change, PhAction needs to unequivocally illustrate, with successful examples, the benefits of this new approach and press information on this process to people who make decisions on development policy..
- ***Encourage specialisation in institutions.*** In developing this proposal it became clear that the institutions involved in agricultural development are generally competing within the same areas of work. Another advocacy aspect of PhAction and this theme will be to encourage greater specialisation of activities across the PhAction members. For example, IITA could lead in regard to market information services, CIRAD in collective action,

NRI Food quality, CIAT in Supply Chain Support, IFPRI in spatial analysis, etc.. This type of specialisation, will avoid unnecessary resource use across many institutes and rather focus activities through specialist groups.

- *Assist partners to develop their own, in house, market-led strategies towards more commercially driven, market led agricultural development.* In addition to developing its own agenda, PhAction will be working to directly support other agencies who are interested to accelerate their desire to shift towards a more commercially oriented approach to agricultural R&D strategies and activities.

Outputs from this theme (International Public Goods)

- Methods for market analysis and market information services specifically designed for R&D agencies, collective marketing agencies and market support providers.
- Case studies completed in market analysis, business evaluation and market information services that can be used to provides lessons and results expectations in other areas of the world.
- Manuals for business skill development in small rural agro-enterprises availed.
- Market information services integrated at local and national levels to meet needs of both producer, trader and policy groups.
- An institutional shift from production to market-led research and development in the agricultural sector.
- A cadre of market analysts trained in target areas, with capacity to transfer this knowledge to other areas.

Clients

- Private sector agents at the regional, association and enterprise levels. (Farmer co-operatives, producer or collective marketing agencies, entrepreneurs)
- Researchers and extension agents in NGOs, with an emphasis on developing more formal relations with international agencies for national studies.
- Government Extension programmes, Universities parastatal organisations.
- Researchers in national agricultural research programmes (NARS).

Project components

This theme has six components,

1. Evaluation of existing tools market analysis focussing on demand and supply.
2. Evaluation of tools for spatial market opportunity analysis focussing on competitive advantage based spatial assets and endowments
3. Evaluation of business feasibility tools for agro-enterprise approaches.
4. Evaluation, testing and consolidation of tools with selected clients.
5. Implementation of training programmes to equip clients with capacity to use tools.
6. Implementation of local – regional – global market analyses

The marketing and agro-enterprise methods developed from the process will be applied across clients within a country or applied across markets within a region. There are three dimensions to the output products targeting client types, market types and enterprise types. The activities in Theme 1 will focus on the activities above the enterprise level, in which case products will be generically applicable. Theme 2 will focus on enterprise level interventions.

Dimension 1 Client types	Dimension 2 Market types	Dimension 2 Spatial application zones
Private sector agents	Local	Enterprise
Extension, NGOs, NARs	National	Village
Universities	Regional	Watershed
NGOs, Parastatals	Niche	Meso – regional
Cluster of entrepreneur / association	Global	Macro – Global area

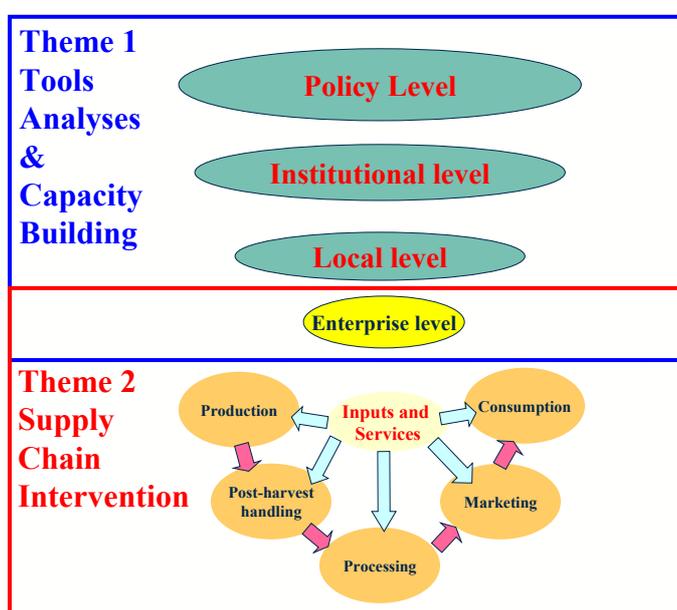
The types of outputs generated by the process may include some of the following:-

Client based tools	Manuals for training	Business Interface (Consortia)	Regional	Global
which can be used by non profit or profit based implementing agencies	Institutional reform	Linkage points for public and private sector organisations to develop partnership arrangements	Application of ideas to exploit regional comparative advantage	Application of ideas to exploit global market advantage

Implementation programme

The diagram below shows how the integration of the themes 1 and 2. Theme 1 will focus on activities **above the enterprise level** in terms of analysing tools that can be used generically across commodities, that evaluate interventions on a spatial level and can be used to evaluate the broader questions regarding competitiveness between commodities, across different models for business planning, (ie one centralised processing unit versus several decentralised processing centres). The capacity building programme will be aimed at the institutional and local agency level. Policy changes will be challenged in terms of making the shift towards more market-led interventions and hence investments.

Figure 1 Linkage between Themes 1 and 2



Activity 1.1 - Developing rapid decision making tools to analyse selected products based on market demand and supply chain efficiency

Activity 1.1. will deal with developing methods and tools that analyse (i) demand and (ii) supply chain efficiency for selected products. To undertake this work, simple, robust and rapid tools will pilot tested by researchers, extension workers and private sector entrepreneurs / associations private sector clients operating at the regional, community and enterprise levels, to evaluate demand and supply for existing and new products and the types of results gained from these analyses. The results from these studies will be fed directly into Theme 2.

Activity 1.2: Market oriented research and development decision making tools and agri-business services activities evaluated and adapted for agricultural researchers and small-scale, rural based, producer groups and processing entrepreneurs.

Developing tools that analyse (i) market opportunities and (ii) assist with product based competitive advantage through crop suitability modelling based on geographical /spatial zones.

Spatially based analytical tools include rapid techniques to evaluate which crops or products have greatest potential for income generation within a given locality, i.e., (watershed level).

Activity 1.3 – Developing rapid decision making tools for business evaluation and investment programmes

Develop tools to analyse the business feasibility for a new and or existing product within an agro-enterprise framework. These tools will be developed for application at different levels of investment and associated market types, i.e., local – global. The business tools will consider the fiscal, technical and environmental options required to capitalise on identified markets and thereby enable the investor to assess the potential returns on investment. Information for this type of study will developed from the demand and supply chain analyses. This theme will focus on activities above the enterprise level, Theme 2 will evaluate business planning tools with the entrepreneur.

Objective 2 – Building capacity in Market analysis and Business feasibility evaluation

Developing training programmes that foster an institutional shift, within agricultural research and development agencies, from a production to a market-oriented research strategy. Timeframe for this shift is to achieve a majority shift in strategic thinking of the main R&D institutions over the next 5 year period, such that research agendas and implementation activities are clearly driven by and responsive to “market demands” and that monitoring and evaluation techniques are made on an economic return basis.

Defining the components

1. Evaluation of tools for market analysis

There is a bounty of tools and methods available for analysing markets. The aim of this research theme is to conduct a rapid evaluation of the types analytical tools and methodologies that are available for market analysis with the intent to select methods, which meet the following criteria, methods that are:-

1. Simple and can be applied by R&D and private sector agents.
2. Rapid, such that only the most essential information is collected, i.e., that information which narrows down options rapidly and then gathers information, which can be used in business plan analysis.
3. Additive, in that clients can select from a range of tools, depending on the level of sophistication they require, typically the level of investment being considered.
4. Robust and flexible so that it can be widely applied or the design of a range of methodologies / tools that can be applied by specific types of user.
5. Continuous in nature such that the method or tool can be applied in time to a specified market. This assists clients to avoid a snap shot approach to market analysis and provides a dynamism to the approach such that the partners can respond to changing market forces.

2. Evaluation of business feasibility tools for agro-enterprise approaches.

As with market analysis there are many tools at various levels of sophistication that already exist to evaluate business performance and feasibility of new projects and or products. This study will be conducted with partners working in this area to assess a number of widely used tools to come to a decision on either the most appropriate “off the shelf” product to whether to use the key

components from several existing approaches to formulate a specialised series of methods for agricultural R&D agents.

3. Evaluation, testing and consolidation of tools.

Developing the methods for market analysis will build upon current work being carried out by PhAction members, with particular emphasis on target tools for selected partners and selected markets.

4. Analysis, consolidation and adaptation of tools for selected clients.

The methods / tools developed in the first phase of this work, will be used in market studies as part of the collaborative studies between the PhAction members and their various partners. These studies will be used to test the methods / tools and gain both useful market information and also information on the performance of the tool. As such, the studies being undertaken by the pilot groups will be evaluated at two levels (i) market data quality and (ii) performance of the tool compared with other methods, the ability of the client group to use this tool, plus the target group response to the tool.

5. Implementation of training programmes to equip clients with capacity to use tools.

For large institutions to be able to undertake more market driven research, such as ASARECA and the NARS of Eastern and Central Africa, serious thought needs to be given to the process of building capacity within the client groups, particularly the national programmes and the extension services both Ministry and NGO levels.

6. Implementation of local – regional – global market analyses

Given the urgent need for a greater understanding of the market opportunities from the agricultural sector and given an increasing capacity to undertake this work, more strategic thinking is required in how best to use this knowledge and how reducing research funds can optimise gains for more than one country in a given region.

Although many donors, consider that agriculture is a potential engine for growth in many developing countries and it is apparent that a large percentage of the in-country generated GDP is from agriculture. There is a divergence in how funds should be invested, ie greater private sector support or more support to marginalized communities. Some decisions should be clarified on where to place future investment, i.e., should greater emphasis be placed in areas which show highest potential for economic growth, or should greater equity be given to marginalized areas such that they are more able to compete in an ever more competitive world.

Whatever, pathway is decided upon, market analysis techniques provide a rational entry point from which to make these types of decisions. Furthermore, market survey work can provide the types of insight needed to evaluate investment opportunities on a local, regional or global level. Again, strategic thinking can also assist in designing regional studies to evaluate market opportunities from the perspective of regional advantage.

Partners

The lead organisations in this theme are IITA, CIAT, CIRAD, IFPRI and NRI. However, as this is such a fundamental stage in the process of market led research it is anticipated that all agencies will be involved in developing this theme and testing the research products. Those PhAction members that have expressed a keen interest in contributing directly to this thematic project, include: CIAT, CIRAD, IFPRI, IITA, FAO, and NRI.

Interest from NGO sector and Consultancy agencies has been identified, specifically:

- Enterprise Works International - AT-Uganda: possible case study project in Uganda for market linkage methodologies for oil seed crops in Uganda
- Catholic Relief Services for market analysis methodologies in 3 countries in Eastern Africa.
- Golletti Associates, market analysis methods in Vietnam
- IFPRI Dream studies in Uganda
- CYMMT, IITA and FAO in market services analysis in Eastern Africa and in methods for market information delivery, including website based market information (InPhO)
- Commodity Marketing Information Services.

In addition, IITA is associated with another possible studies in Uganda, and CIAT with others in Honduras and Colombia.

NB: Although, PhAction institutes are doing a considerable amount of work on market analysis and enterprise development, we do not feel we have sufficient capacity to undertake the level of tasks required. Therefore we need additional technical assistance from other agencies for analytical tools, such as:-

- Market survey techniques,
- GIS based models market access models,
- Business feasibility tools
- Training manuals and strategies for major training schemes

Contacts with other partners:-

1. Ministries of Agriculture and Finance at the policy level
2. NGOs Governmental Extension services such as CRS, CARE, World Vision, other donor contractors for in field contacts.
3. Regional networks such as FEWSNET, IGAD, COMESA, for regional connections.
4. CLUSA for Market collective action type activities
5. Technoserve for Agri- Business planning
6. USAID (Agribusiness centres for local support and market linkage)

Key Sites

This project will be implemented where PhAction members already have ongoing activities in both market analysis and agro-enterprise development. Sites suggested are:-

- ◆ Uganda (ECA region as defined by ASARECA)
- ◆ Vietnam (SE Asia in support of PhAction member target countries)
- ◆ Latin America (CIAT (Honduras and Nicaragua) and Andean (Colombia, Ecuador, Peru and Bolivia) Regions.

Market Types at the site level

Local

National

Regional (*emphasis will be placed on regional approach*)

Global

Sectors at the site level

Staple food crops (Grains, Roots and Tubers)

Meat products (urban and rural based processing)

Horticultural crops (Perishable crops)

High value crops (Export crops)

Niche market crops (Medicinal, non-food)

International Public Goods

- Methods for market analysis and market information services specifically designed for R&D agencies, collective marketing agencies and market support providers.
- Case studies completed in market analysis, business evaluation and market information services that can be used to provides lessons and results expectations in other areas of the world.
- Manuals for business skill development in small rural agro-enterprises availed.
- Market information services integrated at local and national levels to meet needs of both producer, trader and policy groups.
- An institutional shift from production to market-led research and development in the agricultural sector.
- A cadre of market analysts trained in target areas, with capacity to transfer this knowledge to other areas.

Areas of innovation

- Using a multi-institutional team to implement a major behavioural shift in the strategies and activities implemented by agricultural support agencies from a production based to more market oriented, commercially driven agricultural research and development programme.
- Evaluation, selection and fine tuning of most appropriate market analysis tools for identified user groups aiming to improve market access for small-scale agricultural sector in developing countries.
- Development of more sustainable and effective market information services that meet the needs of small-scale rural producers and entrepreneurs, that operate in a consortia mode with public and private sector partners.
- Focus on principle to link farmers with markets rather than single component activities.

Relevant on-going activities - Existing projects

This project proposes to build on previous work, and in particular to focus on small, rural enterprises in the agri-business sector. PhAction members are currently engaged in a number of discrete initiatives that fall within the objectives outlined above. For example:

- CIP have published a proceedings from a workshop on methods for market analysis. This proceedings entitled Prices, Products and People, provides a series of case studies where different types of market analysis tools were used. These are a starting point in evaluation of methods, their relevance and applicability.
- NRI and IITA-Foodnet are involved with developing projects that seek to evaluate the methods being used by NARS, NGOs and private sector associations in Eastern Africa to analyse markets and improve market linkages of rural producers with urban markets.
- CIAT has developed marketing manual, which focuses on the needs of rural entrepreneurs within a defined geographical domain. This spatial analysis method is aimed to support rural producer groups but relies on specific studies being completed by consultants. This manual has been used in training projects market opportunity in Latin America.
- IFPRI has developed a software package entitled “DREAM”, (Dynamic Research EvaluAtion for Management) that is able to evaluate the economic effects of agricultural R&D under a broad range of conditions. The DREAM software is available in English or Spanish and will soon be available in French. The results from dream can be integrated with GIS based maps to show market access profiles for specific commodities based on agro-ecological suitability, market demand based on population profiles and market access based on transportation routes.
- CIP and CIAT have developed a manual for adding value to root crops based on previous work that was done on cassava processing in Latin America. This manual provides background information to develop a pilot site for rural processing and also provides a series of case studies of similar work being conducted in other parts of the world.
- CIRAD and IITA-Foodnet are developing a protocol for rapid market analysis. This manual, in French, is being developed primarily as training material to enhance marketing analysis training courses and projects that are being undertaken in Eastern Africa.
- IITA-Foodnet and FAO are working on methodologies, which aim to improve market information services. These methods are being tested in Uganda.
- IITA-Foodnet and the Famine Early Warning System (FEWS) is establishing a partnership to evaluate improved decision making tools for market information services. This work will focus on tools designed for data collection, storage and processing.

Capacity building activities that are ongoing

1. IITA-Foodnet training courses in Market analysis (Eastern Africa-ASARECA)
2. CIAT Agro-enterprise training course (Latin America)
3. IITA-Foodnet / CIAT Agro-enterprise training course (Eastern Africa-ASARECA)
4. More courses are in preparation for both market analysis and enterprise development, but these courses are confined to Eastern Africa and Latin America and there is demand to expand these products to South and South East Asia.

Resources committed by partners

IITA-FOODNET project has limited funds to initiate some of these activities in terms of developing tools in Eastern Africa.

ASARECA commodity based networks have funds and a mandate to conduct regional, commodity based sector studies.

Vietnamese national programme would like to undertake market analysis training and also to develop capacity in agro-enterprise activities, but funding is not clear

Value added for PhAction

PhAction will provide:-

- A focal point for activities based around
- Linkage of partner activity with partners working on other themes and encouraging co-operation between PhAction members
- Provision of co-ordination / facilitation of activities
- Leadership in key areas, with ability to invest funds into specific areas that require technical support.
- Raise the profile for the need for change from production to market-led research and development
- Facilitate the process of shifting ideas and processes and successful interventions from local to global actions.

Threats

- **Institutional Drag.** One to the major threats to this process is the inability of institutes to make the necessary policy changes that will enable them to shift from the current production focus to a more commercialised approach.
- Donor policy that has a strong bias towards working with marginalized groups in areas of poor market access but are unable to take on a more commercially competitive strategy for disbursement of funds.
- Currently there is little capacity for market research in the NARS and NGOs. To make the required reforms there is a need for policy level decisions towards market-led research. Training of clients, WITH clarity in who to train and who not to train

Opportunities

- In the current environment of change, it is likely that new agencies will develop, to meet the needs of the more commercialised producers, traders and processors in developing countries. If the decentralised approach to extension is successful, these service providers are to fill the gap in the market. Alternatively, some NGOs will take on this role and become more specialised in market support.