



Guidance tools for producers

Strategy for upscaling Mountain Partnership Product
(MPP) initiative's marketing strategy

René Fréchet

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1 How to improve the value chain of mountain products

1.1 The five axes of value chain development

The following table shows the five axes of value chain development:

Axis 1: Improved agricultural productivity	Axis 2: Smallholders organized to access markets	Axis 3: Trade linkages strengthened	Axis 4: Value added along the marketing chain	Axis 5: Enabling Environment
<ul style="list-style-type: none"> - Diversification into high value crops - Access to yield improving (organic) inputs - Improved technical skills 	<ul style="list-style-type: none"> - Farmer group strengthening for production - Cooperative development and strengthening for processing and marketing 	<ul style="list-style-type: none"> - Business model development (e.g. contract farming, aggregation of products) - Business plans & marketing strategies developed - New market development (e.g. linkages to supermarkets, export, etc.) 	<ul style="list-style-type: none"> - Processing - Storage - Transport - Certification (PGS, third-party, GAP, food safety, environment, GI) - Branding - New product development - Quality improvement 	<ul style="list-style-type: none"> - Supportive sector policy/strategy - Skills training of VC partners - Market research - Technology development - Access to finance - Market information (e.g. prices, trends)

The *first axis* concerns agricultural production and is the responsibility of individual farmers. They can benefit, however, from the services of their organization, such as inputs provision, technical skills, market access, etc.

The *second axis* relates to producers' organizations and cooperatives. It is an important element of value chain development, contributing to the empowerment of farmers to interact with other market players and allowing economies of scale to purchase inputs and to do collective marketing.

The *third axis* encompasses various business models and marketing strategies to access market. Other market players play an important role in this regard, and the objective is to establish a win-win situation for all the stakeholders involved.

The *fourth axis* is regarding value addition to raw products. It generates more income for the producers and opens marketing opportunities for new products. Value addition can be done at the producers' organization (and apex) level or by other market players in the chain.

The *fifth axis* is the main responsibility of government agencies and other institutions. It refers to laws and regulations enacted to facilitate the production and marketing of products. It also involves service providers such as financial institutions, research centres, universities, agriculture extension, federation of cooperatives and others.

1.2 Value chain mapping

Key questions:

- What are the core processes in the value chain?
- How is the chain organized?
- Who are the key actors?
- How do products, payments, services and information flow through the chain?
- Who are key partners?
- What are the external influences that affect the performance of the chain?

The abilities of value chain mapping:

- Visualize the diverse roles and connections between participating actors in the chain and identify sources of innovation and improvement
- Provide information from a macro perspective about situations and their context, and provide a systemic overview
- Trace product and information flows
- Identify key actors and functional stages
- Support a visual and actor oriented learning process
- Show blockages, bottlenecks and disruptions in the market system

Value chain mapping

Market Actors:



Functions:



Activities:

Supplying	Growing	Collecting	Trading	Selling	Consuming
- Feed purchase - Seedling growing - Spraying - Selling inputs	- Purchase - Spraying - Harvesting - Grading - Collecting	- Grading - Storing - Transporting - Selling	- Purchasing - Collecting - Selling	- Purchasing - Promoting - Selling	- Selecting - Purchasing - Consuming

The main actors in the chain are input suppliers, farmers, collectors, wholesalers, retailers and consumers. They undertake different activities according to their function. Other important actors are the service providers such as financial institutions, government extension services, NGOs and others which form the partner network of the value chain. Finally, external influences also impact the value chain. These influences include the political, economic and legal environment, available technology, etc.

1.3 Value chain platform meeting

This activity aims to foster discussion and information sharing among the various market players and service providers in a specific value chain. The structure of the platform must be flexible, allowing new stakeholders to join, and must depend on the participants' willingness to meet. The project or the NGOs can facilitate the process at first, but the participants must eventually be able to sustain themselves.

The principle is to invite around the table as many market players and service providers as possible, including farmers, extension services, buyers, processors, transporters, banks and MFIs, agro-dealers, etc. A well-balanced competition must allow each stakeholder to present their product's advantages.

A typical agenda can be drafted using the following template:

- Presentation of the objective/purpose of establishing a value chain platform
- Structure of the platform
- Role in identification of markets
- Role in accessing finance
- Role in supply and pricing for inputs, services and produce
- Role in dispute mediation
- Sustainability of the association
- Discussions with members of the platforms/questions and answers session

Following are some questions for the discussion:

- What is the value chain doing well?
- Where are the weak points of the chain?

- What needs to be improved? (quality, inefficiencies in production or processing, logistics, etc.)
- What excess resources exist?
- What resources are limited?
- What limits your growth?
- What do you wish you had more of? Less of?
- What are the logistical problems? (issues as supply, transportation or storage)
- What information do you and your value chain partners need in order to make better decisions?
- What factors impact your ability to operate effectively and efficiently?
- What changes would provide the most benefit to value chain members?
- Which relationships in the value chain could be strengthened to work together more successfully?
- What would your end users (consumers) say are the product's strengths and weaknesses?

2 How to access financial services

Finance can be in cash or in kind (e.g. services, labour, equipment, food products), internal (from the producers' organization for instance) or external (bank, financial institution, government programme), etc.

It is preferable to start with self (internal) finance because no track records of the business or collateral is needed. In this sense, it is advisable to strengthen members' commitment to invest their own personal money. Maintaining good and transparent relationships with members will ensure sustained commitment in the long term.

If financial autonomy is a goal, finance should come more from internal sources than from external sources as this is ultimately more sustainable. However, for the expansion of the business/organization, external funds might be needed.

3 How to choose among organic certification schemes

3.1 Type of guarantee system

Before choosing which guarantee system is more suitable, it is useful to gather information about the different possible certification systems. It is then easier to choose the type of guarantee system suitable based on target markets and cost. Markets often define the type of guarantee system to be used in certification. Different markets, and the consumers that frequent them, demand different types of guarantees; this is usually linked to how trust is built with the guarantee system. In a neighbourhood market, for example, self-declarations could be sufficient, as producers and consumers know each other. In distant markets, such as export markets, consumers do not know the producers, so third-party certification would probably be required, but PGS might also be accepted.

Which guarantee system?	How is trust built?	Which market?
Self-declaration	Trust relies on direct and repeated interactions between producers and consumers.	Neighbourhood and local markets where direct relations between producers and consumers are possible
Actors' audit	Trust relies on direct and repeated interactions between the transparent intermediary or processor and consumers.	Local or national markets where direct relations between transparent intermediaries or processors and consumers are possible.
Third-party audit	Trust relies on the independence of the certification body and on the accreditation by public authorities.	National and international markets where consumers have few possibilities to directly meet the operators of sustainable food systems and have to trust professional certifiers.
Participatory Guarantee Systems (PGS)	Trust relies on the direct participation of all actors, meaning that consumers trust this system either because they actively participate in the certification process or because they have direct relations with other actors participating in the guarantee system (producers, transparent intermediaries or other consumers).	Local and national markets where direct relations among actors of the system are possible.

3.2 PGS organic certification

The key elements of IFOAM's PGS approach are (<https://www.ifoam.bio/>):

1. Shared Vision: A fundamental strength of the PGS lies in the conscious, shared vision of both farmers and consumers in the core principles of the program. While PGS programs may vary in the level of actual participation, they thrive because of the active awareness of why, how and, not least of all, who is being served.

2. Participatory: Participatory certification is based on a methodology presupposing intense involvement by those interested in the production and consumption of these products. Principles and rules for organic production are conceived of and applied with the contribution of all stakeholders: producers, consultants and consumers. The credibility of the production quality is a consequence of robust participation.

3. Transparency: All stakeholders, including farmers, must be aware of exactly how the guarantee mechanism generally works, the process and how decisions are made. This does not mean that every detail is known by everyone but rather a basic understanding of how the system functions is shared among all. People should be aware of the criteria for how decisions on certifications are made: especially the reasons why some farms cannot be certified. This implies that there must be some written documents available about the PGS and the documents are made available to all interested parties. Privacy and commercially sensitive information of producers gathered during the operation of PGS must be treated with confidentiality, but such confidentiality should not be used to compromise the transparency principle. This may seem in conflict with transparency, but a line must be drawn between privacy and commercially sensitive information and access to information for the purpose of transparency.

4. Trust - "integrity-based approach": The advocates of PGS hold to the idea that farmers can be trusted and the organic certification system should be an expression of this trust. It should reflect a community's capacity to demonstrate this trust through the application of their different social and cultural control mechanisms, providing the necessary oversight to ensure the organic integrity of their organic farmers. Thus, a variety of culturally specific (local) quantitative and qualitative mechanisms for demonstrating and measuring organic integrity are recognized and celebrated. These are integral to the certification process.

5. Learning Process: The intent of most PGS has been to provide more than a certificate, but also aiming to provide the tools and mechanisms for supporting sustainable community and organic development where the livelihoods and status of farmers can be enhanced. It is important that the process of certification contributes to the construction of knowledge nets that are built by all the actors involved in the production and consumption of the organic product. The effective involvement of farmers, consultants and consumers on the elaboration and verification of the principles and rules not only leads to the generation of credibility of the organic product, but also to a permanent process of learning which develops capacities in the communities involved.

6. Horizontality: Horizontality is the sharing of power. The verification of the organic quality of a product or process is not concentrated in the hands of few. All involved in the process of participatory certification have the same level of responsibility and capacity to establish the organic quality of a product or process.

The **key features of a PGS** are the following:

1. Standards and norms should be conceived by the stakeholders through a democratic and participatory process, but always in accordance with the commonly understood sense of what constitutes an organic product. The norms should stimulate creativity, which is a characteristic of organic farmers.
2. Grassroots organization: The participatory certification should be perceived as a result of a social dynamic based on an active organization of all stakeholders. It is appropriate to smallholder agriculture because the participatory nature and horizontal structure of the programs allows for more appropriate and less costly mechanisms of certification, encouraging consumers to seek out smallholders.
3. It should have principles and values that enhance the livelihoods and well-being of farming families and promote organic agriculture.
4. Documented management systems and procedures: There may be minimal paperwork required of farmers but there will be ways in which they are expected to demonstrate their organic commitment and integrity; these ways should be documented by the PGS.
5. It should include mechanisms to verify farmer's compliance to the established norms, which is able to stimulate participation, organization, and which allow a learning process for all the stakeholders.
6. It should include mechanisms for supporting farmers to produce organic products and be certified as organic farmers, including field advisors, newsletters, farm visits, web sites, etc.
7. It should have a bottom-line document: or example, a farmer's pledge stating his/her agreement with the established norms.
8. It should have seals or labels providing evidence of organic status.
9. There should be clear, previously defined consequences for farmers not in compliance with standards, and these actions should be recorded in a database or made public in some way. There will always be circumstances in which producers are unable or fail to comply with the standards and norms of their PGS. In most cases, it seems these non-compliances are minor in that they are mostly centred on the perennial challenge of record keeping. However, in some cases, the non-compliance might be more serious, such as the deliberate use of a prohibited input or the mislabelling of product. It is logical, then, that the consequences for non-compliance will be graded according to the seriousness of the non-compliance. Whatever the consequences might be, they should be:
 - Agreed upon by the producers in advance: agreement in this way establishes a level of commitment and understanding of what the consequences of non-compliance are; and
 - Documented and presented to the producers as part of the agreement they make to follow the standards and norms. Often, they are included with the farmer pledge.

There is no value in having consequences for non-compliance that are not owned by the stakeholders and cannot be applied or respected by stakeholders. It is vital that the consequences are practical; for example, where a fine might be imposed on a producer, the level of the fine should fit the capacity of the producer to pay the fine.

4 How to identify appropriate markets

4.1 Market survey and marketing

4.1.1 Market survey

Current and potential buyers

1. Interview of potential buyers, by phone or in person. Buyers include: manufacturers, processors, suppliers, wholesalers, off-takers, distributors, institutions, brokers, retailers, consumers, etc.
2. What quantities are purchased annually?
3. What prices are paid at each level of distribution for these quantities?
4. Are there pricing variations for differences in quality, such as size, grade, purity, colour or ripeness?
5. At what discount would the buyer switch to a different product (yours) of the same quality?
6. What are their normal order sizes?
7. What are the maximum lead times required for delivery?
8. Is there seasonal demand for the product or service?
9. Do prices vary by season, and if so, by how much?
10. What are the markets for or methods of disposing of by-products resulting from processing of the commodities into finished products?

4.1.2 Marketing

Information to collect for the marketing strategy:

1. Are there changes in prices over time? If so, what are the reasons?
2. Is it difficult to sell the products? If so, why?
3. It is difficult to supply raw material? If so, why?
4. Supply
 - a. Source by area
 - b. Source by type of person
 - c. Price
 - d. Quality
2. What is the quality of products along the chain?
3. What is the shelf life of the products?
 - a. Perishability
 - b. Post-harvest issues
4. What is the percentage of the products stored? For how long?
5. Are there any storage problems?
6. Are there storage losses?
7. What are the transaction costs?
8. Is there grading or sorting?
9. Do better grades fetch higher prices?
10. Is market information available? (E.g. on prices?) If so, from whom and how?
11. Is there a relationship between prices in different areas at a given time?
12. Who determines the price?
13. How is the price determined?
14. If company/individual is a price taker, why?
15. Are there any market regulations? If so, what are they and how do they affect the business?
16. Market Structure Competition:
 - a. Number of sellers
 - b. Is there price competition?
17. Are there any credit institutions? If so, what are their interest rates?

5 How to improve logistics and distribution

Distribution and logistics are of substantial value not only to buyers and distributors, who are seeking to ensure a constant supply to consumers, but also to producers. A sustainable distribution system can bring higher added value and less costs. Key challenges include defining the logistical needs and minimizing the costs of meeting these needs.

Product Specifications (volume/quality) + Transport (distance/cost/transport conditions) + Buyer Needs (Volume/ Timing/ Location) = Logistics needs

The distribution has to be adapted to the following criteria:

1. Perishable products?
2. For individual consumers or wholesale?
3. How far away are they?
4. Cold storage or special types of crates?
5. Right quantity and quality the buyer is asking for?
6. When do they need the products? Do they have flexibility in their schedule?
7. Is their location reachable with normal transport?

Business logistics normally cover the complete flow from production (or processing) to sale; therefore, it might involve activities related to purchasing, storage, inventory and transport.

Some farmers can sell directly on the farm by putting up a farm stand that consumers can visit. However, most of the time the farmer needs to move the product somewhere else, like to a farmers' market, hotel, restaurant, school, supermarket distribution centre, buyers' home or warehouse for further transport. All of this requires logistics and some form of transparent intermediary. Transparent intermediaries are important, as they collect and transport product from farmers to the market, and there are overheads attached to this service (transport/storage/repacking) and risks (losses/damage/inability to sell). Farmers may receive a lower price if they sell to an intermediary, but that price does not include the costs of transport, storage or risk that comes with organizing the logistics. One path is for the initiative to develop the skills and find the equipment to manage this by themselves (to become the transparent intermediary), but this is often not the easiest or best option.

Storage is essential for inputs (e.g. seeds, seedlings, organic fertilizer), raw materials, processed and finished products. Sometimes storage can be operated at the community level with a public storage warehouse, but often storage is handled by an intermediary or producer group. Below are the factors to consider when operating storage:

- Quantity: besides having sufficient storage area for the volume of products to be stored, some products, especially raw materials and semi-processed products, may lose weight during storage due to pests, moisture loss and deterioration over time.
- Quality: different products require different storage conditions. Even different types of vegetables may need different temperature and moisture levels. Some absorb fragrance from their surrounding environment.
- Inventory: there are a few factors to consider in this aspect, such as the "first in, first out" rule, who is authorized to take out product from storage, and recording control for inventory checking.
- Costs: to be sustainable, businesses keep costs low by being efficient and effective. Storage costs may include: initial investment costs, depreciation costs, maintenance costs, electricity and amenities, pest control services and shelving or racks.

6 How to develop producers' organizations and cooperatives

6.1 There are eight steps in the development of a cooperative:

Step	Activity
1. Developing the initiative	<ul style="list-style-type: none"> - Work out proposed initiative and ideas - Pull together committed core group - Define critical questions - Discuss cooperative as one of several options - Collect information - Explore relevant market/economic need - Discuss scope and nature of the problem - Study economic and social aspects of problem
2. Building consensus	<ul style="list-style-type: none"> - Discuss within core group whether a new cooperative can adequately address identified problems and opportunities - Study organizational alternatives - Hold initial meetings to review scope and nature of a cooperative solution - Propose cooperative approach in public meeting - If sufficient interest among potential members, create initial budget
3. Establishing a steering committee	<ul style="list-style-type: none"> - Install working groups - Agree on timetable and tasks - Assign tasks to potential members for subsequent steps - Build trust among potential members
4. Feasibility study and member survey	<ul style="list-style-type: none"> - Survey potential members - Agree on feasibility and inform stakeholders - Obtain support and expertise from third parties
5. Organizational design	<ul style="list-style-type: none"> - Determine organizational structure - Prepare preliminary statutes and rules or by-laws - Determine capital need - Raise initial capital (members, third parties)
6. Member commitment	<ul style="list-style-type: none"> - Develop detailed business plan - Explain and confirm legal identity - Set up books/accounting system - Hold first members' meeting to approve the business plan - Conduct member equity drive and sign-up - Appoint interim board of directors
7. Involving other stakeholders	<ul style="list-style-type: none"> - Formalize relations with customers or suppliers - Appoint manager - Secure necessary additional financing
8. Starting up the enterprise	<ul style="list-style-type: none"> - Hold general meeting - Establish committees - Secure necessary assets - Obtain necessary permits, carry out preparatory financial and administrative tasks - Recruit personnel

6.2 General rights of members:

- the right to participate in all meetings, propose matters for discussion (items to be included in the agenda) and actively contribute to discussions;
- the right to participate in decision and policy making, and control of their producers' organization/cooperative;
- the right to vote;
- the right to elect the members of the executive committee/board of directors;
- the right to remove the members of the executive committee/board of directors for not fulfilling their roles and responsibilities or in case of misconduct;
- the right to be elected to serve on the executive committee/board of directors;
- the right to be informed (e.g. by receiving the minutes of the General Assembly meetings) and have access to, examine and question any relevant information and records regarding the operations of their producers' organization/cooperative (including financial records) – refer to transparency;
- the right to call for a special meeting of the general assembly if they feel a need to discuss urgent matters;
- the right to be treated equally;
- the right to voluntarily withdraw from their producers' organization/cooperative; and
- the right to make and amend the by-laws of their producers' organization/cooperative.

Financial rights of members:

- the right to participate in the business activities of their farmer's group/cooperative and to make use of all facilities and services provided by the producers' organization/cooperative (e.g. inputs supply, marketing of crops, etc.);
- the right to receive a share of the profit that is in proportion to the transactions the member made with the cooperative;
- the right to access loans and other financial services provided by the producers' organization/cooperative to its members (as long as they meet the conditions set in the by-laws for accessing such loans or services); and
- the right to be paid dues upon voluntary withdrawal as laid down in the by-laws of their producers' organization/cooperative.

6.3 Duties of members:

- the obligation to personally work towards the achievement of the common goal, and therefore to actively participate in all the activities and meetings of their producers' organization/cooperative (active participation in the affairs of the group/cooperative is not only a right, it is an obligation);
- the obligation to preserve, protect and promote the image of their producers' organization/cooperative and to safeguard the interests of the producers' organization/cooperative above the interests of individual members;
- the obligation to accept and comply with the decisions made during the general assembly meetings (at least if the decisions were made during meetings that were held with the required quorum and if they were made with the minimum number of votes required by the by-laws);
- the obligation to provide, when necessary, any information that their producers' organization/cooperative may require;

- the obligation to respect and abide by the relevant national legislation (Cooperative Act and Rules and Regulations) and the by-laws of their producers' organization/cooperative;
- the obligation to refrain from any activities that can be detrimental to the business of their producers' organization/cooperative;
- the obligation to make financial contributions as set out in the by-laws of their producers' organization/cooperative (e.g. membership fees, contribution in terms of shares, etc.);
- the obligation to commit to the liabilities of the producers' organization/cooperative as laid down in the by-laws;
- the obligation to use the facilities and services provided by their producers' organization/cooperative (e.g. to market all the produce through the group, buy supplies from the cooperative, etc.); and
- the obligation to pay back loans taken from the producers' organization/cooperative.