Value Chain Study

USER MANUAL

Compiled for

Action for Development

Compiled by:

Target Business Consultants Plc

www.targetethiopia.com

Tel +251 116 180540, Fax +251 116636645, +251 911 211989

info@targetethiopia.com, getconsult@ethionet.et

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Acknowledgement

This value chain manual is prepared for Action for Development, to be used by its staffs for when they are conducting value chain studies. This manual is mainly adapted from a value chain study document developed by International Center for Tropical Agriculture entitled Increasing the Competitiveness of Market chains for Smallholder producers: Manual 3: Territorial Approach to

Rural Agro-enterprise Development (2004). Other materials like, a book entitled " A hand book on Value Chain Research", prepared by Raphael Kaplinsky and Mike Morris for IDRC(2000), and a book entitled Local "Value Chain Development for Decent Work, An operational guide", prepared by Matthias Lesego Herr for ILO (2007).

Other materials included in the Bibliography are also referred in the compilation of this manual.

In addition, we have incorporated and customized some of the presentations of the above mentioned books to the Ethiopian context based on our recent research on the value chain studies made in the area of livestock and Gum and resin. Success story on the participative value chain study conducted in Ethiopia by SNV is annexed.

Table of Content

Forward

We have found the material presented in this manual very helpful. As the manual is expected to be used by AFD, the type of value chain study to be conducted is certainly a participative way of value chain study than the one that has been conducted by us on the value chain studies we have made to AFD.

Even for a study team based research, the methodologies presented in this manual are very useful and we ourselves are witness for practicing it to a major part of it. Generally speaking, there is no a silver bullet in a value chain methodology and the reader is expected to find out a better approach in the application of this manual as the objective realities in different markets and social setups are so different. The bottom line is of course the same: to enhance the livelihood of the communities through market empowerment and establishment of an efficient value chain.

Getnet Haile
Target Business Consultants Plc
Getconsult@ethionet.et
www.targetethiopia .com

List of Figures

List of Tables

Chapter One

1. BASIC DEFINITIONS ANDCONTEXT

1.1. Definitions WHAT IS A VALUE CHAIN?

Value chain addresses the activities, the actors, the stakeholders of a certain product or services from production (or farm) all the way through the various distribution points to the final consumers.

Raphael Kaplinsky and Mike Morris defined value chain as**:** The *value chain* describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use.

Another similar definition of value chain, from ILO Value chain guide (2006) defined it as: a sequence of target-oriented combinations of production factors that create a marketable product or service from its conception to the final consumption. This includes activities such as design, production, marketing, distribution and support services up to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms, as well as within a single geographical location or spread over wider areas.

Figure 1 shows the simplest form of value chain which depicts production, marketing and the end consumers. Some abbreviate value chain as F to F, which is from Farm to Food.

Figure 1. Simple Value Chain

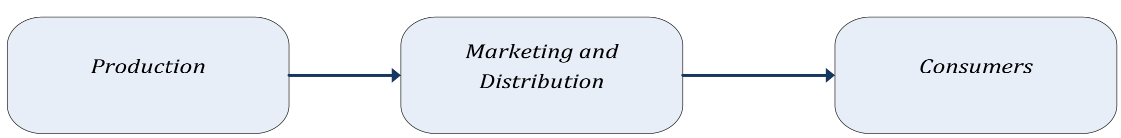
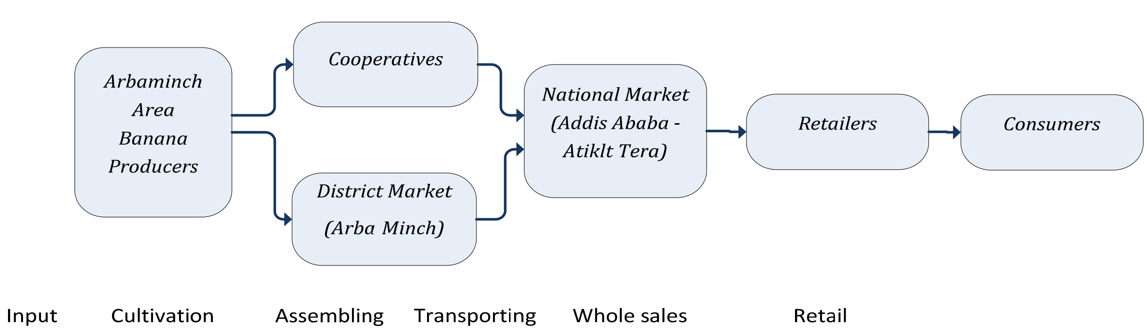


Figure 2 shows more elaborated version of value chain.

Figure 2: More Elaborated|(Case of Arbaminch area Banana farming)



Chapter Two

2. WHY STUDY VALUE CHAIN

2.1. *Advantage of Value Chain Study*

The study of value chain has a number of advantages, to mention them;

1. Contribute to the strengthening of the capacity of the focus communities, whereby enabling them to become competent market chain actors;

   Rural communities are engaging in other activities like fruit and vegetable harvesting, Gum and incense cultivation, and commercial destocking of livestock instead of holding as live asset. The problem, however comes when the farmers are offering their products to the market. As they do not have sufficient knowledge about the market, they are forced to sale at a lower price, which in some cases discourage them for production. Hence, boosting of production, may not resolve the risk of food insecurity. The produce in excess of the need of the producer should be marketed at a price where the producer will continue the pace.

   Value chain study will enable the rural community to identify the best market chain and will open the opportunity to learn more about the market and move the one step ahead from food security mentality to business.

2. Enhancing the efficiency of the market chain

   The value chain study identifies market inefficiency in the chain, where all the actors and stakeholders will intervene and improve it for common interest.

   Support organizations, including AFD and government have a vested interest in the improvement f the livelihood of the rural community. Critical review of the value chain and its inefficiency through value chain study will enable them to design a strategy of intervention, which such intervention could not be managed or afforded by the direct actors in the chain. The government decision to grant a loan to livestock exporters (while it is risky to the government owned bank to lend with a sound collateral) in order to speed up the destocking process by pastoralist who are suffering from extended rainfall shortage.

3. As defined above, Value chain encompasses all actors and environments around the movement of goods and services from production to the final consumer. It enables the actors and stakeholders to form partnership to resolve challenges in the chain.

4. Establishment of the efficient market chain will boost production

   Gum and resin is disrespected activities in some pastoralist area, and the collections of these products were not encouraging as the price paid by traders was so minimal. When cooperatives at Eder Kebele (Dhas Woreda) managed to sell to District assemblers, by jumping one step ahead from norm channel (at the farm gate or to rural assembler), they managed to sell at a better price (from Birr 1.50 to 4.50). The price encouraged collectors to collect more.

2.2. Value chain in light of globalization

According to Raphael Kaplinsky and Mike Morris[1], there are three main sets of reasons why value chain analysis is important in this era of rapid globalization. They are:

- With the growing division of labour and the global dispersion of the production of components, systemic competitiveness has become increasingly important
- Efficiency in production is only a necessary condition for successfully penetrating global markets
- Entry into global markets which allows for sustained income growth – that is, making the best of globalization - requires an understanding of dynamic factors within the whole value chain

[1] Hand books of Value Chain Research

Chapter Three

3. Market chains and service providers Basic Concepts

Guiding questions

1. What is needed to achieve effective and lasting rural poverty reduction?
2. What elements characterize the rural situation in your community?
3. What is the difference between “comparative advantage” and “competitive advantage”?
4. What is a market chain or sub-sector approach, and what are its advantages and disadvantages?
5. What other elements need to be included in a market chain approach and why?
6. How is a strategy to increase competitiveness defined, what is it for, and how is it executed?
7. What is the difference between a market chain and a value chain or value net?
8. What differences are there between the efficiency of an individual enterprise and the efficiency of a market chain as a system?

3.1. Introduction

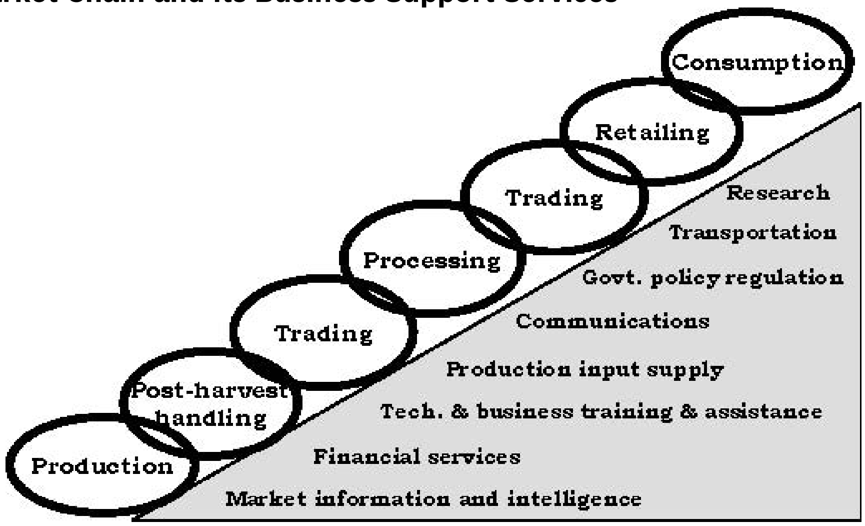
A market chain is used to describe the numerous links that connect all the actors and transactions involved in the movement of agricultural goods from the farm to the consumer, Figure 3. Supporting these activities are services that enable the chain to operate. Agricultural goods and products flow up the chain and money flows down the chain. The efficiency of the market chain is generally a factor of how well information flows between these actors. This section will describe the basic concepts of a market chain, why it is important and how we can use this information to assist linking farmers to markets.

Traditionally, agricultural support programs have focused their investment at the production end of the market chain, at the farmer’s level, the aim being to increase production in order to create sufficient levels of surplus to sell at the marketplace. Increasing production has been achieved through input supply programs supported by production based research, and agronomic assistance, the typical package being a combination of new high yielding varieties, fertilizers and pesticides. This type of intervention leads to increased output, measured in terms of yield per unit area cultivated. For food insecure areas this approach has been highly successful in improving the supply of basic agricultural products and food security is an essential first step in avoiding absolute poverty.

However, getting the balance right between demand and supply in the marketplace takes more than a production focus. All too often, markets are unable to absorb rapid increases in yield from higher input farming systems and thus higher production is often translated into reduced farm gate prices. At a local level, sudden increases in production can swiftly oversupply the consumption needs of a community, causing a collapse in local prices.

One of the major forces currently contributing to the problem of oversupply and downward trend in commodity prices is the process of “globalization”. Globalization is the term used to describe the recent impact of innovations in communications and transport systems on trade and the increasing integration of world markets. This process has encouraged nations to liberalize or open their economies with the aim of increasing their volumes of trade, including the international trade of agricultural products. This means that farmers across the world are now not only competing with their neighbors or their neighboring countries for access to markets but are competing with farmers across the world.

Figure 3 Market Chain and its Business Support Services



Source: CIAT

The recent shift away from national trade protection towards a free trade environment means that farmers need to alter their strategies from a “productivity” to a “competitive” approach. To achieve this new state of competitiveness, farming businesses need to be better organized at both the enterprise and market chain levels. For farmers in developing countries, this means a radical shift from a strategy that relies upon so called “comparative advantages” such as those gained by virtue of natural resources, cheap labor, state subsidies, and lightly processed products, that are easily duplicated by other zones or countries, towards a strategy of competitive advantage. This means that farmers within an enterprise need to understand how their markets operate, how their enterprise is positioned within a market chain and how that market chain can be organized to make it function more efficiently.

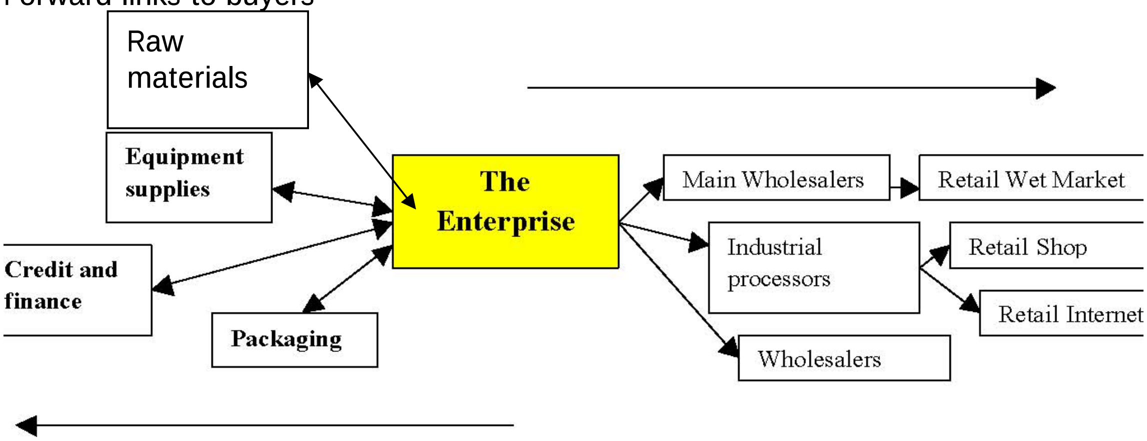
To achieve a competitive advantage in the market place requires knowledge, hard work and building trust among market chain actors. To be successful, farmers and their service providers need to take a proactive approach in positioning their products and their business in the marketplace. Increasing sales in this paradigm is not based on where you live but on meeting changing demands from consumers and taking advantage of market trends and new food safety regulations at a price that the consumer finds attractive. To claim and maintain a competitive advantage therefore requires that an enterprise has a sound business plan and that business decisions are based on dynamic information, such as consumer needs and market trends. This requires that an enterprise is managed with due attention to new market opportunities, changing needs of the consumer and how market trends influences buying.

Competitive advantage is therefore a challenging prospect that is information hungry. To understand the dynamics of the marketplace enterprises require access to market information, should develop network to bring in market intelligence and when opportunities arise need to be able to access information on how to manufacture new, more complex, value added products as they emerge on the marketplace. Over time, as enterprises become more established, they also need to find better ways to organize their links to other actors in the market chain, using their local knowledge and service providers to build trust and as required to generate alliances between specific market chain actors.

Understanding how an enterprise fits within a market chain allows the entrepreneur to make better decision on how to choose the best input supply products and partners to produce most efficiently. It will also assist the enterprise in finding better places and trustworthy buyers to sell their goods, to start to appreciate how their product flows down the market chain to the final consumer and to gain an understanding of what that person needs. Inputs, (input markets) typically include physical products such as seeds, irrigation, fertilizer, chemicals, plastic tunnel suppliers etc. but can also include information, financial support, local / international trade regulations. Outputs (output markets), includes the product that a farmer sells and who they sell to e.g. traders, transporters, processors and retailers who handle the product up to the point of final purchase by a consumer. These links within a market chain are sometimes referred to as backwards and forward links, as the entrepreneur views his or her links to the places and people involved in their input and output markets, Figure 4.

Figure 4. Forward and Backward linkages of the enterprise with input and output markets

Forward links to buyers



Backward links to suppliers

Source: CIAT

3.2. *Local service providers and their role in sustaining market chains*

Business service providers categorized as basic infrastructure providers, Production and storage service providers, marketing and business support, financial support, Policy reform, regulation and incentives scheme providers. The details are explained below. Table 1 shows a non-exclusive list of services.

Basic infrastructures are essential for production, transporting, delivering, and communicating with buyers and sellers. The presence of vet services (by government and NGOs), Vet service providers has a vital role in the livestock production. Mobile telephone network and telephone access are essential for cooperatives for instance to get up to date information and to communicate with their input providers and customers. Pastoralist are more relied on cultural communication channels like *Ode Fetcha*.

Selected seed (improved seed) providers are playing important role in increasing the productivity of the producers. In the absence of such option, it is difficult to think a long term strategy to win the competition.

Production and storage: Both government and NGOs are playing important role in the production process of agricultural products, including crops, livestock, non-wood forest products. The support extended from input supply (at low cost) to provision of capacity building trainings, assisting them through stationed Development Agents (DAs). Small scale private individuals are also providing Vet services at a price which is not exceeding 20% of the cost of the medicine. The value chain study team should assess all the potential service providers in the area of production and storage. Some NGOs in Borana Zone, for example were providing emergency cattle feed because of the drought, AFD constructed warehouse and office for cooperatives.

Table 1. Service providers that make up an enabling environment for agriculture

Basic infrastructure	Production and storage support	Marketing and business support
-Market Centers -Roads and transportation -Communications -Rural energy distribution -Water and Irrigation access and regulation -Land access and regulations -Products from Agricultural Research (selected seed)	-Production input supply merchants -Farm machinery manufacturers and suppliers -Extension services providing “Know how and innovation” to producers -Producer associations and cooperatives -Weather forecasting -Storage infrastructure/Holding grounds for livestock traders	-Market structural services -Market information services -Market intelligence -Chambers of commerce -Trader and Sector support groups -Technical and business training services -Local marketing centers -Export promotion -
Financial support	Policy reform, regulation, incentives and safety nets	
-Credit services -Seed funds for coops -Banking services -Insurance schemes -Trading exchanges (Commodity exchange) -Futures markets	-Security (clan conflicts, bandits..) -Land tenure policy and taxation -Government policy regulation for trading -Safety net functions, such as food aid, price support schemes -Investment grants -Arbitration and reform councils based dialogue between private sector apex groups and Government select committees -Legal reforms and dispute settlement -Regional and international trade policy groups	

There is however gaps in terms of other services like holding grounds for cooperatives and other traders in the livestock business.

Marketing and business support are vital in empowering the farmers or pastoralist in information. A lot of efforts are made by many organization mainly NGOs in creating the environment for information exchange. The study team should look into also the sustainability of such market information centers. Websites are published with the support of foreign aid, once the site is developed, it remained static and up to date information are not posted.

Data collection and information posting are often interrupted for unknown reasons. Availability of information system by itself do not warrant efficient information flow. Suitability of the media of information dissemination is important to assess the effectiveness of the system. If most of the actors who are trading in a specific point of the chain are illiterate, declaring the information with mega phone could be more effective than posting the information on a notice board.

The contribution and role of institution like, Ethiopian Commodity Exchange in terms of maintaining of the efficiency of the market should be looked in depth.

The contribution of institution like Export Promotion Department (under the Ministry of Trade and Industry), chamber of commerce, and Ethiopian Custom Authority is immense in provision of information, mainly those exported related business.

Financial Support: Banks and Microfinance institutions are the main source of finance to trading activities in Ethiopia. Because of the limited involvement of insurance companies in the agricultural sector, and because of the weak managerial skills of cooperative managers and small traders, commercial banks are not interested to provide loans. Microfinance institutions, though they are speeding all over the country, which are now more than 29, they are not yet extended their service to pastoralist areas.

Government owned commercial banks are providing financing to exporters because of the government vested interest to promote more sales for the benefit of the pastoralist. As there is no capital market in Ethiopia, the economic development is lead by banks. Generally speaking, bank financing is easily accessible mainly for those who have good collateral. In addition for those who are involved in the export business, all banks will grant a loan even without collateral after first round of successful export sales.

The study team should assess all the possible financial supports available to all actors which will enhance the strength of the value chain.

As the roles, capacity, competence and methods to evaluate the effectiveness of service providers is a major topic, it will not be dealt with in detail in this manual. This is the subject for an entire manual in this series. At this point in the process, it is suffice to note that the likelihood of success, and particularly the sustainable of any unit (like cooperatives), is highly dependent upon access to these services and therefore the roles of these players need to be taken seriously when selecting of a chain targeting a certain group like cooperative. If critical service provision, particularly technical, is not available in the area of the cooperative that you are studying, this significantly raises the risk of failure and alternative options should be considered as being more viable. .

Policy reform, regulation, incentives: The study team should asses the available policies, regulations, incentives which have an impact to the production and marketing process. The land policies, regulation related to taxation, formation of trade, cooperatives. It is also important policies and regulations and incentives to be in place for the enhancement of the market chain. For instance, communal ownership versus establishment of feedlot and holding grounds, grazing compounds at the level of cooperatives in pastoral areas needs policy.
Clan conflicts are obstacles in some areas of the country in the process of production and marketing of agricultural produces. The study team look into the intensity of the problem and way of possible intervention by government and other bodies to halt or minimize its impact.

A number of inventive on investment and export businesses are granted by government. The team has to assess potential of using of available incentives by actors at all levels for the efficiency of the selected market chain.

Ministry offices, bureaus, NGOs, regional, and Woreda administration offices are providing various support and mainly participated and intervene in the creation of conducive environment in the strengthen on the value chain.

3.3. Using market power to reduce rural poverty

Due to the effects of globalization, liberalization and increasing competition in agricultural markets, it is apparent that strategies aiming to reduce rural poverty in developing countries need to move beyond a focus on productivity to include the many other aspects involved in being part of a competitive marketing chain. Service providers implementing agricultural support projects therefore need to incorporate themes such as demand, market opportunities, profitability and competitiveness into their working agenda. Gaining a better understanding of demand and profitability is crucial if farmers are to avoid the problems of all trying to supply the same markets, with little attention to quality, as this will only lead to a poverty treadmill of producing more for lower prices.

To engage in the marketplace effectively, farmers and pastoralist need to develop new skills and have support from service providers who have a far better understanding of the marketplace, whether this is at the local, national or international level. The market knowledge should be related to the needs of the target beneficiary group and take into account both comparative and competitive advantages. Basing poverty reduction approaches on increasing production has shown itself to be only partially effective. Farmers/Pastoralist cannot longer simply expect to be offered a reasonable price for increased supply of goods; it is also a precarious strategy to believe that one can produce at ever-lower prices. Farmers who continue to supply at these prices should not expect the marketplace to have sympathy, as other actors in the market chain will use their competitive advantage to exploit this lack of marketing know-how.

Farmers today therefore need to learn not only how to produce but first how to identify profitable market opportunities, how to adapt and improve their produce and to work with others in a market chain to meet the increasing demands of the ever more globalized consumer. This new breed of consumer is seeking more choice, better quality, consistent year-round supply, greater assurance of safe production methods and as markets mature, is seeking all of these factors at lower prices. Understanding profitability, competitiveness and being attuned to changing market signals helps in making business decisions. The promotion of a rural sector capable of managing and maintaining connections with more diversified and growing markets is presented here as an alternative strategy for rural development.

The value chain intervention made in the milk business (Ethiopia) is among the recent success story which gives more opportunity for farmers and small scale dairy business owners to access a sustainable market at a fair price.

3.4. Situation Analysis

3.4.1. Client profiling

Developing marketing strategies for a client group should start with a profile of their abilities, opportunities, assets and challenges. The challenges often seem somewhat overwhelming, particularly for service providers working in areas affected by major shocks such as drought, floods, conflict. In addition, many rural areas are also dominated or complicated by problems associated with ethnic problems, language differences; illicit crop production and most are affected by poor infrastructure and weak services. However, despite all of these problems, markets operate and it is that robustness of the marketing system and its associated actors that needs to be built upon.

The types of information you need to know at this point is based around the following questions (i) who are you working with? (e.g : pastoral communities), (ii) what do they already produce (e.g Gum and resin)?, (iii) what are the major demands in the market place (e.g., gum Arabic and myrrh)?, (iv) could they produce alternative products that are in demand in the selected market or markets ?, (v) what level of risk are your clients able to adopt?, (vi) do local service providers have the skills to support promising enterprise options (like cooperatives, unions, or federation, or any form of setup like Plc and share company)?

Issues of crop diversification have different implications for different kinds of farm families and options for enterprise development are generally related to key aspects including: (i) market access, (ii) asset base, and (iii) current level of commercialization.

To differentiate among farm families we can use the following descriptors, based CIAT approach, these include:

Rural 1: "Globally competitive"

- Part of consolidated market chains – high levels of collaboration (vertical integration) with processors and retailers. Oromia coffee marketing union could fall under this category. They managed to be competitive globally and the union integrated in both direction (availing of coffee beans from its members) and establishment of a link with importers.

Rural 2: "Shrinking middle"

- Local orientation, generally supplying national markets, includes landowners, residual suppliers to wholesale or bulk commodity markets.
- This group is generally undercapitalized, currently suffering from declining terms of trade[3]. Livestock marketing cooperatives are supplying to national market to national whole sellers or exporters.

Rural 3: "Fragile livelihoods"

- Limited access to productive resources.
- Unskilled and uneducated, dependent upon low-waged, casual family labor.
- Generally not involved in global market.

Many of the farm families that service providers work with in the developing world are a combination of rural world 2 and rural world 3. For the Rural world 3 farm families, taking on more diverse market options can reduce overall risk and provide these farmers with new the option of incorporating higher value crops and hence providing them with a ladder out of poverty. However, this will only occur if we can integrate sufficient knowledge and skills for the farming community to be able to compete within a dynamic marketplace.

3.4.2. Farmer perspectives and marketing capacity:

1. *Focus on production and sales, but not marketing.* Rural world 3 producers tend to focus on production and although they know where sell their products; they generally do not have a strategy in how to market their goods. Taking a marketing approach seeks to find ways of enabling the client to have a competitive advantage at the point of sale by improving quality, product differentiation[2], market segmentation[3], and development of specific client niches.

Inefficient market chains. The links in the market chain (production, post harvest management, marketing, and business development services) are disjointed, generating an inefficient flow of information along the market chain. Lack of marketing information along the market chain can enable some actors to exploit other market chain actors unfairly. This type of exploitation is usually marked by excessive profit being extracted by a particular market chain actor at one point in the market chain. This excessive extraction of profit generates systematic inefficiencies along the market chain.

Weak and incipient managerial capacity. Many rural organizations are weak in terms of their

[2] Product differentiation- the act of taking a single product and using product development methods to make different types of product from an original: graded and sorted incense than selling the unsorted gross one to a selected market.

[3] Market segmentation; Generally related to dividing consumers into sales groups to target a specific product, i.e. products which target children, families, rich people, middle income groups etc..

managerial skills. They have limited capacity to identify and analyze critical points in their market chains; they do not fully appreciate the gains to be made by building relationships with others a market chain and are often unable to find strategies or actions to improve their business opportunities. For instance, cooperative managers are the farmers or pastoralist themselves, who are working in the cooperative on a part time basis at core functions like procurement and marketing and overall management of the cooperatives, where as many of them are illiterate or no further education beyond elementary and secondary grades.

Individual rather than collective competitiveness. Given the uncertainty that characterizes many rural areas, it is not unexpected to find that individuals seek short-term solutions based only on their needs as opposed to developing initiatives that promote competitiveness for a number of actors within a market chain in the medium or long term. As a result, low levels of trust, self-interest and a limited capacity to assume strategic initiatives as a market chain often characterize relations between actors.

3.4.3. Weak business development services.

One of the major problems in poor rural areas is the lack of business development services to support new initiatives in the agricultural sector. In the past most service providers have focused on a single link in the market chain, production. Furthermore, these activities often reach producers in a poorly coordinated form, which results in the duplication of efforts in some areas and gaps in others. As a result, support received by the market chains in the agricultural sector is not sufficiently effective to increase competitiveness and provide growth in rural areas. There are however recent initiatives in this regards by many parties from establishment of market centers (like VOCA), connecting of actors, negotiating with trade bans (like USAID, PARIMA), assisting the establishment of marketing cooperatives (by AFD, Cooperative offices, etc), commodity exchange body (by the government).

Chapter Four

4. Basic steps in developing a competitive Market Chain Strategy

Guiding questions

- What are the basic steps in developing a competitive market chain strategy?
- What are the key functions of a market chain?
- Who are involved in a market chain?
- Who should be involved in a visioning process for a market chain study?
- What is a market chain or sub-sector approach, and what are its advantages and disadvantages?
- What other elements need to be included in a market chain analysis, and why?
- How is a strategy to increase competitiveness defined, what is it for, and how is it executed?
- What is the difference between a market chain, a supply chain, a value chain or value net?
- What differences are there between the efficiency of an individual enterprise and the efficiency of a market chain as a system?
- What implications does geographic scale have for the design, financing, and execution of a strategy to increase competitiveness?

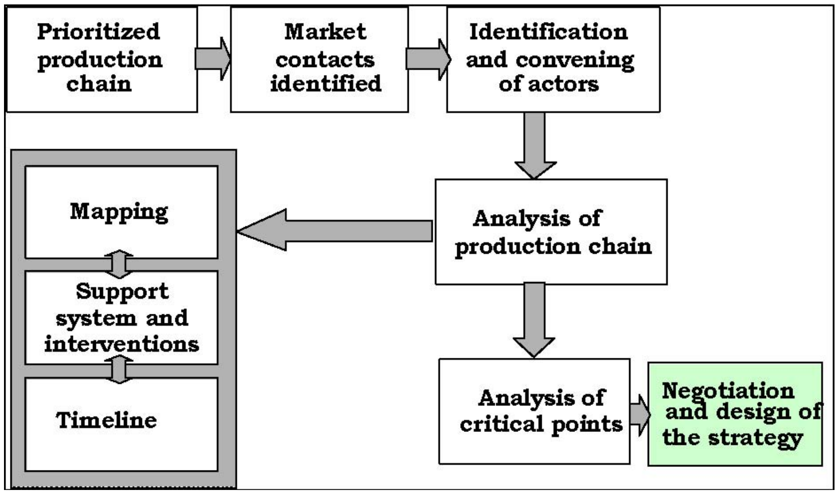
4.1. Design of a strategy to increase market chain competitiveness

The main stages in developing a strategy to increase the competitiveness of a market chain involve a series of sequential steps shown in Figure 5.

Steps in designing a strategy for increasing market chain competitiveness

1. Collating information on market opportunities and socio-economic assets of the territory and target beneficiary group.
2. Selection of a market chain
3. Identifying contacts including the different actors and interest groups that should form part of the analysis.
4. Map the market chain with participation from representatives from the chain
5. Evaluate the level of business organization along the market chain
6. Review the services available to support the selected market chain
7. Catalogue past interventions in the territory with particular attention to those which impact upon the selected chain and chain actors
8. Analyze critical points for the development of the market chain
9. Develop a long-term strategic vision is prepared based on market prospects and possibilities for product and process innovation.
10. Around this vision, design a set of strategies to resolve the critical points, taking advantage of opportunities that contribute to an increased level of competitiveness for the market chain and its actors.

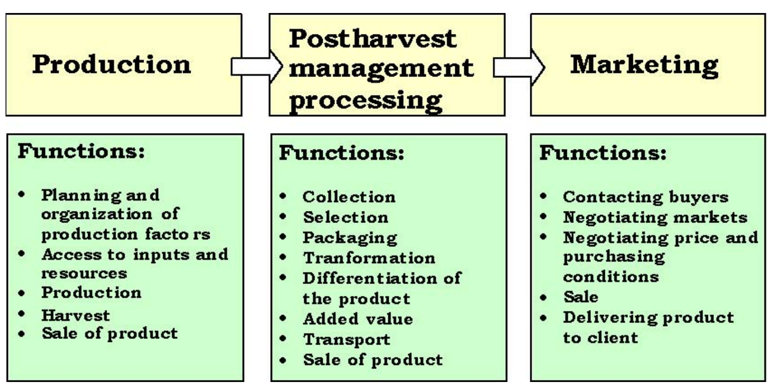
Figure 5. Stages in the design of a strategy to increase competitiveness.



4.2. *Vision of the market chain*

Given the many challenges of the marketplace, it is suggested that a practical starting point in developing a marketing strategy is to assist chain actors to visualize their market chain from beginning to end. The market chain should start at the point the actors know best; in the case of farmers, the activities on farm and the production of basic goods. The process should then work backwards to document the provision of inputs, before working forwards to document where produce is sold. At each point in the process, names of the people who sell input goods and buyers who purchase their goods should be recorded. The next step in this visioning process should be for the group to work through the other aspects of how their products move from the initial buyer to a final consumer. The visioning process needs to include all the stages of production, post harvest management, processing, selling up to retailing. The three main components of a marketing chain with their links and their functions is shown in Figure 6. It may help for the group to work through these different aspects and join them together so that time and or groups can be developed effectively.

Figure 6. Components of a market chain.



Use of the market chain approach has several advantages:

1. It permits a more complete vision of the market chain and the roles that different actors play within a business framework.

2. Dividing the chain into functions and actors provides a first level basis from which to see who performs which functions, their relative importance and this allows the producer group and service provider to being the process of understanding the management process.

3. Access to more complete information facilitates the identification of critical points impeding the development of a market chain, and where improved and or alternative interventions can be applied so that investment in a particular market chain can be most effective.

4. Visioning the market chain with multiple actors facilitates the formation of alliances and synergies between the different actors through the identification of common interests, reduction of transaction costs and a more efficient use of available resources.

This first impression of the market chain is a useful way of starting to appreciate where farming groups or pastoralist or smalls scale producer fit into a broader marketing context. However, this first look does not explicitly identify, three aspects that are key to understanding how a market chain operates, including (i) the degree of business development of participating organizations, (ii) the provision of business development services and (iii) the context in which the market chain operates.

A good understanding of the degree of business organization along a market chain and the actors that make up this business support process, will allow for the design of strategies that play to existing strengths of chain actors. Taking this into account when designing intervention strategies will be more representative of the marketing chain and offer the opportunity to build in higher degree sustainability to the overall approach.

As has been mentioned previously, market chains operate most competitively when they are supported by dedicated business organizations, both formal and informal, which participate in enabling produce to flow from the farm gate to the final consumer

As in the case of business organization, it is important to understand the quality, coverage, and effectiveness of existing business development services to find possible ways of improving the functioning and competitiveness of a selected market chain. Understanding the relationship between business development services and the bottlenecks that limit market chain development is equally important. Often it is more helpful to identify necessary services that do not exist or do not effectively respond to market chain bottlenecks than to focus on the evaluation of existing services.

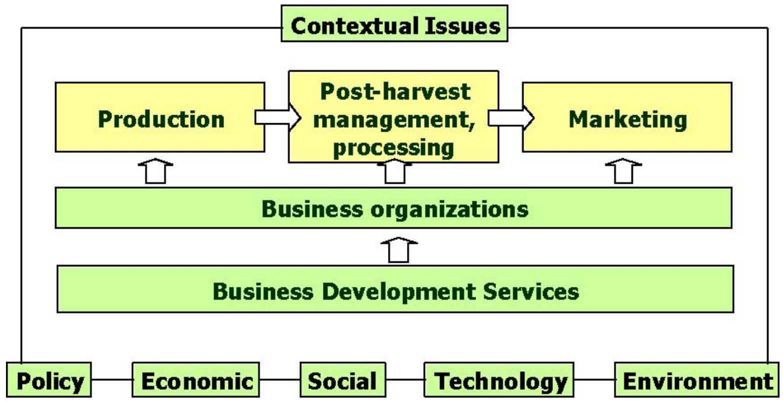
Finally, a general understanding of the context in which the market chain operates is critical. Specific issues include local and national policies, the climate for economic development, social issues, natural resource management concerns and the existing technology within a market chain.

In response to these gaps, it is good to see a wider view of the market chain that combines the initial definition, with the analysis of business organizations, the existing support system and key contextual issues.

4.3. wider vision of the market chain

The wider view of a market chain includes not only the functional aspects of a market chain (production – post harvest – marketing), but also business organization, supporting services and economic framework in which the market chain operates, see Figure 7.

Figure 7. Wider perspective of a market chain.



By taking this broader view, this methodology aims to fill gaps that have been identified in traditional market chain methods and by doing so contribute to the following principles which are essential from the perspective of the poor rural producer. These principles include:

1. **Identifying chain actors and their roles**: Experience has shown that the success or failure of a market chain intervention depends principally on the partnerships that are built between actors and business organizations that participate in a particular chain. This method therefore requires that market chain actors are clearly identified and existing relations understood. This information enables the individuals involved in the design of an enterprise to develop strategies built on trust and recognition rather than only on balance sheets.

2. **Seeking equity in the market chain**: Thorough analysis of the market chain and developing strategies to increase competitiveness is not only a matter of maximizing profit, it should also take into account a fair distribution of gain along the market chain. As such the method seeks to identify interventions that generate a more equitable distribution of the benefits, and also ensures that rural smallholders, their families and their communities are involved in the decision making process. This aspect is crucial if the design of strategies is to achieve a major goal in poverty reduction through the provision of benefits for producers, i.e. those with least resources.

3. **Designing strategies**: The use of the term "strategy" permits the design and implementation of a series of complementary projects guided by common and clear, demand led objectives and an overall competitive vision for the marketing chain.

4. **Focus on competitiveness**: The methodology also aims to generate a consensus between the actors involved in the market chain with the view of facilitating better management of intervention resources by focusing investment on increasing the competitiveness of a market chain.

The Rural Agro-enterprise Development Project of CIAT has developed the following working definitions of competitive strategies.

What is a strategy to increase competitiveness?
A strategy to increase competitiveness is a set of activities that are planned and carried out with the active participation of a market chain's diverse actors to achieve common objectives, around which one or more business organizations and/or interest groups are linked.

Why focus on a strategy to increase competitiveness?

A strategy to increase competitiveness seeks to strengthen or establish a market chain that has been prioritized based on its market potential, sustainable production system, and capacity to generate income and employment for a given rural population.

How is a strategy to increase competitiveness carried out?

A strategy to increase competitiveness is carried out through short-, medium-, and long-term research and development activities in production, post harvest management and processing, marketing, business organization and business development services, involving multiple actors along the market chain and based on an analysis of the critical points which limit the market chain's competitiveness.

Competitiveness according to business management system paradigm[4]

A business with maximum bargaining power is a competitive business. if it is competitive, then it can dictate terms, maximise bargaining power, be the sole supplier (competitive monopoly) in the segment in which it operates, dominate a market segment and make as much money as possible

In order a business to be successful, it needs to define its business in terms of what it sells to whom at what competitive power to be the best in the eyes of its buyer (by fulfilling the unmet needs and wants of its buyers) through a clear marketing and production strategy which is properly configured to its business definition.

A business which chooses the appropriate segment that it can win and that it can buy a dinner out of it is a best fit.

4.4. Market chains and Innovation

Promoting processes of change or "innovation" is crucial when attempting to increase competitiveness within market chains. Opportunities for innovation are diverse and can touch upon a few or many of the links in a market chain: including input supply, production, post harvest management, processing, marketing, business organization, and business development services. Ideally innovations raise the competitiveness for the market chain as a system and thus capture added value that can be shared by actors along the chain. More typically, innovations assist particular actors or groups of actors along the chain enabling them to capture additional value at any a point along the chain. The ability to capture added value at specific points is often referred to as a "rent". The idea of gaining rents should not be confused with the highly negative connotation associated with the extraction of "excessive rents" that is often laid at the door of unscrupulous traders. Typically this type of exploitive behavior is symptomatic of highly inefficient market chains and the approach presented here aims to remove such impediments. As such the term rent is used in this context as a means of capturing value in a socially minded but commercial fashion.

The use of innovation is particularly important when attempting to differentiate a product in the market. The process of setting a product apart from the rest adds overall value by attracting consumers and then building product loyalty. Examples of this approach include the use of logos, branding or labels that distinguish one product from many similar types, or places emphasis on how a product was produced, such as organic, sustainable, or socially responsible, or via new presentations and new products. These strategies are where innovation can play a major role in gaining longer-term added value for a product in the face of competition.

[4] Business Management System paradigm is developed by Osman A. Atac, promoted by UNCTAD/WTO. 2005

Over the past decade, organic production has been developed as a means to gain higher market prices for small-scale producers. The logic behind this strategy was that, small-scale producers do not have the necessary funds to apply chemical fertilizers or pesticides to their crops, and thus can easily convert to organic production, and at the same time receive a premium prices for their products. In this case, the innovation to increase market chain competitiveness was organic certification. However, an organic “certification ” based on a minimal financial investment and no new knowledge does not confer long lasting market benefits as many producers can replicate the same “competitive advantage”. In economists’ terms, the “barrier to entry” for this market innovation was low and, thus, the innovation was easily replicable by others.

Innovation and competitive advantages

1. If an innovation is easily replicable by other producers, it tends to be quickly copied and thus loses the advantage and added gain.
2. Profitable innovations, no matter how complicated, are copied sooner or later and thus the initial rents will begin to descend.
3. This indicates that processes of market information and innovation should be continuous and require periodic inversions to maintain competitive advantages and added rents.

Large multinational companies invest considerable time and money not only in improving their products, but also in generating a product brand that differentiates it from similar products. Branding is supported with large promotional budgets and if successful that can make certain products such as coca-cola, Manchester United, TOYOTA and TOTAL in the Ethiopian Great runs. It is often the case that the existence of an easily identifiable brand or label translates into a more sustainable competitive advantage in the long term than innovations in systems of production, post harvest, and marketing.

Does the power of branding have implications for the processes of rural enterprise development that are being promoted nowadays? New approaches to market based interventions need to take this point into account if rural producers are to compete effectively in the future and the Fair Trade movement is one such strategy to take on the multi-nationals.

4.5. Market chain efficiency versus individual business efficiency

Strategies to increase competitiveness should be considered differently when comparing efficiency at the individual enterprise level, versus the efficiency of a market chain. There are many examples of market chains comprised of one or more highly efficient enterprises, but linked in an inefficient manner. In these cases, specific gains made by a firm could be lost through inefficient marketing channels. Given that most agro-enterprise activities are not carried out by a single enterprise, but by various interrelated actors, achieving a competitive market chain requires a focus along the chain. This focus requires establishing trust-based relations along the market chain. This challenges the service provider to facilitate a move beyond the conflictive competitive relations that operate in many market chains. When taking a market chain focus, there are no good or bad actors, but rather a system that seeks to be the most efficient possible so as to benefit its participants.

4.6. Raising competitiveness through market chain quality assurance

Another issue that is paramount in sustaining market performance is due attention to product quality. For many products that are traded internationally or through major international supermarkets, products will only be accepted if they meet strict food safety protocols such as

HACCP[5] and EUREPGAP[6]. These protocols are conducted throughout the market chain and therefore it is in the interests of all actors within a market chain to maintain these stringent quality procedures if they are to avoid losing income or have produce downgraded. For consumers this mark of quality gives them greater confidence in buying a product that has been approved by a market chain scheme. Measures such as HACCP, are requiring that actors along market chains work in a more coordinated manner and by doing so, gain greater market share.

EUROTRACE is another legislative approach being used by the European Union to track quality from point of sale back to point of production. Retailers use this quality-based process as part of market chain inventory process. EUROTRACE however offers another opportunity to differentiate a product on the market, as it provides an avenue to reduce the risk taken on by a buyer when purchasing from multiple sources across the globe.

4.7. Raising competitiveness through mark of origin

In France, the government has invested large sums of money in promoting the certification of origin for agricultural products. These certificates seek to link the product with its locale and manner of production in such a way that it is easily distinguishable from products having similar characteristics produced by industrial firms. An example of this type of mark or origin includes the exclusive drink of the rich, "Champagne", an otherwise unremarkable sparkling white wine. According to the mark of origin procedure, the label "Champagne" can only be applied to wine produced from the region of Champagne, according to traditional methods. Similar wine produced and sold at a fraction of the price of real Champagne, is now labeled Methode de Champagne, to disassociate it from the original product. The French Government's Institute of Denomination of Origin expects eventually to achieve coverage of 20% of French products sold. Currently, France sells US$18 thousand million products with a certificate of denomination of origin. [9][7] Similar approaches for Denomination of Origin are also being used for red wines and in this same method is being applied to high quality coffee origins in many developing countries, providing lucrative opportunities for a limited number of coffee producers.

The specialty of house made butter in Ethiopia in certain localities for instance brought a competitive advantage for the local producers. *Kutcha Butter* of Wolaita area and *Sheno butter* of North Shoa (Sheno area) are priced higher than butter from other sources. Some traders are actually snatched such long aged community source of origin branding to their factory produced vegetable oils. We believe that source of should be protected, as France protected Champagne and other products, so that only those who build the image for centuries deserve to be rewarded from benefits out of it.

We have a lot of Examples on agricultural produce known by origin, like Humera white sesame which value of higher than that of Gondar sesame, and Gondar sesame is higher than Wolega sesame. Arba Minch area bananas are valued higher than that of Jima origin. Gum and resin products are identified by locality (Ogaden type, Tigray type, Gondar type, Borena type etc). Borana cattle are grouped among best exportable cattle breed preferred for export market. You can enumerate a number of example.

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[5] Hazard quality assurance at critical point

[6] For more information see: http://www.eurep.org/

[7] Becker, Elizabeth. 2003. Western farmers fear third-world challenge to subsidies. New York Times, September 8. (http://www.nyt.com).

4.8. Market / Supply chains versus Value chains

The terms production chain, supply chain, market chain and value chain are often used interchangeably, but in fact there are some important differences. In its simplest definition, the terms production chain, supply chain, market chain are synonyms used to describe all participants involved in an economic activity which uses inputs and services to enable a product to be made and delivered to a final consumer. A value chain is understood as a strategic network between a number of independent business organizations. According to Hobbs et al. (2000)[8], a value chain is differentiated from a production / supply chain because:

Participants in the value chain have a long-term strategic vision. Participants recognize their interdependence and are disposed to work together to define common object, share risks and benefits, and make the relation work. It is oriented by demand and not by supply, and thus responds to consumer needs. Participants have a shared commitment to control product quality and consistency. Participants have a high level of confidence in one another that allows greater security in business and facilitates the development of common goals and objectives

Table 2 presents other comparisons between a production market chain and a value market chain.

Table 2. Entreprise relations: Production chain versus value chain.

Factors	Production market chain	Value market chain
Information flow	Little or none	Extensive
Principal focus	Cost / price	Value / quality
Strategy	Basic product (commodity)	Differentiated product
Orientation	Led by supply	Led by demand
Organizational structure	Independent actors	Interdependent actors
Philosophy	Competitiveness of the enterprise	Competitiveness of the market chain

Source: Hobbs et al. (2000).

This guide seeks to provide a practitioner with a better understanding of a production chain and facilitate sufficient negotiations between participants to lay the groundwork for the formation of a value chain. The resulting value chain will most likely involve a smaller group of the participants than the production chain. Not all participants are interested or willing to enter into a value chain arrangement given the negotiation, information exchange, risks, and changes in the relations along the market chain implied by this focus. Generally the process of change and added responsibility within a value chain also adds costs.

The advantages of a value chain are that complex strategies of product differentiation and innovation are easier to achieve, and thus contribute to building sustainable competitive advantages over time. Annex 8 gives an example of a value market chain in a rural community.

Refer Annex 6 on the achievement of Value Chain intervention on Milk, which is accomplished by group of actors and business support services with major financing of SNV.

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[8] For more information consult: Hobbs, J; Cooney, A; Fulton, M. 2000. Value market chains in the agrifood sector: What are they? How do they work? Are they for me? Department of Agricultural Economics, University of Saskatchewan, Canada. This publication is available in: http://www.usask.ca/agriculture/agec/publications/value market chains.pdf

4.9. Scale of evaluation and level of participation

This methodology has been designed to be both flexible in terms of clients' needs and scalability. However, the reader should note that this guide is biased towards a high degree of participation not only by the lead service provider but also from representatives from all relevant chain actors. This bias is intentional as the method seeks to assist local service providers in building community capacity and skills to take advantage of dynamic markets opportunities through the exploitation of market chains and, in the future, through the development of value chains.

Most market chain studies are not conducted in this manner; in most cases a specialist team of economists (or people with business background) will undertake the market research and make the results available to a wider audience. Taking these ideas into account, the reader should consider this approach most appropriate for use at the local and provincial levels. Whilst the methodology can be applied at a national level and has particular application in negotiating for greater competitiveness in value chain development, the reader should be aware that there will be some limitations in regard to participation at a national level. It is appreciated that there are other methodologies, of a less participatory nature that are designed for national sub-sector

4.10. Considerations when applying the method at diverse scales of intervention

This section seeks to present some of the implications in terms of capacities, resources required, and methodologies for this approach depending on the scale of analysis. The term "scale" refers to the geographic coverage in which the market works. This manual works with three scales (local, provincial and national) that can be defined as:

Local: Refers to a scale ranging from a village to a community / municipality. This scale is useful when seeking to work closely with processes of community development and community management of natural resources.

Provincial / District: Includes more than a municipality and can reach as far as a province or department / district. This scale is useful for working with more geographically dispersed agro enterprise market chains, or those with more complex interaction, such as clusters or local agrifood systems.

National Focuses on one single market chain at the national level and presents advantages when the objective of the exercise is to formulate policies or plans in medium or long term to promote national competitiveness in a given product.

As the scale shifts from local, through provincial to national, there are several changes that need to be considered. Some of the likely changes and questions that should be answered before starting are listed below:

Clients and capacity to convene : Who are our intending beneficiaries? How are they organized? Who are the key actors of the market chain and what are their roles? How will benefits from this process be shared between beneficiaries and the wider community? Whom should we convene for work at the scale proposed? Do we have the capacity to bring these actors together?

Your project design should have clarity in regard to these issues before any work is undertaken. Defining the client is probably the most important decision in the process.

Costs: What can we achieve with the available budget? The definition of viable objectives with the available resources is important and can have important implications for the scale at which we work.

It is better to work at a smaller scale rather than attempting to work at a level where resources are insufficient to guarantee results.

Methodologies and level of detail: How do we choose an adequate basket of methodologies for the scale at which we wish to work? Methods that work well at a local scale are probably less effective at a national scale. This consideration has to do with the degree of participation that can be achieved at the different scales, level of detail, information requirements, and costs. What is the key information that we have to collect and analyze? Collecting additional information, however interesting it may be, implies more analysis and additional costs.

Management, negotiation and implementation capacity: What implications does the chosen scale have in terms of management and negotiation with important decision makers? How strong will our negotiating position be in relation to key decision makers in the market chain as we expand the area of coverage? Can we reasonably implement a strategy at this scale?

Representation and level of participation: What are the considerations for guaranteeing active participation and adequate representation of all actors and interests involved in the market chain? As we increase the geographical scope, the direct participation of our target beneficiaries is likely to fall, these factors need to be discussed and resolved.

Recognition of actors : How do we assure that we hear the needs of all actors in the market chain? This point requires special care both with the market chain's weaker actors (i.e. the poor, ethnic minorities, women, among others) and those considered negative (i.e. traders) whose ideas tend not to be taken into account.

Differentiated strategies: How do we guarantee that the final strategy includes differentiated solutions according to the needs of the diverse actors? All agro-enterprise market chains include heterogeneous actors, and thus demands differentiated solutions according to their needs instead of "one size fits all" strategy.

Potential for impact: What is the potential impact of actions at the chosen scale in terms of number of beneficiaries, economic development, natural resource management, social and gender equity, impact on class relations, or others?

Table 3 summarizes some of the consideration of scale of relation to the themes defined above.

Observations on the Use of Participatory Methods

This guide is based on participatory methods adapted from the school of Participative Learning and Action (PLA). These methods, which include focus groups, mapping, visualizations, social dramas, and other forms of facilitated reflection, prioritize not only documented results, but also to the process of application. Although a concrete result is generated at each stage in the process, i.e., a map, a matrix, a table, etc. these products are not the central purpose of the exercise. Of equal importance and benefit to the group members is the time and space they have invested in analysis and reflection around the methodological tool. The discussions and agreements reached are generally more important than the final tangible result of the method.

The use of participative methodologies in this guide encourages member to air their views and we are going to hear many voices speaking about a single market chain. These points of view will be quite different—what the rural producer thinks is very different to what a city trader thinks—but all the viewpoints have important information regarding the reality of the market chain. To understand the market chain, its strengths, weaknesses, and the design of a shared strategy to increase its competitiveness requires listening to all voices equally. The role of the facilitator in this process is to systematize and document the information and present it back to the market chain actors so that they can use this analyzed information to make more informed decisions on what to do, together, to improve their economic activity.

Table 3. Some considerations when applying the method at different scales

Theme	Scale		
	Local	**Provincial / District**	**National**
Client identification, representation and participation	**High:** Clients are easily defined, study is being suited to their needs. Facilitates direct participation of actors throughout process from each interest group.	**Medium**: Clients can be identified and integrated with study at specific points Need to select representatives from each group with the capacity to clearly represent the interests of all.	**Low**: Clients defined in terms of income categories, less easy to integrate clients with data gathering and analysis Actors selected represent a larger group and therefore need to have recognized ability / reason to share information and credibility within their group.
Capacity to convene.	Good for local actors, but more difficult with external actors.	Good with provincial actors, although may leave some out greater possibility of working with external actors.	Good with national actors, but with little real representation possibility of convening national decision makers.
Costs	**Low.** Costs of participative workshops, generation and analysis of information and feedback to participants.	**Moderate.** Costs of workshops, generation and analysis of information, transfer, lodging, communication of results.	**High.** Costs of workshops, generation and analysis of information, transfer, lodging, publication, and formal communication of results.
Methods and level of detail	Participative, with local actors More detailed, with direct information from individual actors	Participative at times, but with the support of survey teams or systematized data. Less detailed, with systematized data and averages for the province	Emphasis on systematized data (databases, means, surveys, etc.) with key decision makers. Mean data or national aggregates – sector trends.
Management, implementation, and capacity to negotiate.	**Limited.** Depends on local resources and desires of participants. If advances are achieved they may be sustainable.	**Medium.** Mix provincial resources with external. May fall into the trap of depending on external actors and resources.	**High.** Good possibility of obtaining resources, but difficulties in implementation if clear rules do not exist among the actors.
Needs differentiation	This can be done by income, access to market, gender, class, technology employed, or any other criteria. It is necessary to ensure that all relevant groups are included.		
Strategy differentiation	This can be done by income, access to market, gender, class, technology employed, or any other criteria. It is necessary to ensure that all relevant groups are included.		
Potential Impact	Limited to the work zone, and perhaps some neighboring sites	Medium, with wider coverage	Higher, but with the challenges in implementation previously mentioned

The design of a strategy to increase competitiveness is a systematic way to generate an open, informed discussion among actors from a market chain. But, at the end of the day, those who decide what to do, design action plans, and implement them are the actors themselves.

Summary

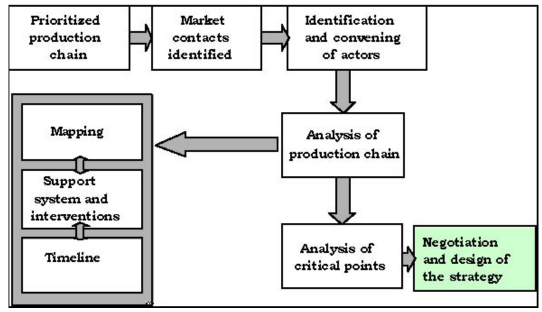
In this chapter, we have reviewed some basic concepts about market chains; an initial definition of what the strategy to increase competitiveness can be, for what it is designed, and how it is carried out; some key ideas on production versus value market chains; some appreciations regarding the scale of intervention; and finally, some initial ideas on the use of participative methodologies. In the next chapter, we will look in more detail at the principles behind this method. Many of these principles relate to the concepts that we have seen in this chapter, and together form a philosophy that supports the design of strategies to increase competitiveness.

Chapter Five

5. Guidelines for adapting the process to local needs

5.1. Introduction

Guiding questions



- What are the principles behind a strategy to increase competitiveness?
- What characteristics and qualities are required to facilitate the design of such a strategy?
- Why is it important to keep in mind the heterogeneity of the market chain's actors even within a single segment of the market chain?
- How can research and development activities be combined in a strategy to increase competitiveness, in the short-, medium-, and long-term?

In the previous chapters, we reviewed basic concepts underlying market chains and the basic steps in developing a strategy to increase market chain competitiveness. In this chapter, we will look at how to adapt and apply these principles into the design of a local strategy.

A strategy to increase competitiveness is based on a combination of innovation and building agreements between chain actors that seek sustainable improvements in the competitive performance of a particular market chain. This market chain approach is applied within the context of a territorial approach to rural enterprise development. The methodology includes support to both the market chain actors and to the businesses that support the market chain. Local actors including technicians, promoters, facilitators and local leaders, can apply the methodology without having to rely upon external experts. Implementing actors should review and adapt the method to their needs deciding which parts of the method are most useful and where changes will be required. To support the process of adapting the method to local needs It is recommended that some basic guidelines.

5.2. Market orientation

A competitive strategy should be considered as a business tool, designed to support enterprise activities that increase income and respond to market demands. Before designing a market chain strategy, local facilitators should have a clear idea of the strengths, weaknesses, and potential for enterprise development in their local area, and have up-to-date information on the market opportunities open to the territory and the aims of the client group.

5.3. Market chain focus from "end to end"

This methodology reviews all the functions of the market chain starting from input provision to the consumption of the final product. The existing enterprise and available business development services are analyzed as well as the functions of input provision, production, post harvest management, processing, and marketing. This requires that key players in the system are identified and participate in the process of market chain analysis. Developing a multi-actor group and having a wide analytical framework is important to understand the market chain as a business system, and at the same time identify critical points where a minimum of effort will generate maximum benefits.

5.4. Coordination among different actors to identify and develop synergies

The methodology assumes that areas of common interest between diverse actors along the market chain are not evident, and thus require the facilitation of meetings and coordination to identify inefficiencies in the market chain and to design strategies to overcome these bottlenecks. For this reason, the methodology seeks to incorporate and motivate a range of actors to define common objectives and strategies thus permitting a coordinated effort between them. In this approach, it is important to ensure that key actors are included in the system. The organization facilitating the process should have friendly relations with key informants or actors or be disposed to build these relationships during the course of the process. Building contacts with actors in the private sector including enterprises, supermarkets, local and external traders and those offering business development services, etc., are sometimes complicated, given time limitations. However, the ability to negotiate with these actors is critical because of the information they manage regarding the market chain and market potential.

5.5. Working with the private sector

An additional objective is the identification and development of synergies among actors along the market chain. The organization facilitating the process should involve representatives of all actors along the market chain to highlight their interdependence and the possibilities of improving their business activities. This does not mean that all actors participate at all times in the design of the strategy. Most private sector representatives will not attend long workshops and therefore the process facilitator may need to interview some market chain representatives to capture their opinions and relay these ideas to the group in the design phase. Where possible private sector representatives should review the analysis of the market chain and are key participants in the final design of a market chain strategy. Despite being less participative due to time constraints, these actors can often help (or hinder) any proposed change in the market chain, and therefore must be included.

5.6. Select key informants in decision-making processes

Understanding how a market chain functions and who are the key players is vital to having good representation from the market chain. Key informants from input suppliers, producers, post harvest management and processing and marketing of the final product, or the provision of business development services need to participate actively so that their viewpoints are clearly heard and incorporated into the information gathering and strategy development.

5.7. Respect people's time, needs and differences

In certain circumstances it is better to separate actors so that their time is used most effectively. Traders for example are busy people and do not appreciate time spent discussing other peoples business that is not relevant to their area of activity. The facilitator should therefore evaluate whether certain groups in the market chain are best interviewed within a mixed group or interviewed separately. For example, if a market chain includes the participation of large-, medium-, and small-scale producers, with diverse technologies, different access to resources, and thus different opportunities and limitations, it is important to have representatives of each group to design effective support strategies to meet their different needs. People or organizations involved in processing activities are another example; the use of different levels of processing technology, can affect processing efficiency, costs, and final product quality. At a consumer level, differentiation is also important. For example, consumers of varying income levels may have varying demands based either on product quality or price or a combination of the two. The facilitator should take care to separate these types of actors and groups as this will not only help to focus future interventions more appropriately but will also use people's time in a respectful and meaningful manner. The facilitator should constantly review people's comments on the process and if participants are bored, or feel their time is not being well used, the process needs to be changed.

5.8. Combining research and development activities to promote innovation

The final strategy to improve the competitiveness of a market chain can include both research and development activities, which may take place at any point along the market chain. Research actions may focus on improving productivity, post harvest management, processing, marketing, or the provision of business development services with the purpose of improving market chain competitiveness. At the same time other actors may implement development activities seeking to increase the market chain's competitiveness.

Typically short-term activities focus on development outcomes, but as the strategy advances, and research results are obtained, other innovations are introduced which may be of a medium to longer term nature. Several actors along the market chain often implement the longer-term interventions.

The process of innovation is typically long term and, if possible, permanent. A reasonably long time horizon is important to improving market chain competitiveness. In other words, improving the market chain quickly is important, but if substantial, or sustained improvements are sought, a more strategic research approach that facilitates innovation may be required. Strategic research is not necessarily an action carried out by specialists or research centers, although these may participate, but rather a permanent focus of innovation, learning, and diffusion that draws on both experts, and the knowledge of market chain actors and their own capacity for innovation. [12]

5.9. Mixing short, medium, and long-term activities with available resources

A strategy to increase competitiveness which includes both research and development activities, can be divided into short, medium, and long term actions and should be developed with a sound understanding on whether external resources are required or not. In the first instance a strategy should be based on local actions using local resources and knowledge, before seeking external support. This is useful because it promotes a positive dynamic between the actors and helps a community to realize that they can do things themselves without waiting or relying on external support. If a community is to embark on a business strategy, it is always best to develop processes and activities that are within their financial reach. In the medium and long term, as a business idea advances, local and external resources and knowledge can be mixed more effectively and at the same time more complex actions or strategies designed and implemented to increase competitiveness.

There are three main reasons why it is important to think about time and resources from the start of the process:

1. A process initiated with local resources and knowledge tends to strengthen local capacities for analyzing and resolving problems, and thus assists in the development of capacities for innovation.
2. Seeking solutions to market chain needs based on existing local resources instead of waiting for external resources (or projects) to solve the problem results in faster and more sustainable actions. Often the most efficient solutions require more commitment from actors than financial support.

3. Grounding activities in local resources tends to reduce the pressure of overestimating the market chain's needs and possible responses. A clear example is the choice of technological options. When large-, or medium-scale funding is available, costly and complicated technological solutions tend to be chosen; while when solutions are based on local capacity of payment and maintenance of the technology, these tend to mesh better with local needs and conditions.

5.10. Identifying a process facilitator

Finally, the design of a business strategy requires facilitation by an organization or individuals. This organization can be Association or other union (for example, a processors' association), a Local Chamber of Commerce, one or various non-governmental organizations (NGOs), a university, a private enterprise, or other group. We have examples from our country which are NGOs like Action for Development (undertake a study on the value chain of livestock and Gum), Netherland's Development Organization SNV (working on value chain of a number of products)' VOCA on livestock value chain, and others. These studies helps a lot in increasing competitiveness of the beneficiaries, mainly at ground level (producers or pastoralists) and also ensured sustainability and profitability to all actors throughout the value chain.

In summary, the design and implementation of a strategy to increase competitiveness has a business orientation, responds to clear market opportunities, analyzes the totality of the market chain with contributions from key actors, seeks synergies between them to implement research or development actions, and proposes actions at short, medium, and long term, with or without external resources.

Table 4. Identifying a process facilitator.

Key characteristics	Necessary	Recommended
Position of neutrality in the market chain .	•	
Experience with the management of participative methods and process facilitation.	•	
Convening capacity and at least some level of influence in support policies to the sector	•	
Disposition to facilitate design of the strategy and seek funds and support for its implementation.	•	
Interest in participating in the implementation of the strategy.	•	
Trust of the actors and a reputation of acting with transparency.	•	
Interest in building or improving local capacities.	•	
Previous experience in rural enterprise development.		•
Knowledge of market tendencies relevant to the market chain.		•
Basic knowledge of the market chain .		•

In this chapter, we have discussed the principles that support and orient the analysis of a market chain and the design of a strategy to increase competitiveness. Some characteristics and qualities were identified that are required of organizations or persons intending to facilitate the design and execution of strategies to increase competitiveness. The importance of recognizing the heterogeneity of the market chain's actors and its implications was also touched upon.

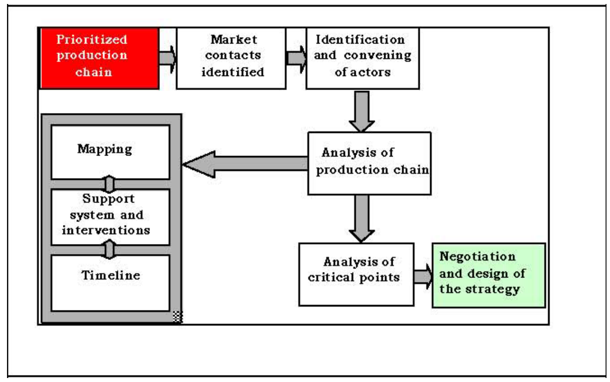
Chapter Six

Practical Work: Section 1

6. Selecting a Market chain

Guiding questions

1. What are some key criteria for selecting one or various market chains with which to work?
2. How can these criteria be classified according to their relative importance? Which one/ones is/are more important than the others, and why?
3. Once the criteria are identified, how can they be used to separate key market chains from those of lesser importance?



4. What are the advantages and disadvantages of using quantitative selection criteria and objectives compared with qualitative, more subjective ones for selecting a market chain?

6.1. Introduction

The previous chapters have outlined the basic principles and concepts for the rural agro-enterprise development methodology including an overview of a market chain, functions of the chain actors, the wider view of the market chain and its support services and an outline of the basic steps in designing a strategy for increasing market chain competitiveness. This chapter will focus on the first practical step in the design of the market chain strategy and that is the selection of a market chain.

Selecting a market chain can be made based on a range of criteria. In some cases service providers will follow a decision made by third party or following the recommendations of a previous marketing study, in other cases a decision can be based on what is mainly produced in the territory. These are passive arrangements and experience indicates that if a market decision is taken from a third party's perspective with no primary analysis by the group that is about to engage in a marketing process that the chances of developing a sustainable or appropriate business is reduced. Making a decision on which market chain to analyze is fundamental to the process and therefore needs to be taken seriously. To do this the service provider engage farm families to have a good understanding of their desires, constraints and potential as well as a sound understanding of potential product before embarking on a detailed analysis.

The primary task should be a rapid market demand study, this enables the service provider and the target farmers group with the opportunity to assess what products are in demand in the marketplace. To select the best opportunities for a more detailed market chain evaluation is based on a three stage filtering process. The first data gathering process produces a "long list" of products that show market demand. Thereafter a selection process is used to reduce the long list of potential products down to a "short list" which is comprised of a manageable number i.e., 3-5 product options that are analyzed in more detail, using three selection matrices. The results from these more detailed analyses are then discussed with the farmers group to prioritize options for further analysis. These steps are outlined in Table 5. The use of the selection matrices is recommended, as it is a systematic way to summarize information collected for the several market options. The matrices allow different types of options to be compared in an objective manner, so that you can compare apples and oranges. If the option is a primary product (without processing) we must prepare an agronomic or animal matrix. If the product is agro-industrial (processed), then we can prepare an agro-industrial matrix. For both types of products we have to prepare the remaining matrices (marketing and economic), examples of these matrices are presented in **Annex 7**.

Table 5. Steps used by the RAeD[9] Market Opportunities Identification process to select a market chain for further analysis

Steps	Action	Result
Step 1	Conduct a rapid market survey to determine a range of products have high market demand	A "long list" of market options, this can be a list of products often up to 40 – 50 products.
Step 2	**Obvious discards** 1. Can the product be produced in the territory 1. Does the product require high investment	Remove all products that are not feasible for the target group based on their assets, the first cut should be based on obvious problems, e.g., remove products that : • cannot be grown in the area, • require high investment • are not profitable in the territory, not comparative advantage • have a high market risk for the target group • require many years to produce first yields.
Step 3a	Agronomic analysis	Review production conditions required
Step 3b	Financial analysis	Review profitability and investment needs
Step 3c	Marketing analysis	Review market type, buying conditions, client group, packaging and quality aspects.
Step 4	**Selection of prioritized product**. Based on the analysis of the three matrices, the service providers and farmer groups prioritize products which they will analysis in greater detail.	Prioritized products that farmers are willing to invest into and to evaluate in more detail with market chain actors.

There is however, no one correct way for making a choice since it is a decision of the organization that will implement the agro-enterprise process and often decisions are based on situations, resources and opportunities. Whatever the criteria used for selection it is important to reflect upon the impact that the use of a particular set of criteria may have on the success or not of the market chain selected.

The selection of a market chain may appear simple, but the reality is somewhat different as the selection has significant implications on subsequent investments and chances of business success. In a market chain process, the organization that will implement the strategy has to balance criteria such as effective market demand, consistent supply, cash flow, profitability, poverty reduction or employment impact, technical, social and environmental feasibility, existing organizations needs and wants. If this process is carried out in coordination with other organizations, each one may have particular interests and therefore the process can be fairly slow, but at the same time, possibly more sustainable. The purpose of this process is to make a

[9] For more information, consult: Ostertag, C.F. 1999. Identifying and Assessing Market Opportunities for Small Rural Producers. Series of Tools for Decisión Making in Natural Resource Management, number 7. International Center for Tropical Agriculture (CIAT), Cali, CO. (online http://www.ciat.cgiar.org/agroempresas/pdf/tools_for_decision_making.pdf)

sensible selection, based on clearly identified criteria and aim to come up with the best bets for a given territory. A systematic process, improves the possibility that the selected market chain will be successful.

Below are some helpful tips, based on generic market chain selection criteria that have been useful in previous applications of the methodology. This section explains the ideas briefly, and ends with the presentation of a concrete field experience.

6.2. Selection Criteria used to choose an appropriate market chain

The following criteria may be useful for selecting a market chain on which to work. They do not represent an exhaustive list and they should be modified according to the criteria of the organization that will lead the design and put the strategy into motion. Equally, these criteria can be applied simply based on available information with some rapid complementary analysis or using a great deal of data and analysis. The final decision on which criteria to apply, and the way of doing so, remains in the hands of the organization facilitating the design of the strategy. The organization should be practical in making these decisions.

When making a selection for further analysis, the following principles are a useful guide:

- Market options must be feasible in the context of the small rural agro-enterprise; technological and investment requirements must be in accordance to this socio-economic context.
- The market option must be attractive as a business; it should offer an adequate profitability or cost-benefit ratio.
- The market option must sustainable and should not harm the environment.

Market demand: How much market demand is there for the market chain's product? Is the market for this product growing strongly or slowly, is it stable or diminishing? It is recommended that working with primary products that show strong or moderate market growth since this usually implies that the market can absorb additional supply. In the case of new products, a survey of intent to buy can be done to identify potential market size [14][10]. This decision on demand should be taken based from a reliable source of reliable information; it is best to do your own study but also you can use information from recent market studies, or surveys made by private or state institutions. In most cases demand is based on a combination of primary and secondary data.

Product profitability: How profitable is the production or processing of this product? How does the product's profitability compare with what a bank pays on money in a savings account? Is it much higher, a little higher, the same, or less than the bank pays? Comparing the profitability of various products requires calculating the internal rate of return (IRR) for each, and then comparing the interest rate paid by the bank. The internal rate of return can be evaluated using local data with calculations made using an excel spreadsheet. It is recommended that clients, who are not familiar with the IRR technique to seek advice from an accountant. Based on this analysis, it is recommend working with products that are more profitable than the bank's savings account interest rate, which is the opportunity cost for savings. A value of 10% is often used as the default "cost of money", but this should be realistically compared with local rates for access to capital. In evaluating profitability, the there are no hard and fast rules given that the opportunity costs for labor tend to be low or non-existent in many rural areas. It is important

[10] For more information, consult: Ostertag, C.F. 1999. Identifying and Assessing Market Opportunities for Small Rural Producers. Series of Tools for Decisión Making in Natural Resource Management, number 7. International Center for Tropical Agriculture (CIAT), Cali, CO. (online http://www.ciat.cgiar.org/agroempresas/pdf/tools_for_decision_making.pdf)

that the product be sufficiently profitable for the producers at actual market prices, and that the market demand is sufficient to assimilate additional produce without entering a state of oversupply and price declines.

Feasibility of production: Even though market demand exists for a product, is it possible to produce this product in the territory given existing social, economic, and environmental conditions with the quality that the market demands? Is the production system for this product consistent with the sustainable natural resource management? The selection of market chains that adapt to existing conditions and coincide with the facilitating organization's concept of natural resource management is recommended. If this is not the case, the facilitating organization should identify strategies to resolve feasibility limitations (for example, find a supplier of credit who can assist with installation costs of perennial crops such as fruits, simple systems of water harvest, micro-irrigation systems, or the identification of improved post harvest technologies). The existence of feasibility questions should not necessarily eliminate the product since solutions can be included as part of the activities to increase the market chain's competitiveness.

Potential impact: How many families could benefit from a strategy to increase competitiveness in this market chain? Will this strategy generate strong, medium, or low impact in terms of income for producers? What impact will this strategy have on least favored groups? On women as opposed to men? It is also important to ascertain if the strategy will generate rural farm or non-farm employment, and for whom. If the target population of the project or organization is a specific segment of the population (for example, small-scale producers, women, indigenous populations, youth, or others), it is important to ask ourselves if this group will be able to take advantage of the additional gains foreseen by the project. Working on strategies that present greater impact in terms of additional income in the zone is important, but without losing sight of the distribution of these benefits. Strategies with greater impact generate interest among possible participants and contribute to the business development of the territory as bring in additional profits instead of merely redistributing existing ones.

Existing business organization: Many researchers and public sector workers are constraint oriented and can be highly risk adverse. These types of people often look for problems and then set programs to overcome them. A business approach is different; it seeks opportunities and then evaluates business options, investment, cash flow, and profit to make decisions. In the case the groups need to assess aspects such as: What are the business organizations in the market chain like? Are there formal or informal groups of producers, processors, or traders in this market chain? How strong or weak are they in business terms? Is there coordination among them now, or was there in the past? In this criterion, care must be taken not to leave out informal actors and organizations such as local and regional traders and their networks of suppliers, who despite being informal, are business organizations that exist and function with some grade of effectiveness in the zone. This is not a matter of judging if they are "good" or "bad" organizations for the target population, but rather of identifying them as business organizations.

Support agencies: Is there one or more support organizations associated with this market chain? What services do they or could they offer to the market chain? Are they willing to facilitate or participate in the design of a strategy to increase competitiveness? Again, it is important not to leave out the actors who are associated with the market chain informally, in aspects of technology, credit, or technical assistance since they can facilitate or limit the design and implementation of the strategy.

Risk assessment: One of the more difficult criteria to assess is an appropriate level of risk that a client group should take on. In formal terms, risk can be measured in terms of exposure to credit (debt), suitability of producing a particular product in a selected territory, other players in the market, level of technology required for the new business, price and volume volatility of the market, number of buyers, cohesion of the group and access to technical and financial services. Risk management is based on having sufficient information to make an informed decision. This is important as the amount of information required to make a decision on whether to invest is very much based on the how much capital, labor and land is required for the task. If the likely investment is low, less information is required than if the investment is high, therefore as investment in novelty increases more information is required to make a sound business decision.

In assessing risk, the facilitator should consider the investment in a new market chain intervention in relation to the existing farming mix and the potential to raise incomes with new opportunities. New business opportunities need to be discussed carefully with a client group in terms of land, labour and capital availability, and also the farmer group should be assessed in regard to their view of credit, common use of labor and innovation level they would like to accept. As a rule, profitability of an enterprise increases with the level of risk and according to the Ansoff matrix, see below, risk increases with the following types of products and markets, from 1 to 4. Diversification, defined as presenting a new product into a new market, is the highest level of risk in this matrix and herein lies a dilemma. Analyses of products based on demand, often biases opportunities towards higher risk and often times towards diversification. Farmers who are seeking increased incomes are also aware that increasing their production of inelastic[11] staple foods may not provide them with a better income. Therefore, it is not unusual for farmers to want to take on additional risk when they seek new business opportunities.

Table 6. The Ansoff matrix for risk assessment

	Existing products	New products
Existing markets	1. Market penetration	3. Product development
New markets	2. Market development	4. Diversification

For the facilitator, risk should be discussed with the target groups to evaluate and attempt to balance level of risk with a farmer's group asset based, innovation record, credit record, potential for taking on new ideas. Through this process, the facilitator can guide groups towards a sensible level of risk based on their experience and track record. In this case, facilitators may advise newly formed farmer groups to select options that are based on market penetration and market development, and that farmers should test these new markets in a stepwise manner with test plots at first and market trials before engaging in larger scale supply. For groups with more experience in marketing, those with more assets, may have a credit record and a track record in collective action and an interest in higher risk, they are more likely to be more successful with higher risk strategies. Key questions: Where does your selected product fit in the risk matrix? Do you have savings to support this new business or will you need credit? If you need credit, will your business plan pay the necessary capital and interest payments? How much of your land (%) will you give to this product? What would be the consequences if the business venture failed? Are you planning to test the new business in a small plot at first? Where do you feel there is most risk in this new business? Do you have plans to overcome these areas of risk? Do you have partners who will share your risk? Annex 7 for an experience, in Vietnam, of dealing with risk.

Environmental sustainability: A final but important criteria that must be addressed is the sustainability and environmental impact of the new business. For most cases the scale of the activity may not merit a full study on this, but the group should be aware of issues such as pollution, soil degradation, run off, types of materials and chemicals being used. In each case,

[11] An inelastic product is one in which demand does not increase as buyers incomes increase, i.e., the amount of salt that people buys does not change dramatically as incomes increase. A product described as being elastic has market characteristics that increase consumption as incomes rise, i.e., people tend to buy more red meat as their incomes increase.

the group should ask if there are any hazards with the new business venture? Does the group need any specific training or knowledge on how to use a new chemical or material? Is there any risk of pollution? If there are hazards, long or short term, what are the measures being taken to address these hazards? Some tapping practices in natural gums, in Tigray region of Ethiopia, are claimed to be a threat to the gum forest. If the proper methodology is not applied the tree will vanish forever without being renewed.

6.3. Definition of Individualized Selection Criteria

Each organization or group of organizations should develop their own selection criteria. These can range from elemental to highly technical in nature. If the facilitating organization has some pre-defined market chains as part of its project, then long evaluations of options is not necessary. However, it may be interesting to discuss the order in which of market chains will be worked on and their relative level of investment. If a decision is made amongst various organizations with different agendas, this exercise can be useful for defining a common approach instead of each organization working in isolation.

There are several methodological options for selection ranging from simple (voting or discussion) to more complex (technical studies). Simple methodologies are quick, while technical methods permit more analysis and greater security in the decision made. A balance needs to be struck between subjectivity and objectivity that the participants feel comfortable with. It all depends on the needs of the facilitating organization.

6.4. A Methodology for Prioritizing Market chains

With the intention of developing individualized selection criteria, It is recommended that a brainstorming session. This exercise can be done internally within the facilitating organization or among various organizations, if there is a committee for rural enterprise development or other territorial organizations with this focus.

The steps to follow in this process are:

Identification of criteria

(a) Select a facilitator who is capable of organizing the results. It is best to name two people, one as facilitator and the other to document the decisions and take notes on the process.
(b) Ask each participant to write a list of three criteria in response to the question: “What are the most important criteria for selecting a market chain with which to work in our territory?” Each answer should be recorded on a card (one criteria per card, in big letters, maximum three lines) and given to the facilitator.
(c) The facilitator reads out each card and places it where it is visible to all participants (wall, floor, table, blackboard, etc.) without additional comments. Only clarifying questions are permitted at this time.
(d) Once all ideas have been read out, they are grouped by common themes. For example, all cards that are related to the theme of impact are put together on one corner of the wall. All those to do with profitability on another, etc. If some cards do not fit in any group, they are put aside for later discussion and revision.
(e) The facilitator invites participants to revise each group of cards to see if one or more common criteria emerge or can be developed. At this point, it is useful to underline the common themes among the cards and look for a phrase or title that summarizes the cards. Once a summary phrase or title has been defined, it is placed on top of the group of cards on a new, differently colored card. This exercise is repeated until all the groups of cards have been revised.

(f) When work with the groups of cards is completed, the outlier cards that were not initially classified are reviewed again, to see if the idea is already in another group or if it is worthwhile including as a separate theme.
(g) Once the themes are defined, there should be a list of selection criteria to apply to the market chains of a given territory.

At this point it is useful to review all the criteria selected and decide on which are the most critical for the decision making process, i.e. for action. It is recommend a list of three to four criteria with easily measurable indicators so as not to spend an excessive amount of time on the market chain selection process. Once the criteria are selected, the group moves to identify indicators and measure each one.

Using the criteria
Based on the list of criteria identified, the group proceeds to define indicators for each. For example, if one of our criteria is “potential impact”, we need to define how impact will be measured (persons, families, communities, municipalities, etc.) and where the data will be sourced. If another of our criteria is “profitability’, then decisions must be made on how to measure profitability, which data to use, and how to compare profitability across products. The end product from this session will be a list of operational criteria with their respective forms of measurement and data sources.

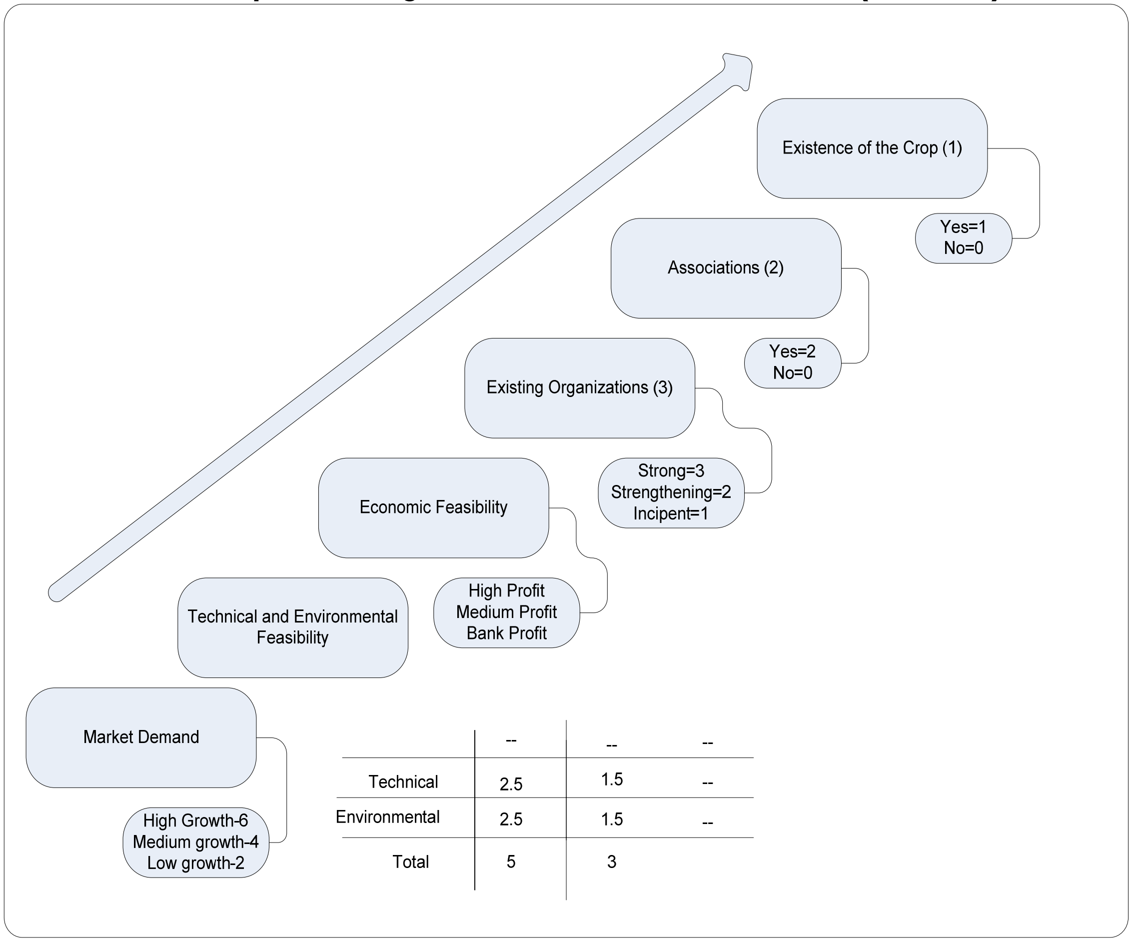
Prioritizing criteria according to relative importance
The next step is to prioritize the criteria and their indicators: Which is the most important criteria for us? To evaluate this, the group should consider questions such as: Are market chains that involve more producers of higher priority than those that are more profitable? Is it more important that the activity be sustainable in environmental terms, or profitable? This step gives a specific weight to each criterion with the purpose of enlarging the differences between the options and thus facilitating selection of market chains. At the end of this process, the group should have arranged the criteria from the most to the least important, with a weight or score assigned. For example, if there are four criteria, the most important could have a weight of four points, the second of three, the third of two, the fourth a single point.

6.5. Selection Tools

Using the list of criteria with the indicators and sources of information, the final step is the construction of a selection tool. This tool can take the form of a decision tree (see example 1 below) or a simple weighted scoring matrix (see example 2 below). It is important that criteria are clear to all participants and that the necessary supporting data is available to take decisions. Once the tool is established, it is applied to all potential market chains in a territory to see which are the most important for a specific client group.

Example 1 – The Decision Tree of CIPASLA, Colombia
To facilitate selection of market chains, agendas of support organizations, and interests of community groups, the Rural Agro-industrial Committee (RAI) of the Consorcio Interinstitucional para una Agricultura Sostenible en Laderas (CIPASLA) developed the decision tree presented in Figure 8. The objective was to compare a “long list” of market chains with market opportunities, favorable conditions for production in the zone, and with some degree of interest or organization of producers. The development and implementation of the example presented in Figure 5 was a long process, as it required the agreement of four local NGOs, a governmental organization, and a producer association. The process was carried out in three 2-hour meetings and was useful for the members of the RAI.

Figure 8. Decision tree of the Rural Agro-industrial Committee (RAI) of the Consorcio Interinstitucional para una Agricultura Sostenible en Laderas (CIPASLA), Colombia.



Source: RAI of CIPASLA, 2000.

This decision tool was applied using the following criteria and measurements: each option studied received a score out of the total possible of 21 points. The criteria and measurements used were:

Market demand

The growth of market demand is organized in three categories:

High – annual growth in demand above 6%
Medium – annual growth in demand between 3% and 5%
Low – annual growth in demand between 0% and 2%

Note: In the case of CIPASLA, indicators on the level of growth of each product were taken from *"Market studies for products of small-scale producer economy of the zone of the Cabuyal River micro-watershed"*.

Following these criteria then, we have the following distribution of products:

Growth	Products
High	Mangos, blackberries, oranges, plantains
Medium	*Lulos*, pineapples, lemons, potatoes, grapes, passionfruit, *chonto* tomatoes, capsicums, carrots, green beans, free-range chickens, milk products
Low	Tree tomatoes, broccoli, pears, soursop, cauliflower, Batavia lettuce, bananas, guavas, apples, *uchuvas* (*Physalis*), onions, melons, coconuts, avocadoes, passion fruit, dry beans, beetroot, spinach, green beans

Technical and environmental feasibility

The matrix is read in the following way:

Feasibility	Highly feasible + +	Medium feasibility + + / -	Not feasible
Technical	Production is feasible in the zone and does not present major technical nor managerial problems	Production is feasible in the zone, but presents limiting technical and managerial factors that require training and research solutions	Production is not technically feasible in the zone
Environmental	Production does not generate negative environmental impacts in the zone such as erosion, contamination, or deforestation	Production generates a negative environmental impact, but it is manageable with good production practices	Production generates a highly negative environmental impact with no known form of mitigation

Economic feasibility

Market chains are grouped according to three levels of profitability:

High profitability – the product's IRR is 6 points or more over the bank's savings account interest rate.
Medium profitability – the product's IRR is between 1 and 5 points over the bank's savings account interest rate.
Bank profitability – the product's IRR is equal to the bank's savings account interest rate.
Existing organization

The level of business organization in each market chain is assessed using the following criteria:

Criteria	Level of organization		
	Strong	**Growing in strength**	**Incipient**
Legal incorporation	Legal incorporation	Legal incorporation is in process or does not exist	No legal incorporation
Achievements	Sustained achievements over various years	Some recent achievements	No achievements as yet
Capacity for planning and carrying out actions	Internal processes functioning for planning and evaluation	Incipient processes of planning and evaluation	No processes of either planning or evaluation
Business practices	Effective accounting and administrative controls	Incipient accounting and administrative controls	No accounting and administrative controls

A strong organization fulfills all four criteria.
An organization growing in strength fulfills some, but not all, criteria.
An incipient organization fulfills none of the defined criteria.

Support agencies
Should consider an organization that is interested in associating with producers, traders, processors, retails in the process of strengthening the market chain.

Existence of the crop in the zone
The crop or product exists in the zone, and thus is known by local producers.

For each product identified with market options, and of interest to CIPASLA partner organizations or producers, relevant information was collected for each point above. Once the information was completed, possible points for each criterion were assigned, and total points generated for each product. To select the products for which to first elaborate strategies to increase competitiveness, scores were compared to identify those that best responded to the criteria of the RAI of CIPASLA.

Example 2 – Simple weighted scoring matrix

Another way to implement a decision-making process using the criteria identified is to use a weighted scoring matrix as shown in the following example.

Selection criteria	**Weight (W)**	**Product A**		**Product B**	
		Evaluation (1 to 10)	**W * E**	**Evaluation (1 to 10)**	**W * E**
Potential positive impact on smallholders	25%	8	2.00	6	1.50
Potential employment generation in relation to total local employment	35%	6	2.10	4	1.40
Value added potential of the product	20%	6	1.20	6	1.20
Size of the market chain's market	10%	8	0.80	10	1.00
Potential employment generation for vulnerable groups (women, youth)	10%	4	0.40	10	1.00
TOTAL	100%	32	6.50	36	6.10

This system attempted to combine a simple scoring system with the relative importance of the selected criteria to achieve an objective decision-making process. In this example, Product B had a higher overall score but when the weighted criteria are applied, Product A comes out highest.

This chapter has presented some criteria that have been useful for selecting market chains within a territory. The identification of prioritized market chains is the first step in the design of a strategy to increase market chain competitiveness. At the end of the exercise, instead of having many market chains to work with simultaneously, the facilitating organization or work group should have a few market chains selected according to their own selection criteria. Once the work menu is defined, the remaining steps of the methodology of strategies to increase competitiveness can begin to be developed.

6.6. Merits of a Pilot project to test the process

When this process was applied in Madagascar, the service provider, Catholic relief service, (CRS) led the process (see Annex 5). CRS is leading a major development project in 4 territories of Madagascar and before applying the agro-enterprise approach to a large project zone, the field teams and agricultural advisors at the management level wanted to test the methodology at a pilot level, during a short offseason. This use of a pilot project enabled the staff to gain experience in a 3-4 month period, observe the opportunities and limitations of the process and also find out what criteria farmers use to assess new crop options.

The rapid market survey questionnaire was developed with the Agro-enterprise team, the teams were able to conduct the survey with a range of sales points / market actors in a 10 day period, using 4 teams. The survey focused on the major local market town of Ansirabe, and other local markets in the area. No information was collected on national or international markets. A CRS project officer led each team. The information was synthesized at a group meeting and results presented to farmers. The time frame for the development of the questionnaire was 3 days.

Considerable preparation time was spent in simplifying the questionnaire and translating it into Malagasy. The project officer focused on two questions in their questionnaire, (i) what do people buy most and (ii) what is scarce on the market. The concept of the “strategy” was not used. Because of a dearth of secondary data, little was collected.

The group developed the discard criteria, the first level of discard was based on whether the crop could be grown in the territory and this reduced products from 50 to 31. The next level of discard used their own 14-point criteria and this enabled them to reduce the number from 31 to 11 possibilities. The three matrices, production, marketing and financial analysis were then used to reduce the possibilities to six options. Farmers reviewed these options prior to planting.

The information required for the matrices was not all available and in some cases project staff added in criteria. Internal Rate of Return (IRR) and Net Present Value (NPV) were excluded from the financial matrix. Much financial data was unavailable. The information from the matrices was shared with the Agroenterprise group in plenary and they considered the information to be very useful, this information was thereafter discussed with the partner farmers groups. The results of the market selection were discussed with the farmers and it generated a lot of interest. All 6 options from the Market Opportunity Identification survey were tested by at least some farmers. Project staff found that the more progressive farmers who were on the main road wanted to try the more exotic ideas, whereas the poorer farmers in the remote areas were not keen to try any new ideas unless helped by the project. The major point here was that the marketing study, clearly encouraged innovations to take place.

Chapter Seven

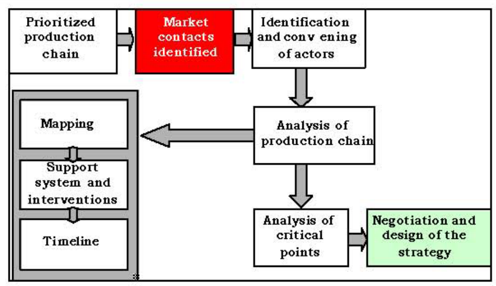
Practical Work Section 2

7. Planning & Executing a Rapid Market Survey

7.1. *Introduction*

Guiding questions

1. What are the key steps in planning for a rapid market survey?
2. Why is secondary data important?
3. Why is it useful to have up to date market information for the market chain's products before beginning the analysis?
4. What information is it useful to have about the product or products, the market, the rules of the game, and the buyers?
5. How can we generate reliable information on the market in a quick and efficient way?
6. What decisions can be made based on up to date market information, and what implications do these have for elaborating a strategy to increase competitiveness?



The selection of one or several prioritized market chains using methodologies described in the previous chapter will enable the agro-enterprise team group to focus efforts in areas with good market potential and meet the interests of the facilitating organization and farmer group. The next step is to gather commercial information on the product and market chains identified, to identify buyers and to determine what ranges of quality are acceptable to the buyer.

To answer these and other queries, It is recommended that reviewing existing data on market tendencies and carrying out a rapid survey with known or potential buyers of the product. This phase of the method seeks to place the agro-enterprise design process on a firm footing with reliable market data, and at the same time to identify and get to know the actors in the market chain and the clients of the product or products. Likewise, this is a good opportunity to invite key market chain actors to participate in the analysis of the market chain and to assist in developing a strategy to increase competitiveness.

The following sections outline the steps in planning data gathering through secondary data mining and conducting a market survey, taking into account, the type of market, the skills of the team and the time and financial resource that are available.

As stated in the previous chapter there are many methods for market chain analysis, in this case the process places most emphasis on the producer groups, being actively involved in gathering the market data in a participatory manner. It should also be noted that this process was designed to evaluate a relatively small territory, i.e., at the community and district level scale. If you intend to undertake a rapid market assessment with a larger geographical area, such as a national sub-sector study, It is recommended that that you also consider the approaches in an alternative method developed by Holtzman, (1999).

7.2. Planning for the survey

A good survey needs to be well planned and have clear objectives. The group involved in the data gathering and survey need to discuss and resolve several issues in regard to the detail of information required, geographic scope of the survey, people to be involved, their roles and responsibilities. The following section outlines some aspects that the survey team should consider as part of this exercise.

1. **Formulate the survey team according to skills and size of the study**
    - The survey team should comprise different skills; ideally the survey should include representation from the service provider, research, accountancy and one or two representatives of the relevant farmer groups. Depending on the type of product selected, it is an advantage that one of the group members has some expertise in this area, i.e., a livestock specialist if the dairy sector is being evaluated.
    - Team size should be relative to the scope of the study. The team should consider how many surveys will be conducted, their locations and the logistics required to enable the survey team to get to these points in the market.
    - A budget should be developed which meets the needs of the survey team and provides resources to write up results in addition to the field time.
    - It is recommended that that teams of 2 or 3 people conduct market interviews. One person will ask questions and engage the interviewee, a second person will record notes and observe gaps in the information, a third person can monitor the process and keep time.

2. **Make sure the survey is focused on the selected market chain**
    - When formulating your plan avoid collecting information that is interesting but not relevant to the needs of the enterprise / client group.
    - Draw a theoretical map of your survey zone and market channels to be included in the survey and ensure that you will collect all the information you need to develop a business plan and later link up with particular actors in the market chain.
    - Find key informants to give you background information and insights to the most useful people to interview prior to setting out on the survey.

3. **Make a list of people to contact, use key informants as a guide**
    - As part of your theoretical map, include information sources and types of people that you will interview and the numbers of interviews that you plan to make at each point in the market chain. It is recommended that that 4-5 persons at one point in the chain are interviewed so that data can be crossed check, triangulated and confirmed with other market chain actors.
    - Use your key informant's information to guide this process. A key informant is a person maybe a leading agent in this market chain, (ii) an ex researcher who knows the sector, (iii) a retired schoolteacher who is familiar with the area. The key informant should act as your soundboard during the survey, a source of constructive criticism.

4. **Select sites / locations / industries to be visited and plan for follow up visits based on information from first meetings.**
    - Depending on the nature of the market chain being investigated, plan your visits, and be well prepared when visiting each interviewer. Do not go to an interview without having the purpose of the visit clearly in your mind.
    - Be observant, do the answers from the person fit the situation? Use local observation to color your interview.

5. **Design interview checklists and pre-test**
    - Develop checklists that will guide you through an interview

- Train your interviewers using pre-tests so that you are sure they will collect the right information
- Adapt checklists, where needed to specific types of interviewee, e.g. a checklist for a processor is different from a checklist for a market retailer.
- It is often useful to split the appraisal and checklists into two parts
  (i) Demand questions focused on urban and market outlets
  (ii) Supply chain questions focused on actors in the market chain often rurally located.

6. Collate information and write report

- Select one person in the group who will collate data and be responsible for writing up results
- The findings from the results should be reviewed by the team and debated

7. Use of results

- The final report should be presented orally to the relevant farmers groups and agro-enterprise team.
- A written document should outline the process, major findings and recommendations.
- The document should also provide information on key informants or actors within the market chain who may be interested in participating in the design of a market chain competitiveness strategy.

7.3. Starting the market chain analysis

7.3.1. Collection of secondary data

As with any type of research or analysis the starting point in an investigation should be a serious review of existing information in regard to the product, how it is produced, and the markets for this particular product. Secondary information is extremely valuable as it is low cost, the work has been done by others and it usually only requires systematizing, therefore accessing good secondary data will save you considerable time and money. Gathering primary data is expensive and to reduce days in the field or to help focus primary data secondary data collection should be undertaken. Sources of secondary information include those listed below:

7.3.2. Sources of secondary information

- Market information services
- Consultancy Reports
- Research institutions (CGIAR and others)
- Chambers of Commerce
- Trade Associations
- Professional associations
- Wholesalers
- Internet
- Development projects (NGOs)
- Agri-business development centers
- Press, specialized trade / commodity journals
- Consultants
- Export promotion department
- Government offices (Ministry of Agriculture, Bureau of Agriculture, Pastoralist office, City/Town administration)
- Internet

It is unfortunately the case, that many projects do not invest time into secondary data collection and often miss opportunities and waste resources because of this. In some cases this is due to incentives that only pay for fieldwork rather than data collection and analysis. It is recommended that that this aspect of the work be taken seriously as there is a lot of information available and by reviewing this information, many false trails will be avoided and good contacts may be revealed that will make the collection of primary data more effective.

7.4. Collection of primary market chain data, what detail and when?

In the context of this methodology, a “rapid market survey” should not be confused with a complete sub-sector marketing study; it is rather a short exercise to identify critical aspects in the flow of a particular commodity or product from the point(s) of production to the point(s) of sale. Specifically the market chain survey aims to gather information that will reveal new business opportunities or identify key bottlenecks in the market chain. This information is vital when moving to design the market chain strategy. The required information can be divided between data about the product, buyers, linkages between buyers and other specific observations defined by the agro-enterprise group prior to the survey. It is important to define the types of information required for making business along the market chain more dynamic, i.e., the data being gathered should focus on opportunities for business development.

In addition to providing marketing information, the survey will also enable farmer groups and service providers to identify key actors in the chain with the view of establishing new business options, and also to permit the identification of possible strategic partners within the design of the strategy to increase overall market chain competitiveness. Hence the market survey should not be considered as an end point, but as essential groundwork for the next steps and for gap filling during the design of the intervention strategy.

Data about the clients

The basic data needed about the clients are:

- Name
- Location (exact address, city, department, etc.)
- Contact information (telephone, fax, cellular phone, electronic mail, etc.)
- Type of client (i.e., position in the chain:-trader, supermarket, restaurant, hotel, institution)
- What other products are bought

Data about the product and the market chain

- Commodity characteristics, (grades, types, varieties).
- Presentation of the product, (weight, packaging, etc.).
- Product volumes, (aggregate market size, individual buying conditions).
- Frequency and site of product delivery, (dates, periods, market site, on-farm).
- Consumption patterns, (seasonality, trends).-Supply situation, Production, (demand, storage, trade flows).
- Product price and form of payment, Price paid, (cash, credit, for how many days)
- Price relationships, (Seasonal, cyclical, supply, demand)
- Actors in the chain, (Market channels, marketing arrangements)
- Marketing behavior, (Practices, vertical integration, market power).
- Legal requirements for selling product, (sanitary registration, bar codes, packaging, legalized invoices, etc.)
- Market infrastructure, (Roads, markets, communications).

- Government, (Regulation, marketing, price fixing).
- Global Trade, (World Market situation, tariffs, Sanitary and Phyto-sanitary regulations, Technical Barriers to Trade).
- Timing of the study, (Timing of study relative to market cycle).

7.5. Survey teams

The complexity of the survey and the requirements for interviewees vary according to the type of market being analyzed. If the study is focusing on sales in to a local, nearby market, then a small team of 2 or 3 people working for 2-3 days may be sufficient. If the market chain under analysis extends to several markets within a municipality, or several markets within a district, the size of the team and the number of days required to undertake the survey increases. In estimating the time required for the survey, it should be considered that excluding transportation, a standard interview might take 30 minutes to 1 hour. In some cases it may take 2 hours when an interviewee has many products to discuss, or is a key actor.

The composition of the team members will change according to market type, for a local market, the producers themselves, or secondary school or university students, can carry out the market survey, with limited training. However, as the market survey becomes more complex and requires analysis of large urban markets, far from where producers live, it is recommended to organize a mixed group of producers, Development Agents (DA), researchers, agents from the facilitating organization, and students to conduct the survey.

7.6. Checklists and summary sheets

The simplest way of performing a market survey is by means of a structured or semi-structured interview with actors in the market chain. Checklists for interviews should be designed beforehand and pre-tested by the facilitating organization. Training should be given to those persons involved in data collection i.e., producers, Development Agents (DA), students, or any other suitable group. As the market chain becomes more extended, the pre-testing of the checklist requires more attention.

The survey group should participate in the design of the survey instrument (checklist) and be involved in formulating questions to make sure they understand them. Once the survey instrument is designed, it should be tested with local actors to: (a) verify that the information sought is obtained; (b) identify possible gaps, and (c) ascertain that the survey can be carried out in a reasonable time. Logistics and costs of the survey can be based on the information gathering process at the pre-test phase.

Likewise, the forms that will be used for recording the data should be tested, and their ease of use verified. When the tools are ready, groups of researchers are formed to perform the survey, and each is assigned tasks. The group can be composed of a single person or up to three or four persons. A sample checklist for a market chain analysis is given in Annex 2.

Selection of sites

The survey team should draw up a list of market sites and types of market chain actors for implementing the survey. To facilitate the process It is recommended that that the survey be initially divided into two aspects, (i) demand and (ii) supply. Possible sites in the demand and supply are indicated in Figure 9.

Figure 9 Sources of primary information

Checklist 1	Checklist 2	Checklist 3	Checklist 4	Checklist 5	Checklist 6-10	Types of retailers
					DEMAND	DEMAND
				Supply	Retailers	Market stall holder
			Supply	Urban wholesalers		Street vendor
		Supply	Traveling traders			Kiosks
	Supply	Local market wholesaler				Small shops
Supply	Local traders					Supermarkets
Producers						
Number of persons to be interviewed at each stage						
4-5	4-5	4-5	4-5	4-5	15-20	

7.6.1. *Where to start a market chain analysis?*

In our experience it is most effective to start the market survey at your designated end point, this point of sale should be considered as your demand point. The demand site depends upon the limitations of the work, whether that is local, district, or nationally based. At the demand end of the market survey, the survey teams should seek to find as much information as possible in where and how the product is sold, how the primary product is differentiated into different products, and how products are segmented for different types of clients.

Following the demand analysis, the survey team will follow the product down the supply chain, back to the point of production, in the selected territory. At each point in the chain the team will gather information on actors, product prices and most importantly opportunities and constraints at each point of transaction as understood by the actor at that point in the chain.

We should have to be actually well acquainted about the product. Common names are misleading when we start from the end point. If the chosen product for the study of the value chain has a lot of varieties, you need to be sure which varieties of the product are relevant to focus on. If for instance, your target objective is to study the value chain for Borena zone, you don't need to gather information about all types of available resin and gums in Mercato[12] for instance. To gather data about Tigray type or Ogaden type or other incense (resin) is not relevant for the study. You should specifically identify in advance which specific variant are more concerned. Borena Type Black incense and gum Arabic are for instance the relevant variants.

7.6.2. *Developing a questionnaire*

For those which is impossible to undertake the interview, or even if possible, if they are short of time to discuss with them, questionnaire is one of the alternative to gather primary data. Taken

[12] Mercato is he biggest market center in Ethiopia, Addis Ababa.

into account the type of data required, the questionnaire should be developed to get as much information as possible considering the time factor to the respondent. As people are sometimes get busy with their business, it is always important to remind them to respond to the questionnaire.

The questionnaires should be developed by type of actors so that the questionnaire will not be boring the respondent of asking irrelevant or unrelated issues.

The questionnaire used by Target Business Consultants when conducting Value chain study on livestock and gum are annexed per Annex 13.

7.6.3. Guiding interviews to key informants

Identifying and interviewing a small but selected sample of “key informants” in a commodity market chain is a critical part of market survey. Key informants are defined as people who have extensive knowledge of a particular part of the market chain, they maybe a major player in the market or have extensive experience in their market position and can therefore provide sound insight into their function and give reliable information on costs, trends, problems and opportunities at their point in the market chain. To identify these people takes some investigative work but this can be done by working from the larger actors on the demand side of your market survey and asking who should be interviewed, based on their market share and number of years in the business; equally, a first question in a large market where it maybe difficult to assess people, is to ask for the most experienced person to interview.

Some Practical Tips for conducting an interview

Pre interview

- Be prepared with your checklist
- Have a notebook
- It is advisable to work in pairs (basing on knowledge & expertise)
- Book an appointment and give a correct and convincing reason for visit (telephone, visit..)
- Try to memorize the key issues to be asked
- Have ample background knowledge about the sub sector, so that you can discuss the product with the interviewee

During the interview

- Keep your interview to an agreed time
- Introduce yourself and the purpose of the visit and the institutions you work for, use business cards and letter of introduction
- Ask open ended questions
- Avoid interrupting the host’s responses, switch off your phone, don’t talk while s/he is talking, and always be polite.
- Engage the person, the more s/he learns from you, the more information s/he will trade with you
- Use this interview to learn who to talk to next
- Be flexible and conscious of the hosts’ time

Post interview

- Maintain relations and deliver all you promise
- Pass on a copy of the study when completed
- Return all borrowed material
- Treat detailed material confidential if asked-Maintain contact for future.

7.6.4. Cross-referencing information

It is frequently stated that business people never tell the truth, so how is it possible to interview traders. Our experience is quite different, if you are well organized, have planned your survey well and can explain why you are doing the work, most business people are interested in helping, providing you keep to a strict timeframe and are engaged in your work. However, nobody tells the exact truth, you should expect to hear versions of the truth. In some rare occasions, you may be unfortunate enough to interview someone who gives you unreliable information. To offset these problems all answers need to be crosschecked against what the interviewee is doing, how they behave, what the team observes and what other informants say about the constraints and opportunities they identify. Cross-checking can be done by

(i) Interviewing several actors at one point in the market chain and comparing their responses,

(ii) Interviewing informants at different stages in the chain, questions that will verify previous results. If several people give the same information, it is usually good enough

(iii) Cross-checking price data against secondary data, to confirm validity.

Finally at the end of each interview, the team should ask for names of other credible people or other key informants to interview. We have found that key actors are well known in a particular market chain and you can be guided to them by asking people to assist you, we find this a most useful process.

7.6.5. Timing of the survey

Several research teams can carry out the survey in a single day, or a lesser number can do so over a longer period. Given that markets are not static, it is important to carry out the surveys in a timely fashion; within 1 to 2 weeks at most is best so that data captured can be easily compared. If the selected market is large, an urban center for example, the work should be divided amongst several groups of researchers. At the end of the day it is useful for the groups to meet to review results, compare notes and decide how to manage any difficulties and proceed on subsequent days. All the data should be written up at the end of each day and be handed over to one person who is responsible for documenting the process.

7.6.6. Use of alternative information types

If the actors hope to use the survey results to motivate changes in the form of production or product quality, it is useful in addition to qualitative and empirical data to gather graphic evidence of the visits to the market and the products, so that photographs or videos can be used for demonstration at a later date, and to facilitate the socializing of information with other market chain actors. Sometimes, being able to clearly show the differences between the quality of one product and another, or a new form of packaging, is enough to motivate a change in the market chain.

7.6.7. Beyond observation to identifying future partners

In addition to standard marketing data, one of the aims of the survey will be to identify whether any of the buyers in the chain would be interested in finding new suppliers of a product and whether s/he would be interested in participating in a more strategic long-term relations with groups of producers. One of the main objectives of the survey should be to identify actors in the chain with whom a commercial relation can be established. Therefore the marketing survey is a process that goes beyond simply establishing whether “market demand exists” and how products flow, to identifying people with whom the client group and service providers can later negotiate.

When the survey team finds an actor(s) in the chain that express reservations about working with small-scale producers it is important that the group perseveres to find other buyers who are more amenable to the process. To assist in the process of follow up activities, the survey team can record details of each interview onto a summary sheet at the end of each day. A summary sheet for interview evaluation and follow up is given in Annex 3. This sheet has been used to good effect in other surveys, it enables the enterprise team to rapidly review results some days after the event, with a view to making specific contacts for linkage into the design strategy.

7.7. Documenting Results

Once the survey is complete, results should be analyzed and written up as soon as possible. There are many ways of documenting and systematizing survey results, however, it is important to choose a format that permits a useful comparison of information, and that makes sense to the participants. Information to be included in the format can include:

- Name of the company or client
- Location and contact information
- Quantity of the product bought by day, week, month, or year
- Means of delivery of the product (with or without processing) and required packaging (bag, basket, tray, etc.)
- Present source of the product being bought and present suppliers
- Prices and form of payment
- Special requirements (health registration, bar codes, etc.)
- Possibility selling to this client

In the case of market chains that include multiple products, it is useful to generate a table for each product. For example, when gathering information for a dairy market chain, there will be multiple products and therefore interviews will be needed with buyers for fresh milk, pasteurized milk, cheese, yogurt and other sub-products. Each specific product has different characteristics that are important to identify and document. Table 5 presents an example format that has been used in the past for this type of survey.

7.7.1. Responsibility for writing up the results

At the outset of the survey, one person should be designated to collate the information from the interview teams and be responsible for writing up the final report. This person should develop an outline of the final report before the survey begins, detailing what information will be required to fill the report effectively. The analyst and writing position is crucial to the success of the survey and therefore the groups should select someone who has a track record in writing good reports, has time to fulfill this task within a 2-3 week period form the end of the survey. Most importantly, this person should agree to the task and be remunerated accordingly. In some cases this person may already by a hired member of the service provider or maybe an outside contractor.

Results from the analysis for the enterprise development stage

- Identified market opportunities for an enterprise
- Key constraints in the market chain
- Technology requirements to enter a specific markets
- Promising partners in the market chain, or in research that may be able to assist in developing an idea to a pilot stage.
- Names of potential business partners that may want to test a new product.

Essential results from the demand side of the market chain analysis

- Identify the major products and market chains
- Provide figures on the size of these markets, and a figure of the total market demand for the product in question.
- At the product level, information is required on price, volume, trends, quality criteria, uses

as well as potential uses.

- The results should prioritize products in terms of where the enterprise can increase sales, increase product value, volume of trade i.e., how to be more competitive.
- The process of demand analysis should record the names of traders, buyers and processors, so that any future intervention can be developed in partnership with these actors after the analysis of the results have been made.

Essential results from the supply side of the market chain analysis

- A map of the zone being analyzed with major production zones, of the selected commodity.
- For a commodity, the study should provide information on seasonality of production
- Trend information on prices of the target raw commodity and if possible for processed products derived from the raw material, i.e., cassava roots, cassava chips, cassava flour, cassava starch, etc….
- Marketing costs along the market chain, showing costs paid by and to the intermediaries from the farmer to the consumer. This information should include margins along the chain.
- Flows of the commodity through the main supply chains, coming from the major areas of production

7.8. Using Results

The results of a rapid market survey are useful in various ways. First, the results give an indication of the types of product(s) in demand and information on volumes and prices of produce entering the market; this information is important, to know how much of the product the market is presently absorbing and at what price (a rough proxy for product demand). The survey results will also provide a clearer idea on product delivery and the form of payment presently used. Based on this information, the differences between the quality of our product or its packaging and existing market norms can be identified. Also, it is possible to revise the mechanisms of payment managed by the clients, analyze which is the most favorable for the market chain's producers, and what would be the implications of beginning negotiations with different types of [13]buyers.

Second, the survey should provide initial ideas on opportunities and constraints in the system and areas of inefficiency or excess rents in the market chain. These aspects of the study highlight areas for innovation. Finally, the survey will also provide a list of contacts of people in the market chain that have expressed an interest in further participation in developing the enterprise strategy. This is essential, as it is these actors who will be crucial in bringing together and participating in new agro-enterprise initiatives that feed into the market chain concept.

Based on the survey, clients can be classified according to the possibility of selling to them or their strategic value for the market chain. Some useful criteria in this exercise can be the volume that each client manages, the segment s/he attends, the use s/he gives to the product[14], the price s/he pays or is prepared to pay, and disposition (or not) to establish strategic relations with other members of the market chain. At this time, it is important to make sure that information

[13] A good evaluation of the requirements and rules of the game that reign in different segments of the market is useful. At times a "good" market turns out to be not so good when these factors are analyzed. A concrete case is the supermarkets that tend to extend payments to their suppliers for 30 days or more, and at the same time discount money for product not sold. At the outset, their prices and volumes are favorable, but it may not be the most profitable segment for small-scale producers.

[14] If clients exist that use the product in different forms (for example, the extraction of essential oils from aromatic plants) it is important to take them into account. Sometimes these non-traditional businesses have greater possibilities of growth and demand for strategic relations than the traditional channels. Furthermore, because of being relatively new, there is possibly less competition in these segments.

generated covers the market(s) in which we hope to work.

Finalizing the process of information and market contacts, the organization or facilitating group should have clear:

- Who the clients of the market chain's product(s) are.
- Where they are located and how to contact them.
- The rules of the game that govern the market and its most important segments.
- The quality requirements for diverse market segments.
- Which of the clients should participate, directly or indirectly, in the design of a strategy to increase competitiveness.

7.9. Feeding back results

The team leader, or lead writer should prepare written and oral / power point presentations. The results should be circulated in the group and be fully understood by the farmer groups. Hence the presentation need to be well rehearsed and provide the most important details of the study, i.e., essential information, that has been mentioned but also what this means in terms of potential application as related to the:

- Enterprise / market opportunities.
- Research, development and service provider innovation opportunities.
- Local administration and policy development opportunities

In the reporting stage it is highly recommended to include several of the market chain's key producers or processors since these actors are in a good position to evaluate the results, give a reality check where needed and assist in diffusing survey results to their neighbors and acquaintances, and thus firmly establish bases for later changes in the technology or product.

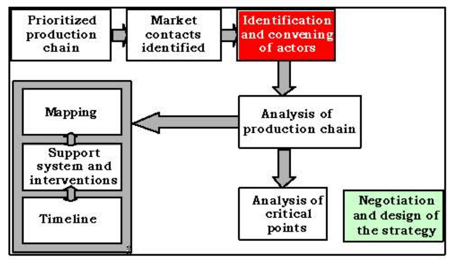
In this chapter, we reviewed the principal reasons for carrying out a rapid market survey if we do not have access to up to date data on the products and markets with which to work. A short list of the key data to collect regarding clients, product characteristics, form of payment and other strategic themes was discussed. Finally, some simple methods, forms of documenting the results, and their usefulness for a strategy to increase competitiveness were mentioned. In the next chapter, we will proceed to identify the key actors and design strategies to convene them for the strategy's elaboration.

Chapter Eight

8. Identification of Key "actors" in the Market chain and steps for convening them

Guiding questions

1. Who are the key actors in the market chain that should be consulted for their point of view?
2. Are there important differences between actors that participate in the same link of the market chain? What are they? Why do they exist?
3. Why is it useful to differentiate the actors along the market chain? What are some advantages or disadvantages of doing this?
4. Which actors have the capacity to lead processes of innovation in the market chain? Which factors are important for promoting lasting changes in the market chain?



8.1. Introduction

Up to this point in the practical section of the guide we have covered two steps which contribute towards our aim of developing a strategy to increase market chain competitiveness: (i) selecting the market chain in which to work and (ii) executing a market survey. In this chapter, we will cover the final step of preparation prior to developing the market chain strategy. Having undertaken a rapid market survey, the group will have made contact with numerous actors in the market chain. This section provides methods to identify key actors in the market chain, a strategy for convening them, and the organization of workshops for the development of the new market chain strategy. At the end of this chapter, the facilitating organization will be ready to convene the participants and design a participative analysis of the selected market chain.

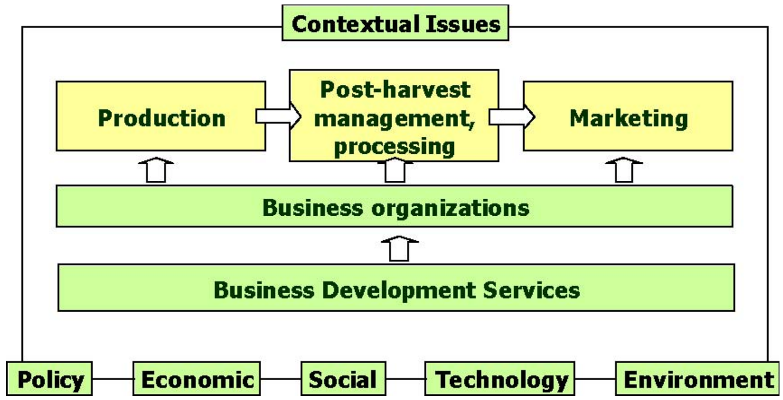
8.2. Identification of Actors

The identification of key actors in a market chain has two basic steps: (1) an analysis of functional categories within the market chain, and (2) an analysis within each functional category. The first step seeks to collate the market chain's general participants by functional category (production, post harvest management, processing, marketing, provision of business development services), locate them geographically, and obtain some data about them. Results from this step include a list of actors (people, groups, companies, etc.) by function. Based on this information, each functional category is reviewed to assess if we can deal with all actors as single group or if they should be further divided based on social, gender, economic, geographic, technological or other criteria. The differentiation of the actors constitutes the second step for their identification.

Identification of the market chain's actors by functional category

The identification of actors by functional category is based on Figure 7 (from Chapter 2), repeated here.

Figure 7. Wider perspective of a market chain.



Actors are grouped by the following functions:

- *Production* – actors whose functions are directly related to basic agricultural production, including input provision, for elaborating the market chain's product(s). This category can include pre-production, production, harvest, or extractive activities.

- *Post harvest and processing* – actors whose functions are directly related to post harvest management (cleaning, sorting, packaging) or processing of basic goods into value added products (for example, processing milk into cheese, sugarcane into *panela* , or other types of processing). These activities may be in the hands of individual actors or rural or urban companies, within or outside the territory.

- *Trading* – actors whose functions are related to the buying and selling of the market chain's product(s). In general, these actors move the product from the territory to the end markets (as traders), but wholesalers located in urban centers can also be included. Various marketing actors can be involved depending on the geographic extension of the market chain under analysis.

- *Providers of business development services* – individual actors, organizations, or companies that offer business development services to the market chain. The services offered by these actors can be tangible (transport, machinery, storage, among others) or intangible (technical assistance, training, etc.), and formal (NGOs, state agencies, companies, etc.) or informal (transporters, local traders, other farmers, etc.)

In operational terms, actors can be identified through brainstorming with a small group that knows the market chain. At this point, an exhaustive list of the actors is not needed, but rather an idea of key actors for each functional category. If the participants do not have much information on some functional categories, then interviews may be necessary to generate reliable data about the actors in this part of the market chain. However, much of this information will have been collected in the market survey work.

At the end of this process, results can be documented in a table such as Table 8.

Table 8. Actors identified by functional category in the market chain.

Function in the market chain			
Production	Post harvest and processing	Marketing	Business development services
Actor 1 Actor 2 Actor 3, etc.	Actor 1 Actor 2 Actor 3, etc.	Actor 1 Actor 2 Actor 3, etc.	Actor 1 Actor 2 Actor 3, etc.

8.3. Differentiation of Actors within the Market chain

Once a list of actors by function has been generated, the differences between them are examined. The framework of analysis here is the functional categories, which are assessed one at a time. Within each functional category, actors are reviewed to see if there is sufficient variance among them to merit differentiating them into sub-categories. Some criteria for differentiation include:

- *Technology* – are there important differences between the technologies used by different actors within the functional category? Examples of these differences are production or processing technologies that vary from the rudimentary to the modern. If we group actors by technology used, do diverse groups emerge?
- *Geographic location* – are the actors grouped in a single site or spread among several? What implications does location have? Are there producers with better land than others? How does access to markets or business development services vary? Are the problems or opportunities sufficiently different in each site to merit a disaggregated analysis?
- *Access to capital*[22] - Is there important differentiation in terms of access to capital? Are there some who have better or worse access to productive resources? An analysis of access to capital could be useful for grouping actors in each functional category.
- *Capacity to innovate* – Do certain groups of actors along the market chain have more or less capacity to innovate? Who are they? What are their motivations to innovate in the market chain? In some cases, the clients promote innovation through changing product standards, but in other cases the agro-enterprises processing the product want to improve their market position through the development of new products.

- At the end of this process, actors in each functional category are differentiated based on a set of criteria developed by the group and a decision is made on which groups should participate in the design of the strategy to increase competitiveness. Table 9 shows one way to systematize these data.

Table 9. Differentiation of actors in the functional category of production.

Principal production orientation	**Geographic location**		
	Zone A	**Zone B**	**Zone C**
Commercial	6 producers	None	2 producers
Semi-commercial	5 producers	4 producers	8 producers
Subsistence	10 producers	12 producers	12 producers

If more than two criteria are used, a name is defined for each group of characteristics. For example, a *small-scale subsistence producer* can be one that is (a) located in hillsides, (b) has traditional technology, and (c) has limited access to production assets. The facilitating organization defines appropriate local criteria for differentiating actors.

For each actor typology identified, a brief description with the most salient points can be prepared including the number of actors in this category, their social, ethnic or gender characteristics, their leadership in the market chain, their capacity to assume risks and innovate or other relevant criteria as show in Box 2.
Capital refers to tangible active products such as land, tools, or money, and intangibles such as access to support networks.

Box 2 Example of an actor typology from Santa Cruz de Turrialba, Costa Rica
This example identifies and describes three types of traders active in one dairy market chain in Costa Rica. For each typology an easily recognizable name was selected and the salient details noted as follows.

Tigers Largest, most established traders focused on pasteurized cheese for formal, urban markets	**Group 1** – 5 or 6 traders • Buy pasteurized cheese from industrial plants. • Sell principally to supermarkets in the capital city of San José. • Have no commercial ties to artisan cheese producers. • Have access to specialized transportation and cold market chains. • Develop and use marketing strategies such as publicity. • Provide personalized attention to their clients. • Possess sufficient working capital to pay cash for cheese. • Add value to the product through packaging and branding. • Develop alliances with industrial plants and other traders. • Do not assume any risks as sub-quality cheese is returned to processors. • Set local purchase price and influence final sales prices.
Road runners Mid-sized traders who sell pasteurized and non pasteurized cheese to informal local and urban markets	**Group 2** – 25 traders • Buy artisan, non-pasteurized cheese from on farm cheese producers. • Buy small quantities of pasteurized cheese from diverse industrial plants. • Do not have employees but buy, sell, pack, sort and transport their product directly. • Tend to be from the same communities with good relationships with local producers. • Tend to pay cash for the product although some pay a week later. • Principal market are large traders in the capital city of San José, • Also sell to corner stores and even house to house. • Assume risks - sub-quality cheese or unsold cheese is aged and converted into cheese slices. • Sell fresh cheese with no added value.
Jack of all trades Not true traders but producers who sell their own non pasteurized products to selected local markets	**Group 3** – 11 producer / traders • Not really traders but rather vertically integrated milk and cheese producers. • Tend to sell artisan, non-pasteurized cheese. • Sell primarily in farmer's markets and local corner stores. • Do not manage large quantities of cheese. • Entire productive process (cattle-milk-cheese-sale) involves most or all of the family. • Assume all the risks • Do not have strong ties to other traders or actors in the market chain.

Source: Second International Course on Developing Supply Market chains with Smallholders, CATIE-CIAT, September 2003.

The objective of this exercise is not to complicate the selection process of participants, but rather to verify that groups representative of the all market chain functions will be included in the design phase. The main justification for this is to assure that we will receive the most complete view possible of the market chain. If, for example, we only include processors using modern technology, the identified problems and support options will be adequate for them, but not for the other processors that use more rudimentary technology. The same occurs with the geographic location of the market chain actors; hillside producers, for example, commonly face different problems than do low land producers. Indeed there are probably differences between the hillside areas located at different altitudes. What is important is to assure that all groups expected to participate in market chain analysis and in the final strategy are identified and included to correctly identify limitations and construct adequate solutions for their diverse conditions.

8.4. Convening the Actors

Once a market chain's actors have been identified and analyzed, representatives from each group are selected to participate in designing the strategy to increase market competitiveness. It is neither necessary nor desirable to convene all of the actors, but rather to choose a subgroup of strategic actors for this process. The definition of strategic depends on the objectives of the strategy; if we are seeking to improve the links of small-scale hillside producers with an intermediate urban market, and finally with various export companies, then strategic actors should be selected from each of these groups.

For the selection of these actors, two general criteria have been useful: (1) interest in participating, and (2) capacity to improve the market chain. The second criteria is important since it leads us to analyze which of the actors can influence the market chain most rapidly. This means including powerful actors, sometimes known as market chain "captains" in the exercise. These persons and companies exercise diverse forms of influence on the market chain. For example, a producer or group of producers that has experience in developing innovative production technologies can have quite a lot of influence on how production occurs. In a similar fashion, a processing company that is interested in new forms of product presentation, developing new products for the market, or entering an alliance with producers can have great influence. The final buyers of the product have purchasing power, and if they participate, they can facilitate rapid and lasting changes in the relations between other actors. Finally, the support organization(s) (including the one that facilitates the market chain analysis) has negotiating power with the diverse actors. Often, this power is used to negotiate better terms of exchange between the different actors, and at the same time verify that all are complying with what was agreed on. In this sense, all of the identified actors are reviewed and the most appropriate selected for the exercise.

8.4.1. An observation on numbers

A common error in a design process is to attempt to involve everyone. Provided that good representation of the different actors exists, there is no benefit in having a larger number of participants. In practice, producers are the most numerous participants, followed by processors and support organizations. The group that least participates in workshops, but not in the implementation of the strategy, tends to be traders or buyers. Provided that there is adequate representation for each group of people who know the market chain, the total number of participants should not be a cause for concern.

8.5. Organizing Workshops

Workshops with identified actors for mapping the market chain, identification, and analysis of problems and of final negotiation are the principal form of obtaining information, discussing difficulties, seeking possible solutions, and achieving agreements among the actors. Therefore, the adequate organization of these spaces in terms of sites and times is important. Within the workshops, main factors to keep in mind are: explaining the process of elaborating a strategy to increase competitiveness, the site and the time needed for each workshop and for the whole process, the expected results and benefits, and the use of the results. Each factor is described below.

Selection of an adequate site
The elaboration of the strategy to increase competitiveness requires various spaces for group work, plus a central site where all participants can be brought together. Depending on the number of participants, these spaces may be at one site, or different rooms or corners of a large room. The following steps of the method explain when to do group work and when to hold plenary sessions. If separate sites are used for different actors, It is recommended that that they be close by so as to facilitate plenary sessions.

Scheduling
The methods described in this guide require time. It is important to clarify with the participants how much time is needed, and how much time they are prepared to invest; also, it is important to organize the workshops so that they adapt to the time the participants have available, which in practice, may imply working in the afternoon or night or over weekends.

The process
At the start of the first workshop or informative meeting, it is important to explain to participants why increased competitiveness is important, how the process will function, who will participate at what times, and the expected results and benefits. This can be done using a flipchart or other communication technique. Highlighting that this process seeks synergies among actors is important to clarify that the process does not intend to exclude actors, but rather to improve the overall functioning of the market chain.

Presentation of participants
Once the process is clarified, It is recommended that a round of presentations to provide background on the roles and experience of the actors present. There are many ways of doing this, such as choosing a method that promotes contacts along the market chain, for example, traders present producers, processors present support organizations and then vice versa. The idea is to show to the group who the participants are, their role in the market chain and what their expectations or interests are in the process.

Expected outputs
At the start, it is a good idea to explain the expected outputs of the process. Generally, these results seek to increase the market chain's competitiveness, but it may be that the facilitating organization wishes to highlight additional benefits for the market chain actors; for example, explaining to those that offer business development services that the results can be used to present funding proposals to improve the market chain, or to the traders that results will include shared quality criteria along the market chain.

Use of results
From the start it is necessary to make clear that the results of this process will be shared among the participants, may form part of future projects, and are the basis for negotiation at the end of the process. If there are any concerns in this regard, it is good to clarify them at this time or achieve specific agreements about the use of the information. At the end of each stage of the process, systematized results should be shared with all participants in a timely fashion.

Ownership of results
Given that most of the information comes from the market chain actors, their contributions must be recognized in whatever document or presentation comes out of the process. It is recommended that listing the names of the chain actors who have participated in each workshop

on the first page of the following report not only to give credit where it is due but also as way to build ownership of the process. The facilitating organization should be recognized for its work, but it must be remembered that the real owners of the information are the market chain actors themselves.

Time line for workshops

Developing a strategy to increase competitiveness usually requires four 6-hour workshops, and which can be organized over 3 or 4 months, depending on the availability of the actors. These workshops cover

(i) Market chain analysis,
(ii) Identification of limiting factors,
(iii) Proposed solutions to these limiting factors, and
(iv) Negotiation among the market chain actors for the final strategy.

The information in Table 10 shows a time line used by an NGO in Colombia. However, under different circumstances and at different levels of intervention, these timeframes can change. In Madagascar, which initially developed the process within a pilot project, all four workshop exercises, for 6 market chains, focused in at a district level of intervention, were completed within one 3 day residential meeting. Leaving time between meetings has certain benefits in that it allows a wider diffusion of results and opportunities for informal discussions among participants that may facilitate the later process of negotiation.

Therefore, the service provider needs to adapt this methodology to the situation, based on available resource of time and money.

Table 10. Time line of design workshops for a strategy to increase competitiveness.

Workshop	Contents	Results
1	• Presentation of the process and expected outcomes • Presentation of participants • Mapping the market chain • History of the market chain • Business development services	• Map of the market chain • Historic graphic of activities of support and innovation in the market chain • Supply, demand, and quality of business development services
2	• Identification of critical points by functional category • Analysis of causes and effects of the critical points	• Problem trees for each functional category • General problem tree for the market chain
3	• Identification of possible solutions • Generation of a provisional logical path	• Solution tree for the market chain • Provisional logical path for discussion
4	• Negotiation among market chain actors • Definition of the final strategy to increase competitiveness	• Agreements among actors for the market chain improvement • Inputs for the strategy to increase competitiveness

8.6. Sources of market chain information

As we enter into the design phase, the sources of primary information on the market chain will tend to be from the actors themselves. This information maybe limited as some market chain actors, i.e., traders, will not be able to fully participate in the workshops because of their business activities or interests. This is where the previous market information gathered through the market survey work is critical. Furthermore, for the service provider, having undertaken the market survey, this places them in a well-informed position to play the honest broker in the design and negotiating phases.

If additional information is required from key market actors in the next step, the facilitating organization should think of other ways of collecting their points of view. interviews (semi-structured and structured), visits, and focus groups could be used as a data collection technique. The participation of all strategic actors in the final negotiation sessions is critical as this is where actions to improve the market chain are negotiated and defined.

As well as primary information from market chain actors, secondary information contained in reports, books, or other available documents about the market chain is useful. In the case of secondary information, it is important to share and validate this information with participants in the workshops.

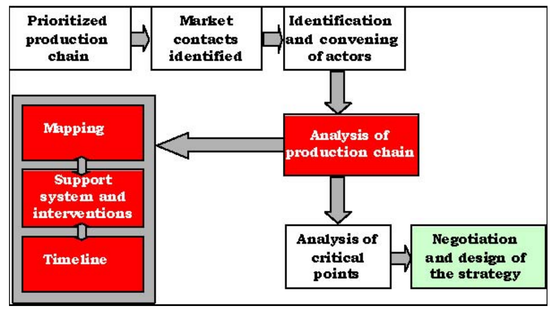
By the end of this chapter, the facilitating organization will have identified market chain actors by functional category, ascertained if it is necessary to differentiate among sub-groups in each functional category, selected strategic actors for strategy design, and organized the details of the workshops. The next chapter explains the first step of market chain analysis: the mapping of the market chain.

Chapter Nine

9. Participatory Market Chain Analysis

Guiding questions

1. What are some important criteria for analyzing complex systems such as market chains?
2. Why can it be useful to divide market chain actors into differentiated groups to analyze the system?
3. What are some techniques that permit us to generate a common language and understanding around the market chain? What are the advantages and disadvantages of the use of participative tools to this end?
4. What can we better understand by mapping the market chain, and what not? Is there additional information that is difficult to capture in this way? Why?



5. Why is understanding the business development services offered along the market chain important? What important information can we collect in this area?
6. What can we learn by carrying out a historic analysis of market chain development over the last few years? When might this be useful and when not? When is an extensive and formal revision necessary, and when is a rapid analysis sufficient?

9.1. *Introduction*

At this stage of the method, potential market chains were reviewed and one selected, existing market data organized and complemented and a group of strategic market chain actors selected and convened. This chapter explains how to begin the analysis of the market chain by forming working groups and the application of some tools: the mapping of the market chain, identification of business development services offered, and the construction of a brief history of the market chain. Each tool is explained in detail in the following pages. Prior to beginning market chain analysis, criteria for the analysis of complex systems should be reviewed and appropriate working groups formed.

9.2. *Criteria for the Analysis of Complex Systems*

The method described in this field guide engages diverse actors along the market chain. Given that each group of actors plays a distinct role in the system, they tend to have different points of view about the limiting factors and opportunities that affect the market chain. This diversity is positive, since a market chain is a complex system where actors know their part of the system well, but do not necessarily comprehend other aspects of the overall picture. The effective analysis of complex systems requires the application of some simple criteria.

Listen to everyone

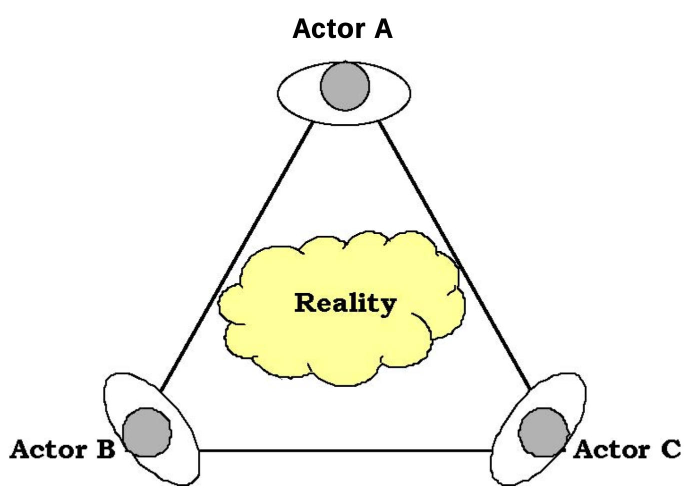
Given the diversity of roles along the market chain, actors have different points of view. The producers know a lot about what happens on the farms (production difficulties, pests, varieties, yields, etc.), but progressively less as the product leaves their community or goes into marketing, trading and other processes. Actors who are concerned with post harvest processes, equally, know a lot about this theme, but know less about production or marketing. And so it follows with the actors involved in marketing the product(s) of the market chain; they may have general knowledge about the entire market chain but possess more complete and profound information about the aspects that directly concern them. Finally, support actors ought to be knowledgeable, in theory, about the entire market chain. However, in practice, it is common to find that they also have specific focuses according to their objectives or capacities.[15]

To overcome the compartmentalization of information requires listening attentively to the voices of diverse actors along the market chain. All have valuable information about their particular activities and can contribute general data about the whole system. However, no one, including the technical actors, is knowledgeable about the market chain in its entirety.

Triangulate the data

If it is accepted that all the actors are partly correct, then a process of triangulation is useful to understand the larger picture of the market chain. What is triangulation? It can be understood as a relation between three or more persons who are examining something in particular. Each one can see a part of the object, but not the whole. If we ask them to draw the object, we get three points of view that need to be combined into a full picture of the object. Each one sees the system from their perspective, and therefore can describe what they see or experience, but is partially blind to the realities of the other actors. To have a more complete picture, all the points of view must be combined—or triangulated—as shown in Figure 10.

Figure 10. Triangulation of data.



In practice, triangulation implies combining and contrasting data from various viewpoints. It is common to find that actors describe issues that, under revision, turn out to refer to aspects of the same problem. For example, producers tend to talk of low prices for their products, while processors and traders talk of the problems of quality and continuous supply. All are describing the same problem (lack of information on what to produce, when and how) from their own points of view. When data from diverse actors is compared and contrasted relationships become clear and solutions that benefit the market chain as a system, and not a specific group of actors are more evident.

Manage power relationships

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15 For example, many NGOs have an explicit focus towards specific populations (small-scale producers, rural women, youth, indigenous, etc.) or one or other link of the market chain (technical assistance or credit in production, access to transformation technology or storage of the product for marketing). The same occurs with informal support actors. The valuable thing about these actors is their profound knowledge of certain aspects of the market chain, and their capacities to support it in some way.

In a complex system with multiple actors it is common to find unequal power relationships. Some feel comfortable talking to outsiders whereas others will not speak more than necessary. Likewise, some actors have formal education, or economic resources, etc. The diverse implications of power in relationships can fill multiple sociological studies, but is also important for a strategy to increase competitiveness.

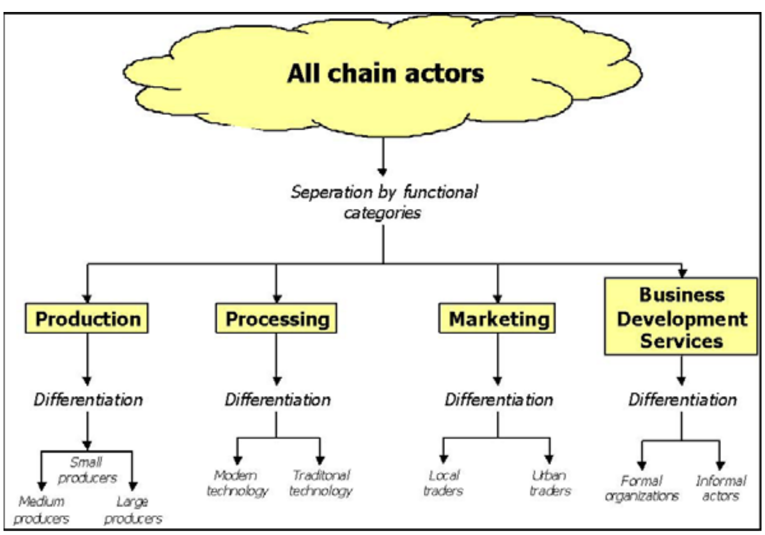
In market chain analysis, technicians and people with a certain degree of formal or informal education speak easily from the start. While these actors may have valuable knowledge to share, they tend to dominate the scene, obscuring the others (persons with little or no education, youth, women, ethnic minorities, etc.). As a result, only part of market chain reality is heard. How do we manage these power relations to ensure more equitable participation among diverse market chain actors?

While many methods exist, experience has shown that the formation of separate groups to map the market chain, analyze business development services, and review market chain history is useful. Separate groups develop different points of view that can be heard more clearly, and with these diverse views, the final strategy to increase competitiveness will be more complete and firmly grounded. This practice implies separating producers, processors, traders, and those offering business development services into different groups. In addition, if there are important sub-groups within each functional category (as previously identified in Chapter 8) it may be necessary for them to work separately. This is especially important if the strategy focuses on a specific population group (small-scale producers with certain characteristics, groups of women, old or young people, ethnic minorities, etc.), since the problems and solutions analyzed, should correspond to the focal group and not to other actors in the market chain.

9.3. Formation of Working Groups

Initial working groups are formed based on the functional categories in the market chain. Those who are involved in production are grouped, the same as those involved in post harvest management or processing, marketing, and business development services. Once grouped, a decision is made whether the organization of subgroups to capture diverse geographic, social, technological, class, ethnic, age or gender viewpoints is needed. These decisions can be discussed with participants so that all are clear about the different groups and their objectives. Figure 11 shows this process.

Figure 11. Process of forming working groups.



Once the working groups are formed, the exercises are explained. When everyone is clear about what to do, each group should work separately on the exercises without the intervention of the other actors. This process is much easier if all the work locations are in the same zone.

9.4. Tools

The tools used for market chain analysis include:
(i) Market chain mapping,
(ii) Identification of business development services offered, and
(iii) Market chain history.

The most important of these are mapping and the identification of supply and demand for business development services. The review of market chain development is an optional step that provides useful information for analysis. On the following pages, the objective of each tool, time required for its use, necessary materials, steps, facilitating questions, and examples are provided.

9.5. Mapping the market chain [16]

Objective
Visualize product flows, business development services, and inputs along the market chain, from primary production to sale to wholesalers, from diverse points of view.

Time
About three hours in total. One hour for the elaboration of the maps by each group, one hour for the socialization and construction of a consolidated map, and one hour for identifying and filling gaps in the information.

Materials
This exercise can be carried out using flipcharts and markers, blackboards and chalk, or even on the floor with local materials. What is important is to describe the flow of the product in such a way that all the actors can see and discuss it.

Process
Divide the groups by the functional categories of the market chain and ask them to draw the market chain, as they know it. To begin the visualization, it is a good idea to identify the actors and place them spatially (in their community or city) by functional category. As the process advances, other questions are asked that provide additional details. These details are then added to the basic market chain drawn at the start (see below). This exercise could take between 45 and 60 minutes. At the end, each group explains its vision of the market chain in plenary, and a more complete vision is completed drawing on all viewpoints. The facilitator of the exercise is responsible for eliciting additional information on key topics (see list below).

Facilitating questions
Some basic facilitating questions for this exercise appear below. However, the facilitating organization is at liberty to change the list according to their needs. It is recommended that organizing key questions in a checklist for those facilitating the group work. Some of these questions can be formulated to start or support the process of visualization, while others are more suited for later stages or for reviewing the final maps, identifying gaps, and complementing the data already generated by the group. The results of the questions should be noted on the map itself or by one of the facilitators of the process in his/her notes. These replies greatly enrich the original map and show participants how much they already know about the market chain.

[16] This same technique can be used to analyze not only physical product flows but also intangible aspects of the chain such as relationships between actors, information flows, sources and spread of innovation among others.

Actors:
- Who are they?
- Where are they located?
- What are their functions in the market chain?
- How do they relate to one another? Are relations good, average, or poor? Why?
- What are their characteristics (gender, class, age, education, abilities, know-how, etc.)?

Markets:
- Where do we sell what we produce (in each link of the market chain)?

Product characteristics:
- What are the characteristics of the product?
- What are the volumes of production monthly or annually?
- How much of the product is sold in the markets monthly or annually?

Costs, yields, and distribution of the market chain's value
- How much does it cost us to produce (in each link of the market chain)?[17]
- What are the buying and selling prices in each stage of the market chain? Are they stable during the year, or do they fluctuate?
- How efficient (yields by area planted, conversion factors, etc.) are the diverse activities in the market chain?
- What is the distribution of the total income from the market chain between the actors like? Which groups gain more and which less, and why?[18]

Business development services
- Who (in each link of the market chain) supports us?
- How do they support us? What services do they offer (in each link of the market chain)?
- What is the quality of the services offered?

Here, care must be taken to visualize the support received by informal actors (intermediaries, moneylenders, etc.) that at times are more effective that that of the other support groups.

Rules of the game
- What is the form of payment in each stage of the market chain?
- What are the quality requirements?
- What is the buying frequency?
- How are relations between market chain actors? Are they happy with the existing relationships? Why or why not?

If the facilitating organization has more specific questions, these can be included in the final facilitation tool, making the necessary adaptations so that they are of maximum help in visualizing and understanding the market chain. Additional tools can be combined with the mapping exercise to document specific information of interest to the participants and the facilitating organization. One example is that of gender analysis where the relative roles of women, men and children can be analyzed along the market chain in the various productive activities. A more complete analysis in this sense could examine not only roles and responsibilities but also access to resources, knowledge and gendered decision-making by market chain actors.

If, at the end of the exercise, there are parts of the market chain with major gaps, it is probable

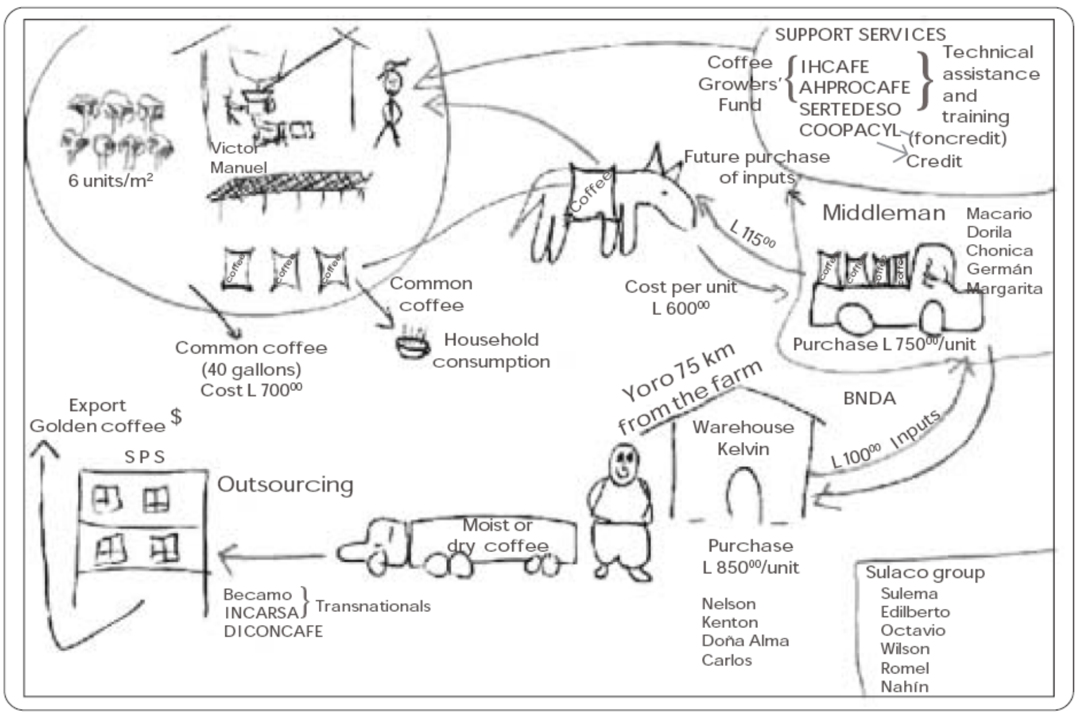
[17] Commonly no one has any idea about this, but sometimes one or more producers can provide an approximate idea.
[18] In this part, it is a good to review the role of each group in the market chain bearing in mind the risks assumed, value added, and access to information or key contacts.

that we have left out one or more key actors in these functional categories. A strategy to elicit and include their points of view is needed.

9.6. Example from Honduras

Figure 12 presents an example of a market chain map generated by a group of coffee growers in the Municipality of Sulaco, Honduras. The map shows that the producers have a fairly complete vision of their market chain, covering functions from production to export, and that they have managed to identify most of the actors. When examined in greater detail, however, it was clear that most of the information on the map related to the relationship between the producers and one large regional trader. Details about what happens in the market chain between Yoro and product export are less clear.

Figure 12. Map of the coffee market chain, Municipality of Sulaco, Honduras.



Source: Producers of Sulaco, Strategy to Increase Competitiveness of Coffee Workshop, 2000.

An important aspect that did not appear on the map was the question of quality. In this case, the facilitator raised the importance of quality. In this example, traders, exporting firms and support organizations did not participate actively. As a result, gaps remain that must be filled through workshops, focus groups, or semi-structured interviews with the missing actors.

Production and transformation

The map gives information about the production system at the farm level in the Municipality of Sulaco. Here, we can see the average production per *manzana*[19] of land, the cost of depulping the coffee (2.5 Lempiras[20] per liter of coffee), and the use of the final product.

[19] A manzana of land is equivalent to about 80 m2

[20] US$1 is equivalent to 18.2 Honduran Lempiras.

Reviewing the map, what gaps need to be clarified?

- Production costs
- Existence of depulping machined in the zone (Do people usually pay for this service?)
- Number of coffee farms in the zone, total hectares in production (approximately) or volume of coffee produced.

Sometimes it is easier to find this data with intermediaries who, for example, have good knowledge of production volumes, or with support organizations that manage more formal data such as extension, yields, and average costs. If market chain analysis methods are required to fill the gaps, the reader should refer to Chapter 6. Nevertheless, it is important to ascertain what producers know about the activity since these data tend to be more accurate and up to date than most "official" figures.

Marketing

The map helps us appreciate Sulaco's system of coffee marketing. The data included are: (a) price of production per load of coffee, (b) traders' purchase price, (c) names of local traders with an indication of which ones are most important, (d) sales price to regional traders, (e) names of regional traders with an indication of which is the most important, (f) final destination of the coffee – San Pedro Sula, and (g) names of the export firms known by producers.

This exercise provides key information to plan future research activities, such as semi-structured interviews with the local and regional traders and visits to export firms in San Pedro Sula.

What are the gaps in this information that must be filled?

- Prices between Yoro and the export firms and the price of Honduran coffee in international markets.
- The use of "futures" by local traders to guarantee volume at favorable prices. Who provides the funding for this? Local traders or regional traders? What are the advantages or disadvantages of this system for the actors involved?
- The support lent by intermediaries to producers (services provided, costs, volumes, and frequency)

Support system

The support system, both formal and informal, is clearly defined. In this case, producers receive formal assistance (technical assistance, training, and some credit) from public and private firms (see Figure 8 top right-hand corner), while business support (marketing, transport, inputs, and advances of working capital through future purchases) come from traders.

In the case of the traders, a more complex, two-way relationship is shown, than with support organizations. In this space, what data are missing?

- Information on the actual relationships between traders and producers. Is it a stable relationship, or do producers feel exploited? What is the real flow of funds like in this relationship? The trader advances resources, but what is the final cost of these resources for the producer?
- More details on the relations between local and regional traders. As well as buying the coffee, what role does the regional trader play?
- More information on the business development services provided by support organizations. Are they efficient, of good quality, sufficient? Does everyone have access to these services? Do they respond to producers' needs?

The map was generated in a relatively short amount of time (less than 1 hour) by a group of small-scale producers. At the same time, other, less complete maps were generated by other groups. After reviewing all maps, it was decided to use this one as the base map for the analysis of the coffee market chain in Yorito and Sulaco. Another interesting point is the level of detail (names, for example) that appears for the informal actors. This contact information is of great use to identify key sources of information for follow-up work.

9.7. Provision of Business Development Services

Objective : To make a simple list of business development services that exist along the market chain and to qualify their quality and identify gaps susceptible to future improvements.

Time : About 2 hours in total; 1 hour for identifying, describing, and qualifying the services by functional category, and another hour for socializing the results and comparing them amongst the groups.

Materials : This exercise can be done using flipcharts and markers, blackboards and chalk, or even on the floor with local materials. What is important is to describe the services supplied and received in such a way that all the actors can see and discuss them.

Process : Continuing with the same groups used for mapping, proceed examine supply and demand of formal and informal business development services in each function of the market chain. The groups of producers, processors, and traders analyze their respective links based on results of the mapping, while the business development service providers look specifically at the services they supply. After about 1 hour of working in groups, results are revised in a plenary session, and matrices are generated of supply and demand in each functional category.
It is important to make a special effort to include informal service suppliers since they are more difficult to identify. Examples of informal suppliers of services include: farmer Development Agents (DA) or smallholders with additional knowledge on production themes; metalworking shops that make or repair agricultural or simple processing machinery; workshops that rent out machinery for processing; transporters; traders; moneylenders, among many others. Emphasis is placed on informal suppliers business development services because: (a) they exist in almost all market chains; (b) their services tend to be more sustainable that those supplied by formal actors; (c) their costs are lower; and (d) their quality is key in understanding the function of most market chains.

Facilitating questions: The basic questions for facilitating this exercise with the groups of producers, processors, and traders are:

- Who supplies services to this link in the market chain?
- What services are supplied?
- What cost does this service have?
- How useful is this service? Does it solve your problem?

The results can be organized in the following matrix (Table 11).

Table 11. Matrix of the analysis of services received (by clients).

Service by link of the market chain	Supplier	Cost	Benefit (recipient perspective)	Comments
Production Processing Marketing Organization	Who supplies the service	Paid for the service in cash or kind	• High utility • Medium utility • Low utility	Additional information about each service

In the case of service providers, useful questions include:

- What services are supplied to each link in the market chain (production, post harvest,

processing, marketing, business organization)?
- Who are the clients of the service?
- What portion of the service cost does the service client cover? What portion is covered by other sources (donor or government subsidy)?
- How effective is the service? Does it manage to solve the problems of the client?
- How much does it cost to supply the service?

Results can be organized in a matrix such as the one shown below (Table 12).

Table 12. Matrix of analysis of the services supplied (by service providers).

Service by link of the market chain	Clients	Cost	Benefit (supplier perspective)	Comments
Production Processing Marketing Organization	To whom is the service directed	Paid by the service in cash or kind	• High utility • Medium utility • Low utility	Include total costs of services

Once the supply and demand of services has been identified, a simple review can be made in plenary session to compare the services noted by the clients (producers, processors, and traders) and the service providers. Often, this revision generates interesting discussions, given that services appear that were unknown up till now or that the evaluation of quality varies substantially.

9.8. Example from Borena (El Gayo Kebele coops and Traders)

This methodology was applied to a livestock value chain at Borena, Oromia region, Ethiopia with the following results (Tables 13 and 14).

Table 13. Example of production services received in El Gayo.

Service	Who offers it	Cost	Benefit	Comments
Production				
Veterinary	Community Animal Health workers who are trained by NGOs like AFD GTZ and CARE	They charge from 10% to 20% of the cost of the medicine for their service	high	There are about 4 Vets per Kebele
Holding of cattle until sold (including grazing)	Coops members	Free of charge	High	The service may become beyond the capacity of the members if the no of cattle exceed like 50.
Marketing				
Market Center	Town Administration (Dubluk town)	Birr 10 per cattle sold (paid by buyer)	High	
Brokerage (Trade)	Brokers	Birr 10 to 20 per cattle	Low	
Transport (If they are selling at Adama)	ISUZU truck owners	Birr 1800 to Birr 2100	High	The truck owner pays Birr 150 to truck brokers

Table 14. Example of production services supplied in El Gayo by service providers.

Service	Whom for	Costs	Benefits	Observations
Management training	Coops Office	Free	Capacity Building	
Seed Fund	NGOs – AFD Pastoral Community Development Project	AFD to the extent of Birr 40,000 PCPD- 15% community and 85% project fund (up to Br 100,000	Capacity building	Limited awareness of the community on the potential assistance form PCDP

Tabel 15: Service available to Medium traders

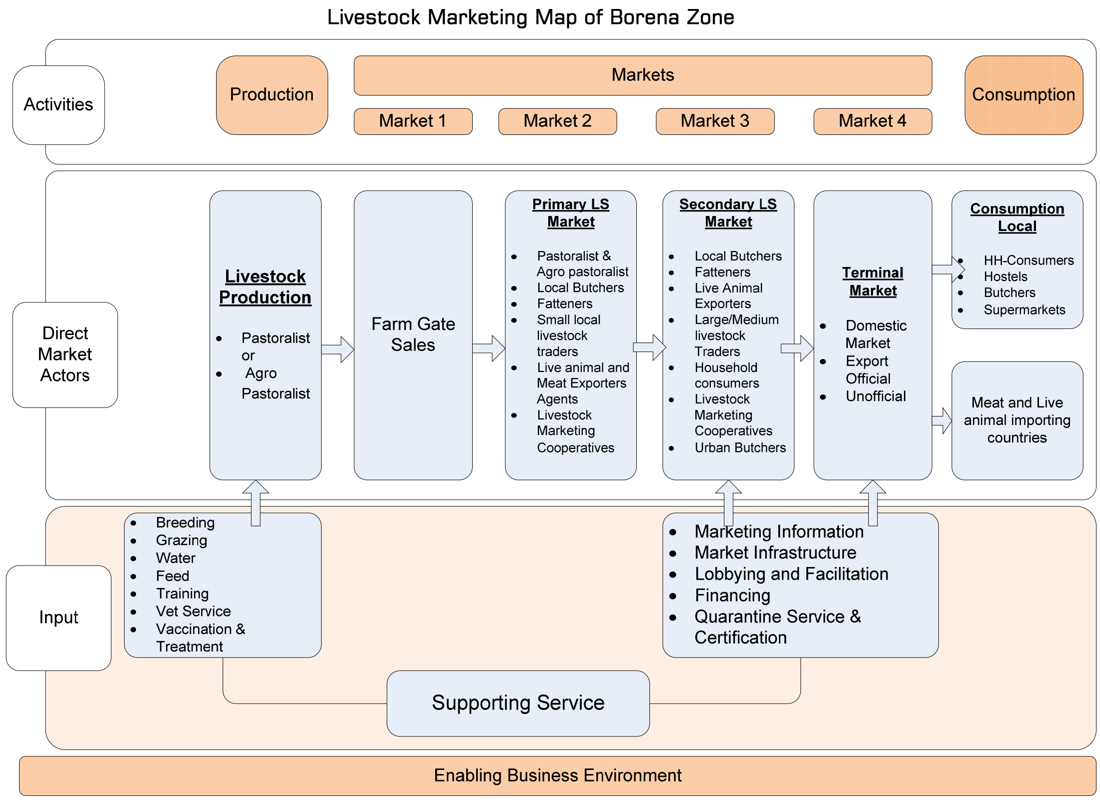
Service	Whom for	Costs	Benefits	Observations
Market centers	Municipalities	Birr 10 per cattle	Contacting the sellers	Suitable market centers
Transportation	Middle truck owners	Birr 2100	Essential to move the cattle from Dubluk to Adama	
Brokerage service	Brokers at the market centers And brokers for truck	Birr 20 for cattle market broker, and Birr 150 (paid by truck owner) for brokers of truck	Facilitating the transaction	The truck broker role is not visible as truck owners and traders can contact each other without the assistance of the broker.
loan	Commercial Bank	8.5%	Working capital advantage	Against valid collateral
Medical	Vet Service provider and drug stores	Average Birr 20, when needed	Medicated for disease	
Insurance	Ethiopian Insurance Corporation	Not yet rated	To cover risks from procurement to sales	There are risk accidents on the way from Borena to Adama. Insurance companies are willing to cover the risk but not yet customized their policies to various level of traders
Holding until sales	Holding ground owners (Farmers around Adama)	Birr 3 per day per cattle	To keep the animals until date of sales	Traders could not afford to rent holding grounds in totality as it is expensive.
Feed for cattle	Feed suppliers	Birr 20 for 5 days per cattle	To feed the animals until date of sales	Essential to keep the cattle in good condition until market day.

At the initial stage, it is difficult to identify all the service providers. However, through extensive review of the actors, it is possible to catch those services providers for the identified market actors. It is likely to omit service providers which are not known to the actors. For instance, PCDP, a pastoral community development project, which has a program of supporting pastoral communities and cooperatives to the extent of Birr 100,000 for community investments were not known to the cooperatives until the study team identified that it is one of the potential service provider.

9.9. Example of Borena Livestock Value chain

The Borena Livestock value chain map, as shown in figure 13 below, shows the inter relationship of all actors from input, production, distribution, and export. As livestock could be meant a number of things like for farming, abattoirs, breeding, fattening, exporting etc, a lot of actors are involved.

Figure 13: Livestock Value chain map of Borena zone, Ethiopia



Source: Target Business consultants Plc

9.10. Market chain history

Objective : To identify key moments in the market chain's evolution, positive and negative aspects and lessons learned. This can be applied generally (key milestones of the market chain), or with an emphasis on previous projects or support received by the market chain.

Time : About 1 hour in total.

Materials: This exercise can be carried out using flipcharts and markers, blackboards and chalk, or even the floor with local materials. What is important is to describe the history in such a way

that all the actors can see and discuss it.
Process: Using the same groups from the mapping exercise, proceed to define key dates in the market chain's evolution. Start with a brainstorming session to identify key moments, clarify each one and organize them chronologically. Build a timeline as a column, and proceed to identify additional information on each event and evaluate lessons learned. The exercise ends with a socialization of the results between the groups, and clarification of gaps. After this workshop, the facilitating organization will mould all the timelines into a single one.

Facilitating questions : The facilitating questions for the timeline are:

- What have been key events in the market chain's evolution during in the last ten years? In what year did each one occur?
- Who participated in this event? What were their roles?
- Was there external support during this time? Who facilitated it?
- What was good about this event?
- What was negative about this event?
- What did we learn from this event?

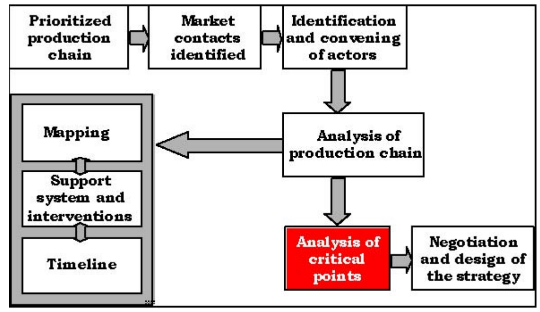
An example of a market chain history is presented on Annex 10

A variation on the market chain history exercise is one focused on local processes of innovation to support the market chain or generate new products. If these processes are investigated, it is important to include a space to note the sources of the innovation(s), their channels of dissemination, and the results they have had in the market chain. Actors identified in this way are key when new changes in the market chain are proposed later in the analysis process.

In this chapter, we have discussed how to form working groups and three tools for market chain analysis: mapping; supply and demand of business development services; and a market chain history Together, these tools permit a first analysis of the market chain and prepare us for the next step, which is the identification and analysis of factors limiting the market chain's competitiveness, and possible solutions.

Chapter Ten

10. Participatory Market Chain Analysis



Guiding questions

1. How can we identify the critical points that limit a market chain's development?
2. Is differentiating market chain actors and their opinion ns valid when we seek to identify the critical points? Why, or why not?
3. If we identify differentiated critical points with market chain actors, how can we connect them later in the analysis?
4. Why is it important to identify not only the critical points, but also understand their causes and effects on the market chain?
5. Is it possible to connect various critical points along the market chain?
6. Once the critical points are identified, how can we use them to plan processes of innovation and market chain development?
7. Can we find critical points that influence the market chain more than others? What would happen if they were resolved? Could strategies to resolve these especially critical points lead to dramatic increases in market chain competitiveness?
8. Why is bench marketing important for understanding the limitations in the selected market chain

10.1. Introduction

At the end of Chapter 9, the group members had completed the following tasks:

1. Visualized the market chain including actors and their locations,
2. Outlined the flow of products, inputs along the market chain and
3. Described the accessibility and quality of business development services in support of the market chain.

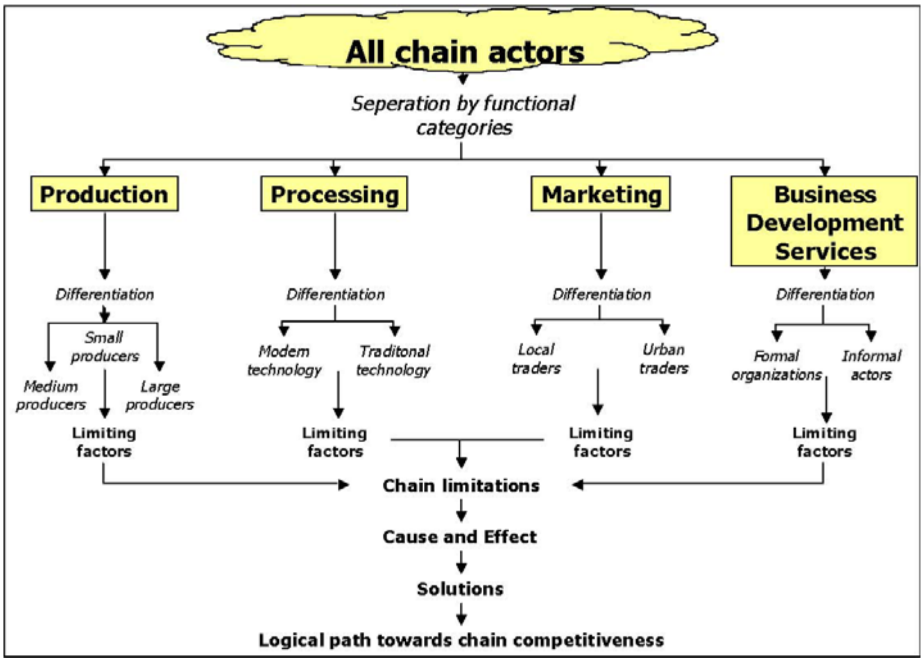
Based on these exercises, this Chapter will provide an explanation regarding how to identify critical points where the market chain faces internal or external limitations, how to analyze the causes and effects of these limitations, how to identify solutions for these bottlenecks, how to compare the market chain with the competition and finally how to design a logical path towards increased market chain competitiveness.

All exercises described in this Chapter will be carried out by groups of strategic actors previously identified by functional categories along the market chain, see Chapters 8 and 9 for more information on the selection of strategic actors. Below, we explain how to identify factors limiting competitiveness, how to analyze their causes and effects, and a way of translating limitations into opportunities. The process is explained graphically in Figure 14.

10.2. Identification of Limiting Factors

This tool has two steps: (1) a brainstorming session focused on identifying existing limits in the system, both internal and external, and (2) the selection of the most critical limitations. This exercise is carried actors grouped by functional category followed by a plenary session to share the results.

Figure 14. Analysis of critical points.



10.2.1. Brainstorming session

First, ask the group to identify the limits that they see as important in the market chain. Each idea should be written on a card according to the following rules: (a) one idea per card, (b) not more than three lines long, and (c) in big letters so that everyone can read the comments. In groups where level of schooling is limited, drawings representing ideas can be used.

Once the ideas have been collected and put onto cards (leave 15 to 20 minutes for this exercise), clarify ideas and find out if the card effectively conveys the idea of the author. Similar ideas should be grouped. Once ideas have been grouped, define the central ideas of the group in one phrase on a different colored card. This summary card is placed on top of the group of individual cards so that everyone can review whether or not the key ideas have been captured. At the end of this process (of 15 to 30 minutes), the final cards are placed on the wall where all participants can see them and read them out loud (see below for example).

Access to funds	Access to holding grounds at the level of farm gate
Training and technical assistance	Access to holding ground at around the Market centers
Improvement of Market	Feeding shortage

10.2.2. Prioritization of limitations

There are various ways of arranging the identified problems. If the group is relatively homogeneous in terms of participation (no single person dominates the group), and if the group has a limited number of problems (8 maximum), the pair-wise ranking tool described below can be used. If there is a marked tendency for one or more persons to influence the decisions of the group, or a large number of problems, it is better to opt for a secret vote to capture more clearly the opinion of the group and not just that of the most vocal members.

10.2.3. *Pair wise ranking*

A pair wise ranking process uses a matrix where the identified problems are placed in identical rows and columns as seen in the following example (see Table 14).

Table 16. Incomplete example of a pair wise ranking exercise.

Problems	Access to funds	Training and technical assistance	Feed shortage	Access to holding ground – farm level	Access to holding ground – Market center	Marketing
Access to funds						
Training and technical assistance						
Feed shortage						
Access to holding ground – farm level						
Access to holding ground – Market center						
Market						

Based on this example, work proceeds in the following fashion: (1) identical themes are not compared (access to funds against access to funds, for example) and each pair will be compared once only (for this reason only half the matrix will be filled in); (2) the facilitator asks, "between access to funds and access to inputs, which should be solved first?; (3) the group discusses the question in an attempt to reach a consensus; (4) the answer is written on the card and the group proceeds to the next pair of problems; (5) notes should be taken on the rationale behind the decision (why are pastures more critical than access to funds, for example). The logic behind the decisions is sometimes more illustrative than the decision itself. Depending on the group, this exercise takes between 30 and 45 minutes.

At the end of the exercise you should have something similar to the following matrix (Table 17).

Table 17. Complete example of a pair wise ranking exercise.

Problems	Access to funds	Training and technical assistance	Feed shortage	Access to holding ground – farm level	Access to holding ground – Market center	Marketing
Access to funds		Training	Access to fund	Access to fund	Access to fund	Marketing
Training and technical assistance			Training	Training	Training	Training
Feed shortage				Access to holding ground farm	Feed shortage	Marketing
Access to holding ground – farm level					Holding ground Farm level	Marketing
Access to holding ground – Market center						Marketing
Market						

Next, each factor is scored based on the number of times it appears and assigning an order of priority according to this frequency. To clarify, explain to the participants that the votes received by each limitation will be counted, and thus determine what factor is the most urgent to resolve. Table 18 shows the results of this scoring for the example being developed.

Table 18. Final ranking of limitations

Limitation	Frequency	Order of priority	Observations (Notes on why each decision is selected)
Training and technical assistance	5	1	
Market	4	2	
Access to funds	3	3	
Access to holding ground – farm level	2	4	
Feed shortage	1	5	
Access to holding ground – Market center	0	6	

10.2.4. Consolidation of limitations

Once the factors are ranked by each group of actors, the results are shared in a plenary session. Each group explains its final ranking results focusing on the rationale behind their decisions and why one factor is more important than the others. The facilitators should note limitations that are similar across groups even if they use different terms to describe basically the same problem. If doubts or inconsistencies exist among the results, they can be clarified at this time.

At the end of the socialization process a consolidated list of limiting factors is generated. At this time, similar or related limitations are grouped as in the brainstorming exercise. The rank assigned to each limitation by each group is also noted as shown in Table 19.

It is common for groups to rank limiting factors that are exclusive to them highly. Despite this, the facilitators should focus on identifying limitations that are valid along the whole market chain —such as marketing in the previous example—to highlight the relations between limiting factors in each link and the overall competitiveness of the market chain. At this point it is useful to refer to the market chain map and review which of the ranked limitations have causes and effects in more than one link.

Table 19. Example of a consolidation of limitations in a market chain.

Limitations	Order of importance for each group		
	Producers	Traders	Exporters
Training and technical assistance	1	2	3
Market	2	1	2
Access to funds	3	3	1
Access to holding ground – farm level	4	-	-
Feed shortage	5	5	5
Access to holding ground – Market center	6	4	-
Escalating transportation cost	-	9	6
Absence of Transit Insurance for livestock	-	6	-
Rift Valley Fever related ban on livestock	-	8	4
Absence of standard unit of measure for livestock	-	7	-

Source: Adapted from: Workshop Formulación de Estrategia de Competitividad para Lácteos, Asociación de Empresarios Agroindustriales de la Sub-Cuenca del Río Cabuya (ASERCA), 1999. (Adapted by Target Business consultants)

Following this exercise, the most common or strategic limitations are identified amongst all the actors, to be analyzed in more detail. The identification of common limitations is done by comparing the prioritized lists and seeking similar or related themes among the actors (the marketing example noted previously). In the case of strategic limitations, a wider discussion on market chain competitiveness is facilitated to identify the causes of the common limitations. This second process becomes easier as causes and effects of each limitation are analyzed as described in the following section.

It is recommended that selecting between three and five common or strategic limitations to analyze. It is normal to find that many of the other limitations ranked by the different actors appear as causes or effects of one or more of the strategic limitations. By seeking common limitations to analyze, the focus of the group is squarely centered on finding solutions that benefit most actors, generate positive synergies along the market chain and help solve other, minor limitations that are specific to each functional category.

10.3. Analysis of Cause and Effect

As a result of the ranking exercises, a list of limitations is generated to analyze in greater detail. This list must be manageable (a maximum of five is a good rule of thumb), respond to the concerns of the actors, and should contain limitations whose solution generates benefits for more than one group of actors in the market chain. The common limitations can be worked on first among the actors in each segment of the chain, followed by those that have been identified as strategic among all participants. As the analysis of causes and effects advances, the multiple relationships between limitations will become clear (for example, some limitations are causes or effects of others) so that it is hardly ever necessary to work with more than five limitations.

This analysis is carried out using the technique of problems trees.

Problems trees to analyze limitations
A problem tree (or cause and effect analysis) includes the following steps:

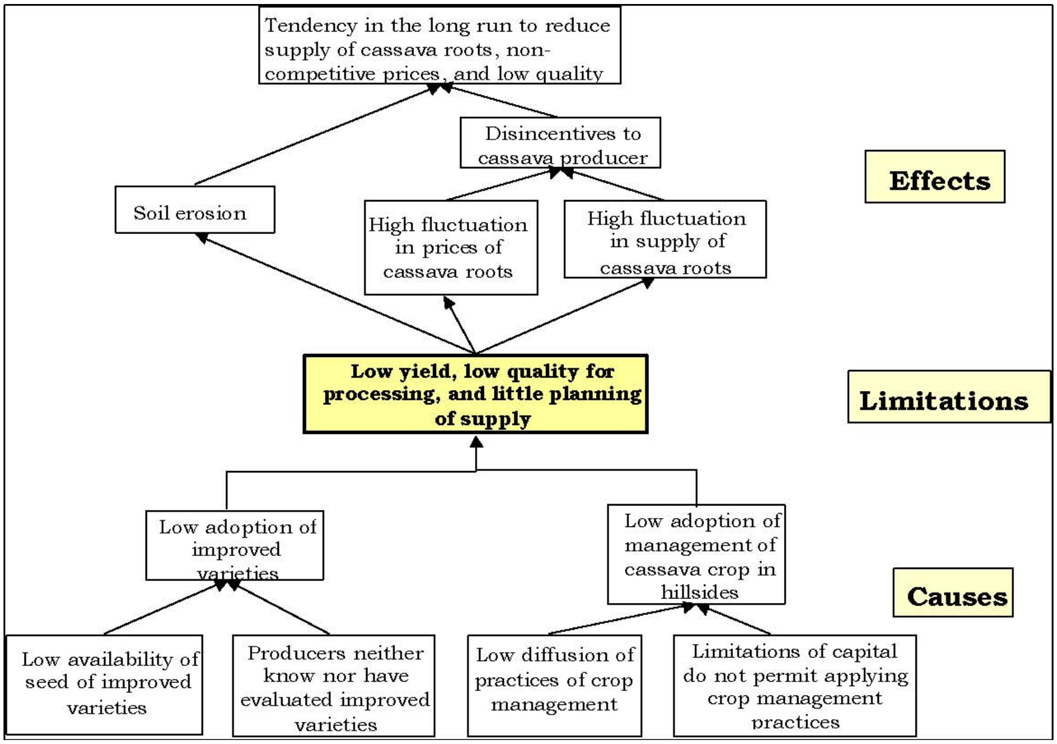
1. Put the selected limitation half way down the workspace (paper, wall, floor), explaining clearly to participants the reasons why it was selected. Care must be taken in explaining the problem clearly – and achieving a consensus on this – since the validity of the analysis depends on a common understanding of the problem.

2. Ask participants about the causes. Questions should be structured in the following way: Why are there low yields, poor quality, and little supply planning of banana trees? Each time that participants reply, the idea should be noted on the card and placed underneath the initial problem. Once the card is placed, the question is repeated – Why? – and the answer noted on a new card. The objective is to generate chains of causality to understand not only the central, visible problem, but also its causes. It is important to discuss and clarify as much as possible the diverse causes of each problem, and the relationships between problems. Normally, analysis is continued to the second level of causality, although this work can extend – or deepen – to provide greater analysis of a particular point if necessary.

3. Once the causes of the limitation are analyzed, the facilitator initiates the analysis of the effects using the phrase: What are the effects or results of this limitation? The effects analysis then follows the same logic as described above. For effects, analysis is also carried through to the second level of effects. If the facilitator wishes to analyze the links between the limitation and wider themes – livelihoods, for example – the analysis can be amplified further.

At the end of the exercise a much clearer idea should be held about the real causes of the problems, their effects, and how to enter to improve the situation, as shown in Figure 15.

Figure 15. Example of a problem tree.



Once relevant problems trees have been defined for the selected limitations, the next step is to identify the relationships between limitations. As noted previously, it is common to find that some limitations are in fact causes or effects of others.

10.3.1. General problem tree for the market chain

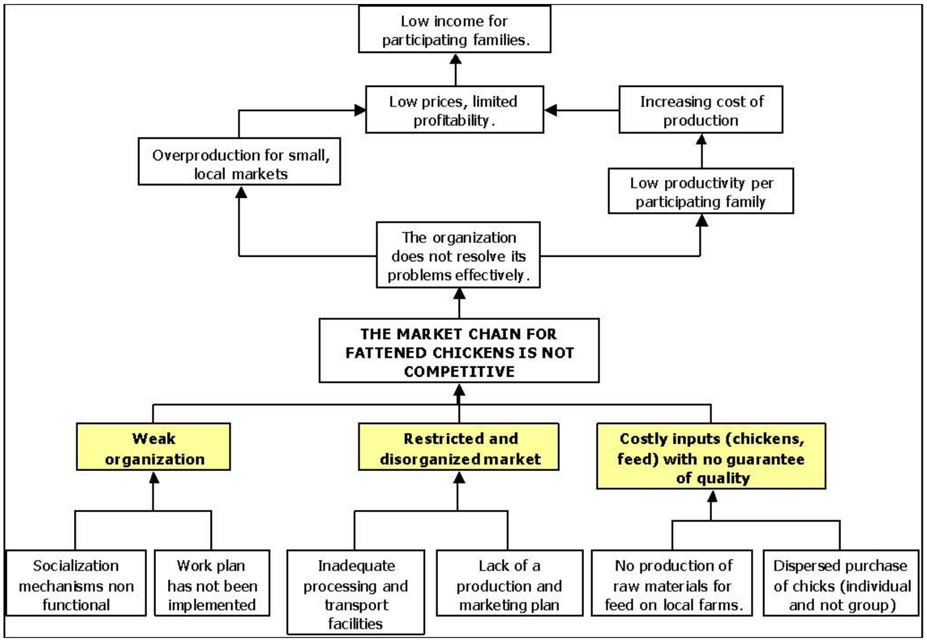
Based on the problem trees for selected limitations, a general tree is constructed to represent the difficulties facing the market chain at the time of analysis. The level of detail in this final tree can be less than in the specific trees. The goal is to link all the trees in a logical fashion. Normally, the sum of market chain limitations adds up to low levels of competitiveness but on occasions some limitations may actually be effects of others.

When constructing an overall cause and effect analysis for the market chain, facilitators must clearly identify the logical relations between causes and effects that appear in the tree. Equally, it is important to review the relations between levels of causes and effects so that the more profound causes are clearly related, and if possible causally linked, with the identified limitations. If this process is carried out effectively, it provides a solid starting point to identify possible solutions to the market chain's limitations.

Figure 16 shows an example of a general problems tree for a market chain. The limitations in yellow are those that were analyzed in the specific trees.

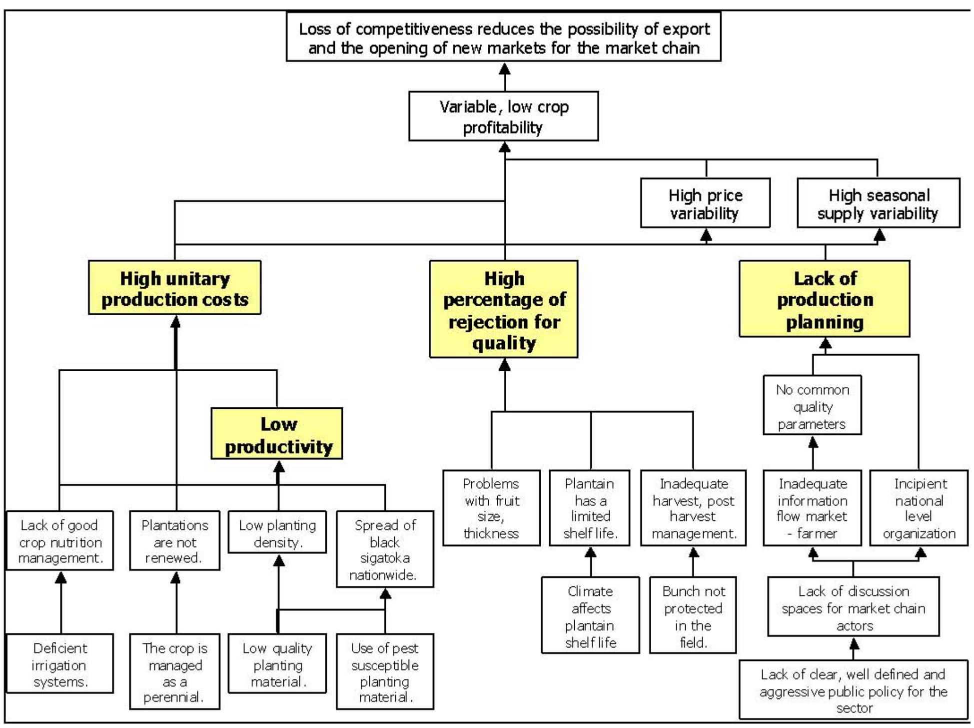
This analysis clearly identified the principal causes of the market chain's low competitiveness and the effects of this on producer livelihoods. In this case, the problem tree was generated by chicken producers, and thus reflects their viewpoint more than that of other chain members. A more complete example (Figure 17) for the market chain for plantain in the Dominican Republic follows.

Figure 16. Simple example of a general problem tree for a market chain.



Source: Proyectos Productivo Integrado (PPI) for chicken rearing, Asociación de Productores y Expendidores de Pollosdel Norte de Cauca (ASOPROEX), and Corporacíon para Estudios Interdisciplinarios y Asesorías Técnicas (CETEC), Colombia, 2001.

Figure 17. Complete example of a general problem tree for a market chain.

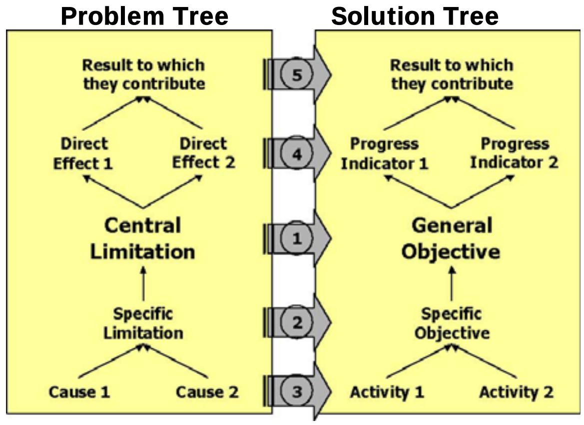


Source: Adapted from field work in the Domincan Republic by the Public Private Partnerships for Agro industrial Research Project implemented by ISNAR and CIAT and supported by BMZ, Germany.

10.3.2. From limitations to solutions

In addition to providing a more profound understanding of the challenges within a market chain, problem trees can be useful for identifying possible solutions. Causes can be translated into objectives or activities of a project with the central limitation as the general objective, while effects become either indicators of progress or impact. Figure 18 explains this process.

Figure 18. Using a problem tree to identify solutions.

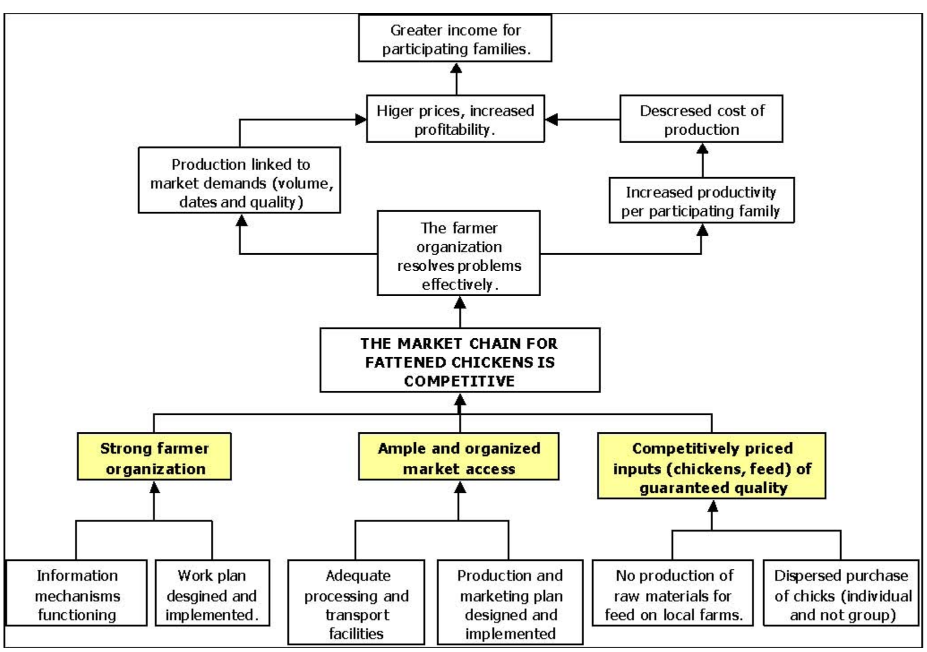


If the problem tree has been carefully constructed – with clear logical links between the different levels – this process should be relatively simple. If it is difficult to translate problems into objectives, the tree's logic should be revised to find gaps or inconsistencies.

To facilitate this exercise, the participants should work to transform the negative points form the problem tree into a positive expression that is placed in the solution tree. It is easier to begin with the central limitation and move downwards (that is to say, change the causes into specific objectives or into activities), and then repeat the process upwards translating direct effects into progress and impact indicators. Given that most market chains contribute to economic aspects of livelihoods, it is difficult to maintain total causality at this step. If we need to know specifically how much a market chain contributes to a particular livelihood strategy, this requires further analysis with market chain participants and the use of complementary livelihood analysis tools.

Figure 19 shows the objectives tree that emerges from one problem tree example shown previously.

Figure 19. Example of a solution tree.



Source: Proyectos Productivos Integrados (PPI) of rural chickens, Asociación de Productores y Expendidores de Pollosdel Norte de Cauca (ASOPROEX), and Corporacíon para Estudios Interdisciplinarios y Asesorías Técnicas (CETEC), Colombia, 2001.

10.4. Comparing the market chain to the competition – "Benchmarking"

Before moving to the design of a strategy to increase competitiveness, it is useful at this stage to compare key competitive aspects of our market chain with other similar market chains. This process is known as benchmarking. The market chains selected for comparison may be direct competitors – i.e. in the same markets or market segments – or indirect competitors – i.e. in other markets or market segments. If a similar market chain serving a more attractive market segment can be found, this is a good point of reference as it can show market chain actors how close or far they are from being able to enter a potentially more lucrative market segment. If no such market chain exists, comparing key competitive variables with the direct competition is useful.

Key competitive variables to keep in mind for this analysis include[30]:

- Access to key markets (distance, road links, communication)
- Product quality
- Product quantity
- Productivity and technology employed
- Production costs or sales price
- Product presentation or packaging
- Distribution channels
- Production peaks and shortages through-out the year
- Brand or product image
- Associated services

Information for this exercise is best gathered by organizing cross-visits to competing market chains by the market chain actors. Prior to these visits, the market chain actors should develop simple questionnaires that allow them to quickly gather impressions on key competitive variables in a systematic fashion. At the end of the visit, a short meeting to document and share the findings should be held. Information obtained can be organized in a simple table as shown in Table 20.

Table 20. Simple Benchmarking Tool.

Competitive variables	Current situation in our market chain	Competing Market chain 1	Competing Market chain 2
Market access			
Product quality			
Product quantity			
Productivity and technology employed			
Production costs / sales price			
Product presentation			
Distribution channels			
Production peaks or valleys			
Brand or product image			
Associated services			

10.5. Prospective market tendencies and defining a simple marketing strategy 31

Prior to designing a strategy to increase the competitiveness of our market chain, it is important to analyze the competitive potential of our chain. This process is known as a prospective market analysis. Such a process helps clarify the marketing strategy or strategies most suited to our chain as well as identify the need for specific strategic activities to increase our chance of success.

A useful starting point for this analysis is the identification and characterization of existing markets for existing products from our market chain. Much relevant information has already been gathered in the rapid market survey (see Chapter 6) and can be reviewed here. In addition to existing products and markets, we should also examine potential new markets, the opportunity for new product development and the potential to diversity towards new products and markets. The Ansoff Matrix presented in Chapter 5 and reproduced below in Table 21 is a useful to organize this analysis.

Table 21. The Ansoff matrix

	Existing products	New products
Existing markets	1. Market penetration	3. Product development
New markets	2. Market development	4. Diversification

While this tool was initially developed to classify the diverse growth alternatives for individual firms, it can also be used to facilitate an analysis of a combination of actors linked along a market chain. In this sense, the market chain replaces the individual firm in the original analysis. For our purposes, the strategies contained in matrix may be defined in the following way:

Market penetration: assess if, in the medium term, we can increase sales of products from our market chain to existing market segments without changing the product we offer.

Market development: identify new market segments for existing products from the market chain. Examples include expanding into new geographical areas (from provincial markets to the capital city) or selling to new segments of the population who do not currently consume products from our market chain but could.

Product development: detect opportunities for new or modified products from the market chain for existing clients and market segments. Examples include product differentiation through new packaging, brands, additional processing among others.

Diversification: detect opportunities for new products for new clients or markets.

In a prospective market analysis we should consider alternatives in all four quadrants of the matrix while bearing in mind that the relative risk increases as we move from a relatively simple strategy of market penetration to a complex one of diversification. The level of risk that the chain actors are willing and able to assume should guide the final selection of marketing strategies.

To develop this analysis, the service provider, in collaboration with chain actors, identifies the level of risk that the market chain can assume over the next five years. Based on this risk assessment, a basket of potential strategies (quadrants) can be selected and compared. It is likely that the market chain actors will opt for a mixed approach including more than one strategy to reduce risk while leaving the door open for greater returns.

To facilitate this exercise include the following questions are useful:

- What is the growth potential of the existing markets, products and sub-products from the market chain? What do we need to take full advantage of this potential?
- What new markets, products or sub-products from the market chain show the greatest potential for growth? What are the requirements (quality, packaging, minimum volumes, etc) for these new markets? Can the products or sub-products from our market chain compete in these markets? What are the technical and financial implications of competing in these markets?
- In what markets, products or sub-products is there unmet demand?
- In which markets, products or sub-products does the territory or nation have competitive advantages? How can we capitalize on these advantages?

The output from this analysis is a list of possible future opportunities in new and potential markets and products for the market chain with their respective requirements. Table 22 shows an example for the mango market chain in Ecuador.

Table 22. Opportunities for market penetration, market development and new product development in the mango market chain of Ecuador

	Existing products	New Markets
Existing markets	-Fresh mango without hydrothermal treatment in Europe, Canada, Colombia and the national market. -Fresh mango with hydrothermal treatment in USA, Mexico and Chile. -Mango pulps and juices.	-Fresh mango with hydrothermal treatment in Japan and China. -Mango pulps and juices.
New products	-100% natural mango juices with no water added and less viscosity. -Clarified or carbonated 100% natural mango juice. -Mango pulp with antioxidant properties and increased carotene content. -Dried mango, Mango chips, Pickled mango. -Mango slices in clarified juices. -Carotene extracts.	

Once all the potential opportunities for market penetration, market development, new product development and, if applicable, diversification are listed the service provider and the chain actors select those that of most interest to them. For these opportunities care should be taken to characterize in greater detail both the market potential as well as the technical and financial requirements to take advantage of this potential. In some cases, it may be necessary to enlist the support of external market experts to provide additional information about these issues especially if the markets in question are global.

The final result of this exercise is a table listing the products, markets and requirements for each opportunity selected. A partial example is shown in Table 23 below. Once this exercise is completed, the service provider and chain actors are ready to design a local path to increase the competitiveness of the market chain.

Table 23. Market opportunities and their requirements for the broccoli chain in Ecuador

Product	Existing market(s)	Potential market(s)	Requirements
Frozen broccoli	-**USA** -**Canada** (low export volume, good potential for growth). -**European Union** (Germany, Italy, United Kingdom most important). -**Japan**	-**France** -**Southern cone** countries (for example, Brazil imports from Belgium). -**Asia** (non-producing countries like Malaysia). -**Eastern Europe** (especially Russia).	-To enter other European countries, new presentations and additional value adding is needed. -The difficulty with Brazil is the need for exclusive containers for broccoli. One option is via Manaus. -Entering Asia may be difficult with China and India, although China has pest and pesticide residue problems.
Fresh broccoli	-National market	-**USA** -**Europe** -**Andean Region** (specifically Colombia and Venezuela).	-The national market is small and requires promotional strategies. -Additional work is needed on conservation techniques in containers. -Changes needed in harvest and post-harvest practices (bacteriological control, rapid temperature reduction).

10.6. Designing a Logical Path to Increase Competitiveness

With a general solution tree, a simple benchmarking exercise to review competitive or alternative options and an initial marketing strategy for the market chain, the group is ready to design a strategy to increase competitiveness.

A useful first step at this stage is the design of a logical path. A logical path is nothing more than the organization of the specific objectives in chronological order, plus the definition of a common vision of the future for the market chain. Why is this step important? Principally because one or more of the specific objectives facilitates, drives or is a prerequisite for other more complex changes planned for the market chain. A logical path helps build consensus on where to focus limited resources to achieve the greatest possible impact in the shortest amount of time.

The facilitation of this process is an exercise in logic. Based on the general solution tree, the general objective is defined and the specific objectives are placed on cards and read out to remind participants all participants. Next, the central limitation is placed at the left end of the workspace and the general objective at the right thus showing both where we are and where we hope to end up. The participants are then asked to define in few words both extremes bearing in mind the results of the benchmarking study.

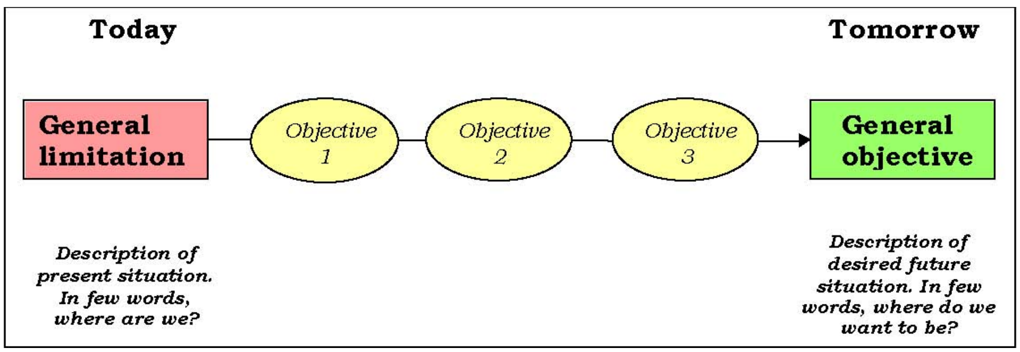
10.7. Visioning – Where do we want to go and how do we get there?

How can we describe our current situation? How can we describe where we hope to arrive? These ideas are noted on cards and placed below each extreme. At this point, it is recommendable to focus more on the right-hand extreme—commonly known as the vision—to clearly define a desired future for the market chain. The vision can be a few lines or a paragraph, what is important is to pick up the feelings of the participants, place them in a concrete timeframe (within 5 years, for example), and define measurable or verifiable changes. Depending on the size of the group, it can be useful to work initially in subgroups, with each subgroup responsible for generating some words or short key phrases for the market chain's future. Then the facilitators collect all the contributions and construct a shared future vision.

Once the two extremes are clear, the specific objectives from the objective tree are reviewed to identify a logical order for their implementation. Facilitators can use phrases such as, "starting from where we are now we hope to reach our desired future in 5 years by achieving the following objectives, which one or ones come first? Is there one or several objectives whose achievement would leverage important changes in the others? Are there objectives that depend on others? Where do we begin, and why? These questions tend to generate debate amongst the participants. In CIAT's experience, at the end of the debate one or two objectives with the potential to catalyze change tend to emerge. These specific objectives are placed a little to the right of the central limitation previously identified.

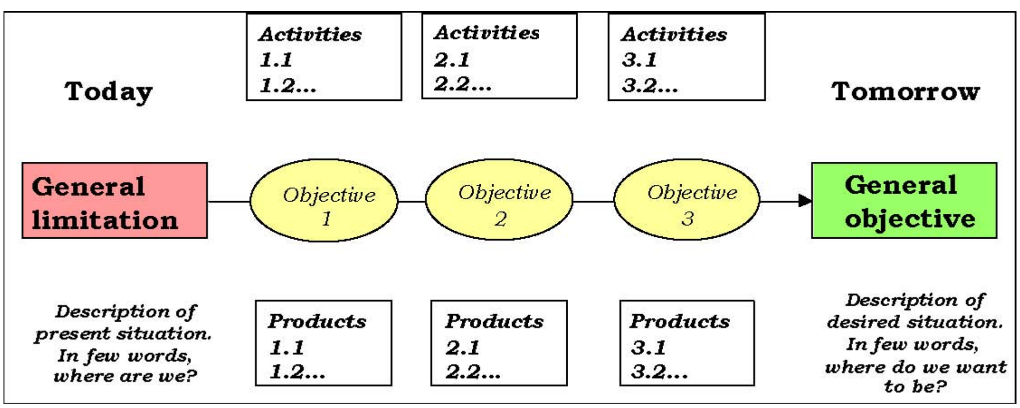
The process continues with the placement of other specific objectives in a logical pattern flowing from right to left until all the specific objectives have been placed between the two ends, see Figure 20.

Figure 20. Definition of a logical path.



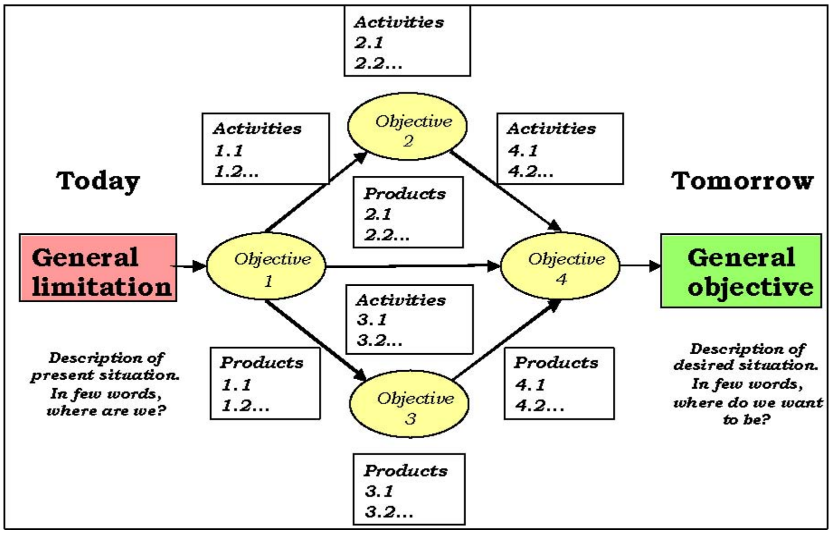
Once the objectives are logically organized, activities and results are defined for each objective. At this stage, the logical path clearly identifies the key entry point or points followed by additional linked objectives to guide the market chain to the desired future (Figure 21).

Figure 21. Complete, simple logical path with actions and results.



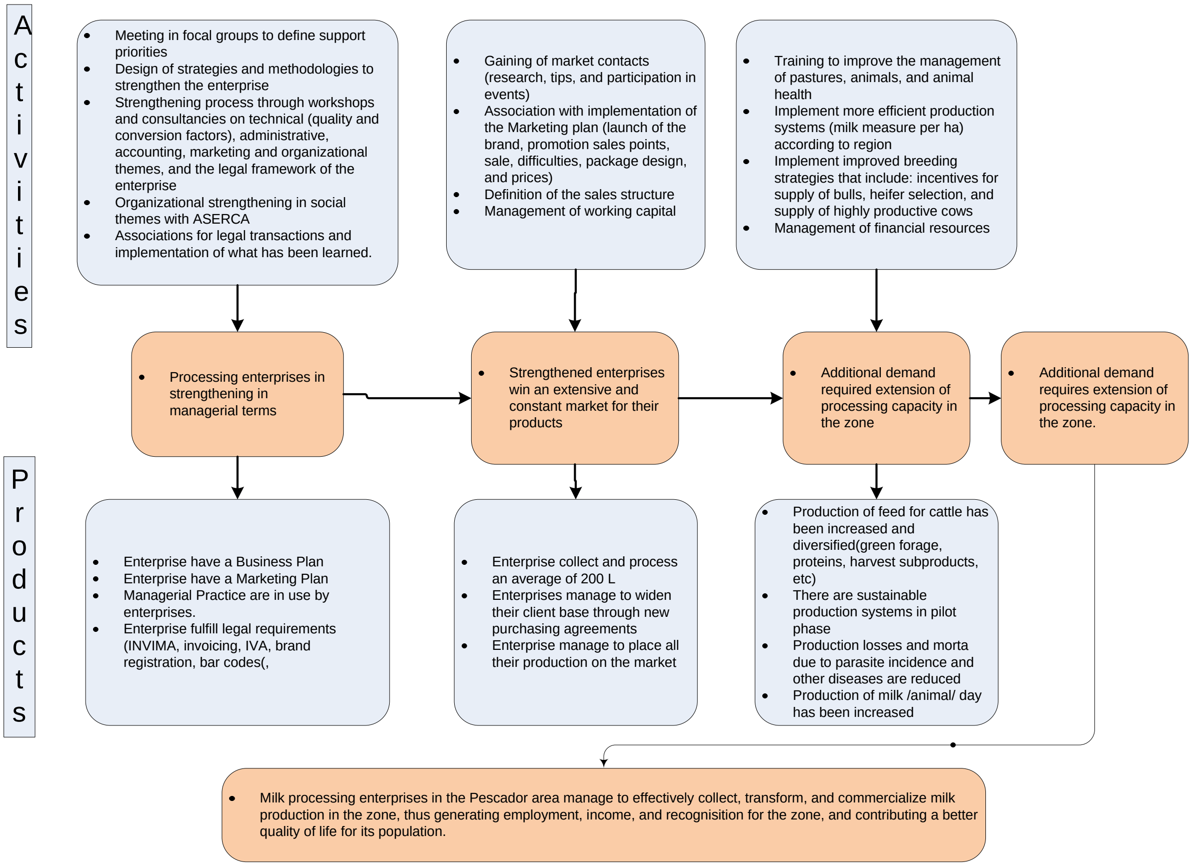
In most cases, reality is much less logical and linear than Figure 17. In these cases, the logical path can be represented with diverse parallel objectives that are necessary prerequisites for others further ahead. The objective of this exercise is to visually chart a future course that is understood by all participants in the strategy to increase competitiveness. An example of a more complete version of a logical path appears in Figure 22.

Figure 22. Complete logical path with parallel actions and results.



An example of a logical path is shown in Figure 23 below.

Figure 23. Example of a logical path for a Strategy to Increase Competitiveness.



Source: CIAT

10.8. Preparation of business plans

To facilitate the implementation of the logical path the development of simple investment plans for each objective is recommended. These plans should, for each objective: (a) clearly state the projected activities and expected outcomes in this area; (b) provide a solid estimate of the financial requirements and expected returns on this investment; (c) an assessment of the risks entailed in work on this topic, and; (d) a time frame for implementation. The final investment plan should be concise – about five pages is a good rule of thumb – and include sufficient information to assess the relative costs and benefits of intervening or not intervening in this area of the market chain.

Inputs for this investment plan come from the logical path – each objective becomes the center of a investment plan – as well as from other information gathered during the analysis of the market chain. In addition to this information, the preparation of the short investment plans requires that the service provider and market chain actors review the cost and expected benefits of intervening in the chain at the selected point, assess the potential risks of this intervention and develop a time frame for this work. The following steps can facilitate this process.

- First, the service provider and market chain actors review each objective of the logical path and their respective activities and products. If these are judged appropriate they are adopted as the projected activities and outcomes for the objective.
- Second, the activities are listed in chronological fashion – what comes first and what comes later – and costs assigned to each. Assigned costs should be as accurate and honest as possible with the information available as they will provide an important point of analysis once outcomes and expected benefits are included.
- Third, expected outcomes and benefits are reviewed for each objective to assure that they can be met with the proposed activities and financial resources. For each objective, the service provider should estimate the return on investment by quantifying the proposed outcomes or benefits and comparing that figure with the sum of the required investments. The return on investment usually has a longer time frame than the investment plan but, as a rule of thumb, should not exceed five years32.

- Fourth, costs and benefits are compared to assess the relative return for the planned investments in each objective. -Finally the information generated in this exercise is documented and the short investment plans prepared as inputs for the final strategy.

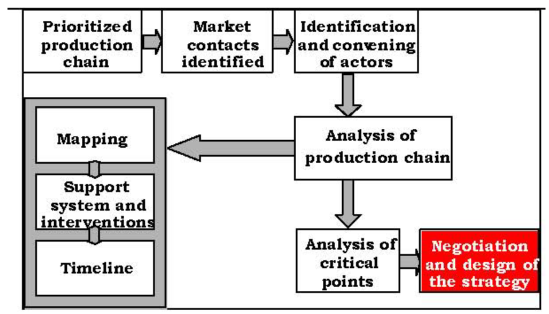
The development of specific investment plans can be assigned to groups of market chain actors and staff from the service provider as an activity to develop between the end of the workshop on the logical path and prior to the final negotiation session with all chain actors. In this case, a space of two weeks should be sufficient to develop a business plan for each objective of the logical path. These plans may be shared as soon as available but, in any case, will be presented and discussed at the final session with all market chain actors. For an example of the format for a business plan see Annex 4.

In this chapter we have explained how to carry out an analysis of critical points, from their identification to their translation into objectives, and their inclusion in a logical path to increase the market chain's competitiveness. In addition we have presented simple exercises to assess the competitive position of the market chain in regards to similar market chains and select marketing positions to build on or strengthen the competitive position of the market chain. With the logical path and investment plans in hand, the facilitating organization is ready to systematize all the information generated up to now and share it with the market chain actors. Based on this information, discussions will be facilitated, decisions made and resources committed to strengthen the market chain. The next chapter explains how to facilitate the negotiating process between the actors and design the final strategy.

Chapter Eleven

11. Negotiating a strategy to Increase competitiveness

Guiding questions



1. Which of the inputs generated in the previous steps are important for facilitating negotiations between market chain actors?
2. How can we use the previous analysis to clarify the interdependence between market chain actors? Does this information identify areas where collective action by one or more actors could collaborate to improve their situation?
3. Does the existence of complete and shared information along the market chain permit decision making and facilitate agreements between actors to increase market chain competitiveness? Why, or why not?
4. What kinds of agreements can we expect from a negotiation workshop? For whom is this space useful?

11.1. Introduction

Chapter 10 focuses on the negotiation and design of the strategy to increase competitiveness among representatives of the market chain. Before arriving at this point, the service provider must have systematized the results of the market chain diagnostic workshops in a technical document as well as a suite of investment plans. These documents are an input for the negotiation workshop and the discussion about how to increase the competitiveness of the market chain. The list of participants for the negotiation workshop comes from previous work with care taken to ensure the representation of key actors either directly or indirectly. If additional actors have been identified – for examples key buyers – they may be invited to this session even if they have not actively participated in previous work.

The technical report communicating the results of the market chain diagnostic as well as a suite of investment plans should be available to all workshop participants prior to the event, and serve as a starting point for the process of negotiation. Based on these documents, the workshop reviews the results of the diagnostic, the proposed investment plans and establishes possible alliances for short, medium, and long-term activities focused on increasing market chain competitiveness. Finally, the logical path and investment plans are improved or accepted and action plans developed for their implementation.

Below, we revise step by step how to facilitate a process of negotiation process to design a strategy to increase competitiveness.

11.2. Systematization of Results – Technical Document

Before the negotiation workshop, It is recommended that providing a technical document to participants, if this has not already been done, with the results from previous workshops. The contents of this document may follow the model below or another identified by the facilitating organization.

Suggested contents

1. **Market chain selection**
   A brief description of how and why the market chain was selected.

2. **Market survey, by select team**
   Key results of the market survey with special emphasis on demand aspects including retail prices, price trends, product qualities, market trends, and opportunities for new markets or new products.

3. **Identification of actors**
   Using the information from the summary interviews sheets and based on meetings, this section should outline who are the actors convened for the design of the strategy to increase competitiveness? Why were they selected? Who was excluded and why?

4. **Participatory analysis of the market chain by selected actors**

   i. **Market chain map**
      - Presentation of the final market chain map where product flows, actors' relationships and business development services identified.
      - A report on price formation, including production costs for producers (if possible for the intermediaries and wholesalers), as well as the purchase and sales prices for each player.
      - A report on income distribution along the market chain focused on gross margin (inputs – outputs) and what percentage of the final price reaches each actor.

   ii. **Characterization of the market chain's actors**
      - Geographic location (where they are located)
      - Role within the market chain (what function is carried out: production, processing, support, accounting, marketing, transport, etc.)
      - Level of organization (what grade of business organization each player has) and type of organization (farmer organization, community development organization, business firm etc.)
      - Managerial capacity (what managerial practices are used such as: administration, accounting, management capacity, marketing, etc.)
      - Disposition to participate in market chain improvement (your perception of each player's desire to participate in activities to improve the market chain).
      - Possible alliances identified between actors and their motivations. What possible alliances are visualized, between whom, what are the factors that make the alliance possible? (For example, motivations such as: income gains, increased volume, improvement of product quality, opening new markets, etc.)

      This last question is highly important since the necessary details will be worked on in the negotiation workshop with all market chain actors.

   iii. **Business development services**
      Include the business development services demanded and supplied along the market chain. The analysis of these data can be based on the following questions:

- Who supplies business development services to the market chain in the different links?
- How is the quality and effectiveness of the services perceived both by the clients and suppliers?
- Are there gaps between available services and those needed for increasing market chain competitiveness? What are they?
- Are there services that have many suppliers and few clie nts?
- Which services are paid for, and which require subsidies to function? Is there a relationship between the quality of the service and whether it is paid for or subsidized?

iv. The timeline and past interventions

Share the table of market chain history with the actors.

- Analyze the types of support offered to whom and on what themes.
- If people have catalogued this support as negative, analyze why.
- Share the outcome of previous interventions and identified local capacity to effect positive change.

5. Analysis of critical points

Include copies of the general limitation tree and the general solution tree with ranked limitations and their analysis. If discussions are anticipated, it may be useful to have all the problems trees generated available.

6. Logical path for the market chain

Include a copy of the logical path generated for the market chain with its respective activities and results.

7. Options for investment plans to be presented by group members.

Present the short investment plans with the following information for each objective in the logical path:

- The projected activities and expected outcomes in this area
- A solid estimate of the financial requirements and expected returns on this investment
- An assessment of the risks entailed in work on this topic
- A time frame for implementation

In addition, give credit to for data collection and analysis to participants and facilitators in the workshops in the summary document.

It is recommended that providing this technical document with participants in the negotiation workshop ahead of time so that they can review the contents. It is also useful to kick off the workshop with a brief presentation highlighting the most important results from the diagnostic process. This aspect is important as some of the actors present in the negotiation workshop may have been absent from the previous workshops, but are key to taking advantage of the business opportunities open to the market chain.

11.3. Negotiation Workshop

Objectives

- Share and discuss the market chain diagnosis with a representative group of market chain actors.
- Identify key points of common interest among the different actors.
- Negotiate possible alliances and collective actions (between more than one actor) to take advantage of market opportunities.

Participants
The participation of key actors along the market chain – especially those necessary to take advantage of specific business opportunities – is vital for this workshop. In this case, the service provider should make every effort to involve key actors who may have not participated actively in other parts of the analysis but are key to chain development. This is often the case with major clients or traders with whom useful discussions are more feasible based on the information contained in the market chain analysis.

Other types of actors can also be invited, such as specialist service providers who already provide or may provide business development services to the market chain, as well as other higher order chain actors to review the process and perhaps donors a or NGO managers to evaluate the results depending on the needs of the market chain. In addition, a banker / accountant may be useful to assist in the revision of the investment plans.

Development of the workshop
The following steps are recommended for the negotiation workshop. The service provider and market chain actors should revise their applicability for their conditions, and adapt or change them according to their best criteria. Combining the following list with less formal activities – i.e. coffee breaks, lunch, mixers or round-table discussions – is useful as well as it serves to re-enforce the informal relations between diverse actors along the market chain.

Presentation of limitations and opportunities by actor
At the start, the problems found in the market chain can be shared by each group of actors. An easy way of communicating this information is by means of a matrix where the functional categories of the market chain appear with the points of view of the different actors as shown in Table 24.

Table 24. Example of a matrix of problems per activity and actor.

Activity	Actors*				
	Producers	Processors	Traders	Buyers	Support service providers
Production	•				•
Post harvest management	••		••••	•••	•
Processing	•			•••	••
Marketing	••••		••	••••	•••
Business organization	•			•	•••

* more • indicates a more important problem.

This matrix should be adapted to the market chain's needs since the problem probably will not be as general as post harvest management, but rather something more specific such as "lack of adequate packaging material".

Once this information has been shared, the service provider and the market chain actors should present the results of the business opportunities identified for the chain and their respective investment plans.

Facilitating notes
- The information needs to be presented to the actors in an easily understandable and comparable way according to the rank that each group has given the limitation or the investment plan. If different actors have used different terms to refer to the same

problem or opportunity it is important that either all the terms appear (so that everyone can clearly see their point of view represented), or else a short phrase that attempts to pick up the essence of the problem/opportunity. If the second option is selected, the facilitator of the meeting must explain where the phrase comes from, and that this intends to reflect the terms used by the participants.

- It is a good idea to leave a space for the participants to provide feedback on the diagnostic by giving their opinions and clarify points that are confusing.
- It is important to emphasize not so much the diversity of viewpoints, which will certainly occur, but rather to emphasize common issues where a collective solution to the limitation may be found.
- The objective of this space is to show the participants that their problems are intimately interrelated. The links between actors and their difficulties serve as inputs to identify common causes and as a way of visualizing possible gains for various actors from changes made in one part of the market chain.

Table 25. Example of a matrix of business opportunities and investment plans by actor

Investment plans	Actors*				
	Producers	Processors	Traders	Buyers	Support service providers
Organization of farmer collective marketing group	AA	AAA	AA	AA	AA
Introduction of new varieties	AA	AAAA	BB	BB	AAAA
Introduction of a market information system among market chain actors	AAAA	AAA	CCCC	CB	AAA
Introduction of common product standards and grades along the chain	BB	BC	AA	AAA	CB
Development of new, value-added products for the urban market.	BA	AAAA	BB	AAAA	AA

* more A indicates support to a particular investment plan

Negotiation between market chain actors and service providers

The second stage of the workshop seeks to facilitate discussion among participants, market chain actors and specialist service providers to identify the best way to improve market chain functionality. This process should flow from the problem and opportunity analysis included in the first part of the workshop. The objective is to identify joint activities, or areas in which joint activities could be generated, in the short, medium, and long term that can improve the market chain. Ideally, these activities will represent some type of gain for most market chain actors or, at least, for more than one of them. It is important to avoid focusing on solving one problem that principally affects one actor as the other participants will misinterpret this as favoritism and feel they have been taken advantage of.

In this stage, the real interest of the participants in supporting collective action in the market chain is put to the test.

Facilitating notes

- The role of the workshop facilitators is critical at this stage since equilibrium must be found among the distinct actors. The focus should be on how to generate positive solutions for most if not all participants, not gains for some at the expense of others.

- It is better to identify relatively simple activities in the short term and increase the level of complexity and difficulty over time even though complete solutions probably represent more gains than partial ones. It is recommended that this approach as most of the actors in the market chain do not know one another well, and many have histories of adversarial relationships. To achieve complex objectives, therefore, requires a process of incremental positive experiences through which actors can build trust in each other and confidence in the process of market chain improvement.

Identification of possible alliances for generating and implementing solutions

In the third step of the workshop, potential opportunities for collaboration are identified. This starts by listing investment plans and the actors who wish to participate each one, and what they are willing to contribute. A Table such as Table 26 could be generated.

Table 26. Identification of alliances by investment plans in each stage of the market chain

Stage	Activities	Participants	Contributions
Production	-Investment plan 1 -Investment plan 2	Organizations and names of people directly responsible.	People, knowledge, time, funds, etc.
Post harvest Processing	-Investment plan 1 -Investment plan 2 -Investment plan 1 -Investment plan 2	Organizations and names of people directly responsible. Organizations and names of people directly responsible.	People, knowledge, time, funds, etc. People, knowledge, time, funds, etc.
Marketing 33	-Investment plan 1 -Investment plan 2	Organizations and names of people directly responsible.	People, knowledge, time, funds, etc.
Business organization	-Investment plan 1 -Investment plan 2	Organizations and names of people directly responsible.	People, knowledge, time, funds, etc.

A good method at this stage is to divide the investment plans by time frame (short, medium, and long term) and by resources (local, mixed and external resources). It is important to note that the concept of short, medium, and long term varies by market chain. One of the tasks of the negotiation workshop is to identify a feasible time frame with market chain actors for a given task. It is recommended that starting with pilot actions that show quick, tangible results—in a few months—to generate a positive dynamic around the strategy to increase competitiveness. In this sense, a reading of the participants' degree of patience is important. More patient groups can opt for more ambitious initial results, while groups with pressing needs or low levels of trust need rapid results to achieve simple, but important, achievements (see Table 27).

This is similar to the idea of developing one or two pilot activities along the chain as a jumping off point for more ambitious processes of market chain improvement. A good pilot activity should:

1. Be feasible to achieve in a reasonable amount of time – six months – and generate tangible, measurable results for more than one actor in the market chain.

2. Lay the groundwork for more ambitious activities by showing the utility of working together.
3. Include a simple monitoring system that allows market chain members to assess the

advances of the activity and make changes in a timely fashion if needed.

4. Be relatively low-cost and, where possible, draw principally on locally available resources, people and knowledge.
5. Focus on building positive relationships among market chain actors.

Table 27. Time and resources required for implementing a Strategy to Increase Competitiveness.

Resources	Timeframe		
	Short < 6 months	**Medium 6 to 12 months**	**Long > 12 months**
Own	What can we do in the next 6 months using principally our own resources?	What can we do in the next 6 to 12 months by mixing local resources with targeted external help?	What can we do in 1 year or more based on local capacity and a judicious use of external support?
External	If there is no sure source of funds in the short term, it is best focus on solutions that use local resources and knowledge.	What key activities in the next 6 to 12 months should be prioritized for limited external support?	What key activities require external support over the long-term (i.e targeted research) to help promote market chain competitiveness?

Facilitating notes

At this stage in the workshop, goal is for market chain actors to commit to collaborate, and not so much the elaboration of detailed plans. Details can be worked out in the final strategy to increase competitiveness, and further revised and improved upon in additional workshops as the necessary confidence between the actors grows.

The workshop facilitator should try to emphasize solutions that focus principally on the use of local resources since the attainment of external resources is a long, risky process. By choosing this path, solutions may take more time, but they will not be subject to external decision making processes divorced from local realities.

Revision of the logical path

Based on the above discussion, the logical path prepared previously is presented to the workshop participants for discussion and improvement.

At the end of the negotiation workshop the following products should be available that serve as input to the preparation of the final strategy: Identification of possible alliances to solve market chain problems and clear commitments in this respect. Anticipated investment plans, with times and external resource needs. Revised and improved logical path for a strategy to increase competitiveness.

11.4. Design of the Final Strategy to Increase Competitiveness

Based on the corrected technical document, the systemized results of the negotiation workshop, and the agreements achieved between the actors, a final version of the strategy to increase competitiveness is designed between the service provider and the market chain actors. Staff from the service provider can carry out the actual write-up of the document; however, the final version should be shared with and reviewed by the market chain actors to ensure validity.

This document can be a more extensive version of the technical document, adding the results and agreements of the negotiation workshop, or can be a new document with more details. Generally, various details from the negotiation workshop remain open for discussion, such as responsibilities, costs, and dates. These details should be developed and put in the final document either by the service provider or by a working group of market chain actors. In this sense, the final strategy is an on-going process. Three short case studies of final strategies and their implementation are shown in Annex 11.

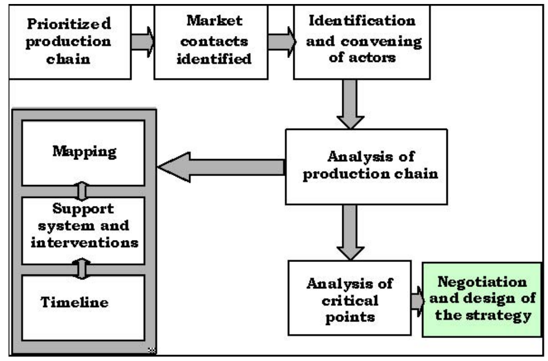
It is not recommend that a specific format for the final strategy, as its use for planning joint actions and for developing funding proposals precludes a set structure. It is recommend, however, that the market chain have a logical general framework for the market chain improvement that all actors can agree upon and collectively seek to implement. This is especially true in big market chains where the total cost for implementing the complete strategy at once is prohibitive. In almost all cases, it is recommended to divide the strategy into specific subprojects focused on specific funding opportunities while, as the same time, not loosing sight of the relationships between each subproject.

In general terms, the strategy can be understood as a road map that defines a path for increasing the competitiveness of a market chain. The way in which the strategy is implemented depends on the actors themselves. There are examples of strategies of competitiveness that are implemented by local actors (formal and informal) with a minimum of external help, and others that have managed to obtain significant funding. It is important, therefore, not to view the strategy as a document, but rather as the first step in a process of discussion, collaboration, and support between actors focused on changing their relationships in a substantial way, and therefore the functioning of the market chain.

In the following and final chapter, some general guidelines for the monitoring and evaluation of strategies to increase competitiveness are presented.

Chapter Twelve

12. Monitoring of Strategies to Increase Competitiveness: General Guidelines



Guiding questions

1. What are some key factors for the design of a monitoring and evaluation system useful for the market chain actors?
2. What factors are key to measure changes originating from the strategy to increase competitiveness along a market chain?
3. What factors can we use to compare the market chain we are supporting with others that compete with it?
4. What are some indicators that permit us to measure the competitive performance of the market chain in selected markets?
5. What livelihood impacts can we anticipate to find on market chain actors over time?

12.1. Introduction

The implementation of a strategy to increase competitiveness can take many forms ranging from tacit agreements between groups of actors to form value chains, to the financing of important development projects whose aim is to improve one or various market chains in a rural territory. Facing this diversity, it is difficult to design a single system for monitoring and evaluation of the implementing of strategies to increase competitiveness. This chapter intends rather to present some key parameters at different levels that can be useful for measuring the changes achieved by these strategies. They should be taken as guidelines rather than as fixed rules. Naturally, each facilitating organization should revise, adapt, eliminate or add to this list to develop a system that is most useful for their needs.

12.2. Notes on Monitoring and Evaluation

Before beginning the design of a monitoring and evaluation system for a strategy to increase competitiveness, it is useful to reflect upon several questions. First, who are the intended users of the data generated by the proposed monitoring and evaluation system? Will the users be technicians, donors, or managers of the facilitating organizations, market chain actors, the government, or a mixture of these? How will the data be used the different groups? Depending on the users, a system or various systems should be designed in response to their needs, desires, and capacities. If a particular group is expected to help collect or analyze data in the process, it is important to ascertain if the group's interests are clearly represented in the proposed system.

Second, the proposed system should be sufficiently simple or complex to respond to the needs of its users. If the monitoring and evaluation of the strategy will be implemented with market chain actors, the system should be designed with their participation so that it responds to their needs by generating information useful for their decision-making processes. It makes no sense to design a complex system when the questions formulated by the users are simple, or conversely, a simple system to respond to the needs of academic researchers with complex questions.

Third, what are the objectives of the monitoring and evaluation system? Is it a system to help respond to the donor's demands for information? Is it a system that intends to show the actors how near or far they are from the levels of competitiveness of other similar market chains? Is it to capture stories of positive changes for publicity reports? Is it to collectively learn about what works in improving a market chain and share it with others? Having clarity about the rational behind the system is important so that it is designed and dimensioned correctly.

Finally, a monitoring and evaluation system to be effective must continue to function over time. Who will manage the system? Who will take charge of collecting, processing, and feeding data into the system? How often? Will local persons or external experts carry out these activities? How will the management of the system be paid for? The system should be designed to be feasible to manage, maintain, and use.

12.3. Possible Factors for a Monitoring and Evaluation System

Some possible factors to take into account for a monitoring and evaluation system are set out below with their respective sources of information. Again, this list does not intend to be either complete or unique; it should be used as input for the design of a monitoring and evaluation system that responds to users' needs.

12.3.1. Within the market chain

- **Production costs** : Evolution of production costs in the market chain's different links. Are the costs stable , increasing, or declining?
- **Yields per unit**: Evolution of the yields or productivity per unit invested or employed in the market chain. For example, production per hectare planted, or quantity of cheese produced per liter of milk.
- **Value of final product**: Evolution of the commercial value (in constant currency) of the final product or products of the market chain. Is the value of the product increasing, stable, or declining?
- **Profitability:** Evolution of the product's gross or net profit for the market chain. Profit can be calculated in the each link as an easy way to identify which actors capture a greater percentage of the benefits. Are overall profits increasing, stable, or declining?
- **Distribution of benefits** : How does the distribution of final product or products value along the market chain and amongst diverse actors evolve over time? Who retains the most value, and how does this distribution change over time? This indicator is of special interest in projects focused towards poverty reduction.
- **Improvement of the market chain products and efficiencies**: There are various ways of improving a market chain. Kaplinsky and Morris (2001) [34] identified four key trajectories.
  1. *Process improvement:* Increases in the efficiency in internal processes both in individual enterprises, and between enterprises in a market chain. Examples in a market chain are the frequent and timely delivery of products with the required quality as well as the ability of service providers to support market led / enterprise innovations.
  2. *Product improvement:* Introduction of new products or improvements in existing products more quickly than by rivals. This implies changes in the processes of developing new products within and between enterprises.
  3. *Functional improvement:* Increases in the added value by means of changes in the activities managed within an enterprise (for example, taking responsibility for quality within the market chain), or moving the focus of activities to different links of the

market chain (for example, from production to marketin g).

4. *Market chain improvement:* The market chain passes from a basic product to a processed one of greater value.

12.3.2. Benchmarking

Based on the first five indicators used to measure changes within the market chain, comparisons can be made between similar market chains. This process is useful if a similar, more advanced, market chain can be identified and data of the two market chains shared with the actors so that they can see what can be achieved. In the same way, if there is access to data of other similar market chains, existing good management practices could be identified and adapting them local needs. Table 28 lists some possible indicators and sources of verification.

Table 28. Indicators and sources of verification within the market chain.

Indicators	Source of verification
Production costs	Interviews or periodic workshops with strategic differentiated actors of the market chain
Yields per unit	Interviews or periodic workshops with strategic differentiated actors of the market chain
Value of final product	Survey of final value of product in the market
Profitability	Interviews or periodic workshops with strategic differentiated actors of the market chain
Distribution of benefits	Interviews or periodic workshops with strategic differentiated actors of the market chain
Improvement (processes, products, functions, market chain)	Direct observations, interviews, or periodic workshops with strategic differentiated actors of the market chain

12.3.3. In the market

- **Market penetration**: How is the market position of products from the market chain evolving? Is the participation of the products increasing, stable, or declining? In the same way, the segment of the market where the product is sold can be researched. Does the product reach a segment that is highly profitable, profitable, or only slightly profitable? Has this changed as a result of the strategy?
- **Sales volume** : Evolution of total volume of sales measured in kilos.
- **Sales value** : Value of sales of the market chain measured in constant currency.
- **Product differentiation**: Results from strategies to differentiate the market chain's products in a specific market and thus gain a competitive advantage.

Table 29 lists some possible indicators and sources of verification.

Table 29. Indicators and sources of verification of the market.

Indicators	Source of verification
Market penetration	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.
Sales volume	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.
Sales value Product differentiation	Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain, revision of secondary data on market prices. Periodic interviews or workshops with differentiated strategic actors of the market chain. Periodic surveys in the target markets of the market chain.

12.4. Results on livelihoods (by gender, population groups and economic status)

- **Participation of market chain income in the overall livelihood strategies of the target populations :** Evolution of the percentage of the target population's income originating from activities related to the market chain. This measurement can include the sale of products, employment, or reduction of purchases as a result of the strategy to increase competitiveness. How do the activities supported by the strategy contribute in the generation of livelihoods, and how do these contributions evolve? Are those who benefit from the market chain women or men? What population or income groups benefit the most or the least from improvements in the market chain? Why?
- **Diversification of income sources and income stability during the year**: How to market chain activities affect the income diversity and security of the target population during the year?
- **Use of added income of the market chain**: How does the target population use added income generated by the market chain? Who decides upon the use of the added income generated by the market chain?
- **Employment generation**: How does the market chain contribute to temporary or permanent employment generation disaggregated by gender, ethnicity, or age. Who from within the community gains most from these opportunities?
- **Participation in the local economy**: How does the relative importance of the market chain change over time in relation to other economic activities in the local economy?

Table 30 lists possible indicators and sources of verification.

Table 30. Indicators and sources of verification of livelihoods.

Indicators	Source of verification
Income generated by the market chain as a percentage of local livelihood strategies	Periodic interviews or workshops with differentiated strategic actors of the market chain
Diversification and security of income sources	Periodic interviews or workshops with differentiated strategic actors of the market chain
Use of the market chain's added income	Periodic interviews or workshops with differentiated strategic actors of the market chain
Employment generation	Periodic interviews, secondary government data
Participation in the local economy	Government data (if they exist)

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Annexes

Annex 1 a Matrices for evaluation of market chain investigation

Agronomic evaluation tool

Production alternative	Pre-Production cycle	Production cycle	Technical Information	Soil type (land)	Rainfall	Altitude	Inputs required	Area of production
	(months)	(months or years)		Fertility, pH	mm required	m.a.s.l	Fert, chem, seed	(Acres / no animals)
Potato		4 months	N/A	High	400 mm		None	0.25 Acres
Pigs	1 month	3 months	N/A	High			Shed, service, Feeds	
Chilies		5 months	N/A		300 mm			

Production alternative	Pest and Diseases	Seasonality	Labour required	Planting density	Weeding / Feeding	Yield	Supply levels
			High, medium, low	Plants / acre	No times	Bags/ kgs	kgs
Potato	Bacterial wilt, Late Blight Dry rots	2 Seasons / yr	High	30 cm x 30 cm	2 times	32 bags	3200 kgs
Pigs	Worms, lice		High		2 times / day	24 piglets	24 piglets
Chilies	N/A		Medium	1 metre x 1 metre	1 time / month	180 g / plant	Need more info

Annex 1 b Marketing evaluation matrix

Production alternative	Current commercialization	Degree of perishability	Transportation availability	Delivery (channels)	Storage	Types of Markets	Price Stability
	(yes/no)	(high, intermediate or low)	(Easy intermediate, difficult)	At farm Road At mkt	Yes / No	Local 1, outside Rubaya 2, distant markets 3	
Potato	Yes	Intermediate	Difficult	At local mkt	Yes	1,2,3	No
Pigs	Yes	N/A	Difficult	Farm / mkt	N/A	1,2,3	Yes
Chilies	Yes	High	Easy	At Road	Yes	3	Yes

Production alternative	Market information	Government Policy	Demand	Promotion	Quality	Packaging	Access to services	Market Relation
	Available (low, medium, high)	Favourable / unfavourable	Low, high	Yes, No	Low, medium, high	Low cost Medium cost High cost	(via buyer, credit,	Agreement, contract, alliance
Potato	Low	unfavourable	high	Yes, low	Medium	Low cost	Via credit	Agree / Alliance
Pigs	Medium	unfavourable	high	Yes, low	Medium	N/A	Via credit	Agree
Chilies	Low	unfavourable	high	Yes, High	High	High cost	Via Buyer	Contract

Annex 1 c Financial evaluation matrix

Production alternative	Production costs	Revenue	Profit	Family Labour	Hire labour
	(UgS / acre / year)	(UgS / year)	(UgS)	(All, need hired labour)	(No, if yes how many days)
Potato	1,003,000	1,360,000	357,000	need hired labour	30 man days
Pigs	200,000	800,000	600,000		
Chilies	928,500				
Pyrethrum	555,000	729,000	174,000	need hired labour	170 man days

Production alternative	Pre-production investment	Risk		IRR	NPV
	How much	Low, medium, high			
Potato	630,000	Medium			
Pigs	200,000	Medium			
Chilies	150,000	High			
Pyrethrum	262,000	High			

Annex 2

Marketing Checklist to evaluate key points in the market chain for a commodity

Topic	Sub-Topics	Questions / Comments
Personal Information	Name Physical Address Telephone	For established firms try to get a business card, or mobile phone No. for purposes of future reference
Type of business	Value addition Physical functions Experience	How does the respondent add value along the market chain? Does he change the form of product **(processor)** or just move the product **(transporter)** or just store the product (**wholesaler)** or is he a **retailer** or **consumer**. Is there any **vertical integration?**
Demand	Quantity Type of buyer Seasonality Variety Consumer Preferences Price data	-Quantity sold normally e.g. Per day, week, -To whom do you sell? -Are there changes in volume of sale over time? -Are there different varieties? -If so what is their respective demand / preference -What is the price variation as per variety differences -Are there changes in prices over time? -If so what are the reasons? -Do you find problems selling your products? -If so which ones?
Supply	-Source by area -Source by type of person -Price -Quality	-Which are your supply areas (geographically) -From whom do you buy? -From where do you buy? (Meeting pt.) -At what price do you buy the variety? -Does the price change over time? If so why? & How? -Do you have problems getting products? If so which are they?
Quality	-Perishability -Post harvest issues	-What is the quality of products along the chain? - What is the shelf life of the products
Storage	-Quantity -Time -Storage problems	-How much do you usually store? -For how long? -Do you have any storage problems? -Do you experience storage losses?
Transaction costs	-Forms -Proportions	-What are your transaction costs? -What is their proportion?
Grading & Sorting	Grading incentive	-Do you grade or sort? -Do better grades fetch higher prices?
Market Information	-Sources -Spatial arbitrage	-Do you get market info? (e.g. on prices?) -If so from whom and how? -Is there a relationship between prices in different areas at a given time
Price Formation	Market power	-Who determines the price? -How is the price determined? -If firm / individual is a price taker, find out why?
Institutional & legal framework	Associations	-Do you belong to an association? -Are there any market regulations? If so which are they and how do they affect your business?
Market Structure	Competition	No of sellers -Is there price competition -Is there non-price competition? If so how (interlocking markets)
Credit availability	Sources & Type	-Are there any credit institutions -Do you use them? -What are their rates of interest?

Annex 3
Summary Information sheet. Example from Banana Market survey

Organization & Key Persons	Basic Information	Relation to Banana	Current Situation	Potential links to research	Next steps/ Follow up	General Remarks
Organo Farms / PO Box 29078 Kampala Uganda. Yicrav Smit Managing Director 077501144 Yicrav@yahoo.com Kevin Plattz Consultant 077502330 Kevin@yahoo.com	Organic fruit and vegetable exporters Own farm in Kanero and 62 Out growers in Rakai and Bugurari.	Export fresh and solar dried sukali ndizi to Germany (Frankfurt) UK Solar dried fruits used in Breakfast cereal, ice cream and snacks.	Exports: Fresh - approximately 1-2 tonnes per month Solar Dried – about 400 kg / month s. ndizi. Volume is growing (Problem is irregular insufficient sunshine) Suggest could double volume if overcome drying problem	Collaboration on Fusarium wilt (Panama disease) Research a cure / prevention of spread Need to know how to control ripening. How to start, stop and restart ripening Suggest research into temperature control and packaging Interest in exploring EU tastes	Return visit to explore interest in research into control of fresh sukali ndizi fruit ripening and packaging of dried products	Interested in attending a meeting with farmers groups but would only like to come when they are ready to discuss costs and volumes of supply. Would be interested to make links with new groups and would like to work with research on pests and solar drying methods.

Annex 4 Outline of a business / investment plan

	Sections of a business plan	Essential information	Comments
1	Cover	title, date, company name	Think about branding
2	Small print	confidentiality clause	This clause indicates that the information should not be shared beyond the interested parties.
3	Contact page	name, physical address, email, phone number	
4	List of contents		
6	Executive summary		
7	Basis data	Company / group name, capital value, office address, Vision, Mission, Company values, Brief history of the company / group, latest financial statement	Paragraphs should be clear, concise and easily understood. Values can focus on ecological, ethical and fair trade aspects.
8	Business organization	Organisation, organizational diagram, can include short description of who does what.	This section should be brief, any detail should be annexed. Information for this section will come from your analysis of the target market chain.
9	Infrastructure and products	Description of your site, assets and product(s)	This section needs to be upbeat, highlighting the good points of your business unit and the value of the products.
10	Market and competitive analysis	Product type, target market locations, segments, territory of sales, competitors,	This information will be summarized from your market chain studies
11	Business strategy and operating plan	••Overview ••Describe your strategy, i.e., how you will get to your goal ••Describe the stepwise activities that will make up your operational plan ••Objectives ••Results	This section is the core of the plan, you should focus attention here so that the plan is well structured, concise and that each stage is logically linked.
12	Sales records and projections	••Introduction ••Sales volumes ••Production costs ••Selling price of product	What will attract customers
13	Financial analysis	••Profit and loss account ••Costs, income, balance sheet ••Cash flow ••Break even ••Loan requirements ••Return to investment	This can be very simple if you plan for one product over one season which needs little investment and you have full knowledge of the product. However, financial planning can rapidly become more complicated as planning includes cash flow, loan costs, multiple years, multiple products and sales outlets. Seek assistance from persons with experience if you have any difficulties.
14	Risks	Risk assessment, test results based on risk studies, assumptions related to raw material costs and production feasibility, sensitivity analysis based on most critical cost factors	This section should outline the key risks you have considered with some analysis of what would happen if there are changes in the marketplace. This section will be more easily tackled if you have attempted a pilot project.

	Annex		
15	Sales forecast	Production and sales forecast over a 6-12 month period.	The type of sales forecast will depend upon the product you are selling and the timeframe of production, i.e., sub-annual, annual, perennial.
16	Capital outlays	Costs of being able to produce the intended product.	The timeframe should match the sales forecast.
17	Employee costs	Full and part time staff, including details of direct costs and other costs such as benefit packages if applicable (including in kind benefits, meals, transport, bonus payments, etc.)	
18	Operating costs	Utilities, rent, furniture, depreciation, communications, computers, sales costs, legal fees, consultancy fees, insurance, local administration fees, extra-ordinary fees, etc..	
19	Expenditure	Summary of payments over the period of the business plan.	Budget notes, to explain the costs outlined in the budget.
20	Profit and loss account	Summary of all costs, incomes and resulting profit.	This analysis may not be required, but will show a potential investor how your assumptions link into
21	Balance sheet	Detailed overview of how you calculated your asset and liabilities.	The figures need to be supported with a written text to explain how you arrived at your results
22	Cash flow	Monthly analysis of your costs and incomes, to show how your cash flow will develop during the forecasted initial planning period	The figures need to be supported with a written text to explain how you arrived at your results

Annex 5 : **Selection criteria used for discarding options**

Selection criteria used for discarding options

The selection criteria used by the CRS staff were in 6 categories, these were simple checklists, if a product failed in more than one category it was rejected. This was a rapid process that was completed by the field staff.

Selection criteria

1. Ease of production

Is the crop grown in the territory?Can the crop be grown in the territory?Are people already growing this crop?Is the crop grown in the off-season?Does the crop need any special inputs, such as irrigation, pesticides, and fertilizer?Can the product be produced in the off-season?

2. Market demand

Is there strong market demand

Is demand based on season or festival? And does that fall into the intended production phase?

Is the demand for high volume or a niche market

Are there many buyers or only 1?

3. Financial cost of production

Does the production required a high investment Is credit required for this production

4. Social

Does the product have any special social significance, / is the product subject to any taboos

5. Environment

Does the production come with any hazards

6. Storage

Is the product be stored and Is the technology available for storage? How long can the product be stored if market changes?

Annex – 6 Achievements on Milk Value Chain Achievements www.business-ethiopia.com / milk.html

- SNV-BOAM achieved the participation of the world leader in packaging and milk processing equipment Tetra Pak in the value chain meetings. This led to a concrete Public Private Partnership perspective for the milk and milk products sector in Ethiopia: Consultancy and advice on market research (on a cost sharing basis for the study “Developing a Market led Strategy for the Ethiopian Diary Industry”), engagement on a school feeding programme, know how transfer and advice to optimising support to existent and newly to create milk collection centres.
- On request of various milk processing companies SNV-BOAM has successfully contributed to the creation of the Ethiopia first Milk Processors Association. By doing so, it is expected to deliver direct impact on the four results of actual operation plan (particular results 4 and 5). Processed milk can be better promoted by effective service delivery to processing companies and farmers, policy issues can be better tackled by effective advocacy and lobbying and the coordination of the whole milk value chain could considerably improved.
- Leverage Fund (LF) contract signed with Ethiopian Milk and Milk Producer and Processors Association (EMMPPA). Promote Milk in the Motto of "Taste the full Cream, Enjoy Milk in 40 ways", on August 30-06; cost sharing of featuring in Addis Ababa Exhibition Centre.
- The members of EMMPPA have promoted their products in the Addis Ababa trade exhibition center for one week (September 2006) and BOAM programme has co-sponsored the promotion.
- Permanent CDS and advice is given for EMPAA and Ada Liben Dairy Cooperative: introduction of new milk processing equipment (milking machines, quality control equipment, chilling technology etc.); amendment of various training proposals.
- A visit to Adaa Liben / Debre Zeit revealed that the cooperative opened a L/C. They are ready to import dairy equipments.
- Sile Enat Dairy Farm Micro Enterprise Associations’ proposal for leverage fund entitled “Training to Improve the Quantity and Quality of Milk Supply and Processing” is approved and contract is signed on September 2006.
- A joint workshop was organized by Land O' Lakes and SNV-BOAM to promote a study on "Consumer Research" in October 2006. 53 stakeholders and most of the members of EMPPA who are working in the dairy business attended the meeting. The outcome of the study was that the best way to promote processed milk & milk products is to focus on quality, diversification of the product range and branding (even of traditional products like Ayib).
- A market research and dairy value chain study “Developing a Market Led Approach for the Ethiopian Dairy Industry” by Technoserve, Kenya was completed and promoted in December 2006. Main findings of the study focused on: Production system, animal diseases and detection, transport, producers (cooperatives), processors, investment opportunities. The study recommends that Ethiopian Dairy Cooperatives should transform into business hubs in which farmers are able to access services such as education, credit facilities, AI and extension services, access to inputs including feed, transport and testing services. In addition, it was recommended that a dire need to revamp the current dairy cooperatives by separating the management from policy issues, mobilize and recruit producers based on improved access to services that will result in tangible commercial gains for members and shareholders.
- A milk collection centre improvement system via the creation of several models of milk collection centers for the Addis Ababa milk shed (Holetta and Debrezeit) was developed. The models will be implemented by using capital grants (FIF window 2) as tools for working with innovative partners (Fantu supermarket, Adaa Liben cooperative, etc.). Current activities include contracting of a GIS mapping (using GPS technology) of the milk collection system by location, proximity to infrastructure (roads, electricity), quantity supplied and quality supplied. SNV-BOAM team members went on various morning collections to observe current practices and in process of collecting full price information of technology to be purchased as part of the scheme.

- A joint workshop was organized by Land O' Lakes and the programme to promote a study on "Consumer Research". 53 stakeholders and most of the members of EMPPA who are working in the dairy business attended the meeting. The outcome of the study was that the best way to promote processed milk and milk products is to focus on quality, diversification of the product range and branding (even of traditional products like Ayib).
- Advice was given to a private investor assisting him to understand the UHT milk market in Ethiopia and to encourage him to invest in this technology.
- Selale Dairy Farmers' Cooperative Union requested fund to provide Training on Dairy Processing & Marketing for its members and training is on going.
- Cheese coating research is going on (Evaluation of Imported & Locally Available Beeswax for Cheese Processing).
- 46 women participated in training course entitled “Training to Improve the Quantity and Quality of Milk Supply & Processing “ from Oct.23 -November 3, 2006 and they acquainted knowledge & technical skills regarding the management of milk & milk products (including animal feeding, milk quality control and milk technology)
- At present, they are planning to open milk collection centers with processing facilities (butter, yoghurt)

Outcome

- Improved knowledge and understanding concerning factors that are driving the market and linkages between producers and processors of the dairy sector in Ethiopia and improved information concerning market potential, value added in the chain and technological potentials has been granted on a permanent basis.
- Registration of EMMPPA and its role as service provider for its members and advocate and lobbyist.
- Expansion of services offered (e.g. by cooperatives to members, processors to farmers and equipment suppliers to processors) via qualified BDS providers.
- Increased measurable interest of private investors in the dairy sector (value addition in milk processing, e.g. Ultra High Temperature (UHT) technology.

Impact Indicators of the Programme Objective (impact according to the milk value chain):

- <u>Impact in terms of increased production capacity and increased turnover and sales</u>:Private investors showed interest for investments into value-addition (e.g. milk processing). EMPPA, together with partners, is actively promoting efforts to establish school milk feeding systems; and the organization has taken a leading role in promotional campaigns for milk and milk products. These activities will have the expected result on increased production, turnover, sales and income.
- <u>Impact in terms of improved product quality</u>: Town Milk Supply (TMS) technology is initiated and technologies with the result of better milk quality are introduced for milk stakeholders. Collection improvement system is on the way (mapping).
- <u>Impact in terms of increased employment</u>: MB Plc (milk value chain) is in the process of establishing dairy processing plant in Addis Alem. The total employees needed for the operation of the project is about 67 permanent and a number of casual laborers during peak seasons as indicated in the business plan.
- <u>Impact in terms of networking</u>: Networking activities are functionning on the basis of concrete value chain interventions and bring concrete benefit to the network members.

Annex 7: Risk management with hillside communities in Vietnam

Enabling communities to adapt to risk

In Vietnam, the CIAT agro-enterprise project is working with remote tribes in hillside areas, in an attempt to introduce more commercial application to the development work. The level of commercial engagement varies considerably across the farming groups and therefore the project is evaluating the ability of these different groups to tackle an increasing level of risk. The client group knows each of these risk areas and the facilitor therefore has to adjust the process to each of theseclients needs. The decision to take on the four levels of risk is so that the facilitator can in the future have a better idea of the types of methodologies that these different client types will need. This approach is aiming to meet one of our basic tenets in that the methodology is not a recipe but a set of principles that need to be adapted to location, market type and type of business opportunity including the management of risk.

	Existing products	**New products**
Existing markets	**1. Market Penetration** Increasing sales of water cress into local market	**3. Product development** Changing cassava production from sweet types to bitter industrial cassava for starch production
New markets	**2. Market development / expansion** Taking existing product, chopsticks from bamboo and selling these into a new market area	**4. Diversification** Introducing a new type of mushroom with medicinal properties and developing a new market for this product in the district.

Annex 8 Example of a value market chain "Las Brisas, 'Santa Cruz de Turrualba

When the cheese factory, *Las Brisas*, began activities over 10 years ago, it functioned like all the other plants in the cheese-making cluster of Santa Cruz de Turrialba in Costa Rica. The company had unstable relations with suppliers and buyers. As the sector evolved and became more competitive, *Las Brisas* developed strategies to move from being just one more player in the production chain to carving out its own value chain.

This search led to the establishment of trust-based relationships with both suppliers and buyers. On the milk production input market side, *La Brisas* made its biggest milk provider a new partner in the business, and thus guaranteed 70% of its daily consumption.

On the output market side, *Las Brisas* pursued two market strategies. First, it developed contacts with one of its clients – a biscuit factory – to produce a special cheese for manufacturing biscuits. The two businesses jointly obtained support from the University of Costa Rica for specific research on the best type of cheese for the biscuits. Through this product development process *Las Brisas* was able to enter a new market, in which no competition existed, as well as assisting the biscuit factory to expand production and sales. Secondly, *Las Brisas* consolidated relations with an important chain of supermarkets in San José, the country's capital, through the application of a methodical quality control process for its own brand. This relationship has resulted in joint promotion and marketing strategies as well as the development and testing of new products based on consumer demands detected by the supermarket.

What are the results has *Las Brisas* achieved through its value chain strategy?

The quality of its products is recognized as being the best in the zone and, therefore, has high acceptance in the market.

Las Brisas is the only business from the cheese cluster in Santa Cruz that sells consistently directly to supermarkets in San José. In 2001, a promotion of cream was so successful that it contracted additional production with other plants of Santa Cruz, but under its supervision and brand.

Las Brisas suffers less than other businesses during times of milk shortage.

In summary, constituting a value market chain has given *Las Brisas* an important competitive edge over similar plants that share the same comparative advantages.

Annex 9: Results of a rapid market survey for *panela* (unre fined sugar).

Company	City	Weekly quantitya (*arrobas*)*	Form	Packaging	Source	Suppliers	**Price** (pesos)	Payment	Requirements	Possibilities of sale
Olímpica	B/ ventura	25 15 10 10	Round Powdered	Bag/24 pkt	Candelaria	Caña Dulce – extra Caña Dulce – corriente Olímpica Estrella Buen Gusto 400 gr	10,800 9,900 8,900 10,400 18,000	30 days	Label of *panela* source, Codification in Cali	Good
Distrib. Casa Blanca	B/ ventura	40	Round	Bag/24 pkt	Palmira	Palestina Estrella	11,000 10,000	15 days	Sanitary registrat ion, packaging does not matter	Good
Merka Mar	B/ ventura	80 80	Round Round	Bag/24 pkt 2 units	Candelaria Candelaria	Palestina Palestina	9,800 11,000	30 days	Sanitary registration, packaging does not matter , depends what is offered	Good
La 14	B/ ventura	n.d.	Round Round Powdered	2 units 2 units	Candelaria	Palestina Estrella Buen Gusto 400 gr	n.d.	30 days	Depends on Cali, the codification is through Cali	None
Olímpica	Buga	n.d.	Powdered Powdered Round Round Round Round Round 8 squares 1 kg 8 squares 1 kg	Bag Bag Vitafilm None Vitafilm Vitafilm Vitafilm Vitafilm Vitafilm	Candelaria Medellín Cali Candelaria Bugalagrande Candelaria Candelaria Bugalagrande	Palestina 500 gr Buen Gusto 400gr Olímpica AA Triangulo Lucerna Palestina Palestina Lucerna	32,149 41,860 19,870 20,540 21,767 24,112 28,130 30,363 25,898	30 days	Label of *panela* source, Codification in Cali	Medium

Source: Corporación para el Desarrollo de Tunía (CORPOTUNÍA; 2000). *1 *arroba* = 25 lbs.

Annex 10: Market chain history from CIPASLA, Cauca, Colombia

The following example (Table 15) is from a dairy products market chain in Cauca, Colombia. In this case, the tool was applied to a producers' association within the market chain to facilitate a process of reflection on its evolution and growth and motivate to continue with future activities.

Cuenca del Río Cabuyal (ASERCA), Colombia.

Example of the timeline of the Asociación de Empresarios Agroindustriales de la Sub-

Year	Event	Which of us participated	Who supported usa	Evaluation		
				The good	The bad	What we learned
1994	Congreso Internacional de leche – Medellín	2 milk producers	CIAT, CIPASLA	Idea of organizing ourselves	-	-
1994	Launching the idea, survey of producers	CIPASLA	CIPASLA	Knowing production dates and options	-	-
1994	Trip to La Arboleda	Producers	FIDAR	-	-	Organizing process of the group, how to organize a milk products plant
1995	Training in the milk business	Producers	FIDAR, CIPASLA	-	-	Everything related with milk processing
1995	Organization of the group, buying of equipment	Producers	FIDAR, FES	-	-	Importance of organization, practice in processing
1996	Buying of lot, construction and organization of the business	Producers	CIPASLA, PRODAR, DRI, ECONORCA , CETEC	-	Not coordinated with public health	How to manage resources Projects can carry on when organized
1997	Inauguration of the plant	Partners	SENA, FIDAR, CIPASLA	The plant	-	Achieve the proposed objective
1997-99	Independence of the plant	Partners, Board of Management	Jairo Balanta (paid by partners), CIPASLA – AIR	Know that it can be done	Organization (sense of relevance) and Board of Management (low profile)	Despite setbacks, we have made real progress
1999	Market study and sanitary registration transaction(in process)	-	CIPASLA – AIR	-	-	-

Source: Workshop Formulación de Estrategia de Competitividad para Lácteos, Asociación de Empresarios Agroindustriales de la Sub-Cuenca del Río Cabuyal (ASERCA), 1999.

a. CIAT, Centro Internacional de Agricultura Tropical; CIPASLA, Consorcio Interinstitucional para una Agricultura Sostenible en Laderas; FIDAR, Fundación para la Investigación y el Desarrollo Agroindustrial Rural; FES, Fundación para la Educación Superior; PRODAR, Programa Cooperativa de Desarrollo Agr oindustrial Rural; DRI, Fondo de Desarrollo Rural Integrado; ECONORCA, Empresa Cooperativa del Norte del Cauca; CETEC, Corporacíon para Estudios Interdisciplinarios y Asesorías Técnicas; SENA, Servicio Nacional de Aprendizaje; AIR, Agro-Industrial Rural committee of CIPASLA.

Annex 11: Black pepper in Pucallpa, Peru

Black pepper in Pucallpa, Peru

Black pepper was identified as having a substantial market demand in Peru given that Pucallpa is the only producing area in the country. The application of the method to increase market chain competitiveness substantiated this opportunity and showed farmers that the prices they received for their products was only a small part of the value that this same product received in Lima. Price differences of between 600% and 1,000% were found in this chain. Based on this information, 45 small producers formed a private business (Piper S.A.) and decided to implement the strategy for chain improvement. In the first six months they improved and homogenized their local post-harvest practices through a horizontal (farmer to farmer) process and entered into negotiations with an industrial buyer in the city of Huancayo. As a result of the first process, participating producers differentiated their product, achieving 20% more for each kilo of pepper than non-participants in the local market. In addition, Piper S.A. sold
1.5 MT (approximately 10% of the local harvest) to the buyer in Huancayo in two lots. The price paid for the first lot was 58% above local market price while for the second lot a 30% increase was achieved. After the second sale, imports from Ecuador decreased prices limiting further sales. Piper S.A. has purchased technical and marketing assistance from CRESE S.A., a private for profit applying CIAT's territorial approach.

In addition to the short-term gains achieved in 2001, local producers have developed a clear business vision of where they hope to go in the mid and long-term. During fieldwork in October 2001 (after prices collapsed), farmers said things like, "now that we understand the market better, we realize that we can achieve better prices by improving quality and linking to buyers. But this is only the beginning. This year (2001) we sold pepper in Huancayo for more than 10 soles per kilo when local prices were, at best, 5 soles. But if we grind our pepper and package it for the local market, that same kilo is worth 22 soles. We are now looking for funds for a grinder and later on will see if we can grow and process for a large Lima company".

Annex 12: Cut flowers in Cauca, Colombia

Cut flowers in Cauca, Colombia

The production of cut flowers – anthurium – has traditionally been a women's concern in the Department of Cauca, Colombia. When good market opportunities appeared for this product, a market chain analysis was facilitated by CORPTUNIA, a local NGO, with three groups of women. The analysis of the farm to market chain revealed that profit were largely captured by flower shops in the departmental capital of Popayán while the producers themselves were barely covering costs. Armed with this information, a negotiating session occurred between representatives of the women's groups and possible buyers. This process resulted in a 24% price increase for producers who, in return, agreed to sort, grade and pack the flowers based on their customers needs. More important that this initial gain, however, is the business vision which the women's groups have developed that involves the establishment of a direct sales point in the city and, in the long run, the sale not of cut flowers but of floral arrangements.

ANNEX 13

Questionnaires

(Developed by Target Business Consultants Plc)

Action for Development/Target Business consultants Plc
Natural Gum and Resin Value Chain Study

A Survey Questionnaire for Natural Gum Exporters

Date of Interview____
Region____
Zone____
Woreda____
Profile of Export Company
Name____
Year of Establishment__________________________________
Capital in Birr_______________________________________
Annual Turn over in Birr_______________________________
Number of Workers________ Experts_______ Non- Experts______
Ownership____
Business Objectives (Missions)
____
____
____
Name of Respondent______________________ Positions______________

1. Do you specialize in natural gum export?
   A. yes B. no
2. If your answer is no, what other products do you export? (Specify)
____
____

3. Who are your suppliers of natural gums and what are their sources? (Specify)
____
____
____
4. What type of natural gum do you export? (Please underline among the following)
   A. Gum olibanum
   B.Gum Arabic
   C. Gum Myrrh
   D. Gum Oppopanex (Abekede)
   E. Other (Specify)
5. Which type of natural gums do you purchase?

A. graded
B. not graded
C. both types
If your answer is B and/or C, please discuss

- each steps in grading
- equipments used in grading
- each grade types
- who participates in grading
- the cost of grading, and
- other (specify)

____
____
____
____

____
____
____
____
____
____

6. Who are your buyers in international markets?
   A. traders B. manufacturers C. end users D others (Specify)

____
____

7. Where are your most important export destinations in the world market?

____
____
____

8. Do you use any intermediary in purchase and export sales?
   A. yes B. no

9. If your answer is yes, which one intermediaries used in

9.1 Purchase
   A. purchasing agent B. broker C. consignment agent D. other (state)

9.2 Export
   A. purchasing agent B. broker C. consignment agent D. other (state)

10. If your answer is no, how do you practice your purchase and sales decisions?

____
____
____

11. How much quantity in MTS (including its local and fob unit price and value in birr) did you purchase and export in the last five years?

____
____
____
____

12. How much is your current purchasing price per quintal in birr of each natural gums and what are the marketing costs associated with exporting these natural gums? What about fob export price?

____
____
____

13. Which mode of payment do you usually use in export sales?

A. letter of credit B. advance payment C. cash against document (CAD) D. other (State)

Why?____
____
____
____

14. Which form of delivery do you usually use in export sales?

A. FOB B. CIF C. ‘C’and ‘F’ D. other (State)

Why?____
____
____
____

15. Do you have your own storage facility?
   A. yes B. no

15.1 If your answer is yes, how much is its capacity in mts? (State)

____

15.2 If your answer is no, how do you get and use this facility? (State)

____

____

16. Do financial institutions provide export?

A. yes B. no

16.1 If your answer is yes, which financial institutions offer the loans and on what terms & conditions do they offer? (State)

____

____

____

16.2 If your answer is no, please discuss how do you finance this business?

____

____

____

17. How and where do you get domestic and international market information? (State & comment its reliability)

____

____

____

18. Rank the most important problems that you faced in natural gum export market from (1- First problem, 2- second problem and 3- third problem)

- export prices are low
- domestic prices are high
- prices are unstable
- poor quality
- absence of grades and standards
- multiple taxes (by regions, zones and woredas)
- high tax in production area
- difficulties in obtaining license
- not all traders are licensed
- illegal trade
- poor supply
- weak demand
- weak access to market information
- limited access to credit
- inadequate market infrastructure
- absence of government support to improve export marketing
- others (Specified)

19. How do you feel the natural gum export trade? (please circle the appropriate number)

Very Satisfactory 5 4 3 2 1 Very Satisfactory

20. The degree of competition in natural gum exports was (please tick one)

- Very high ☐
- High ☐
- Moderate ☐
- Low ☐
- Very low ☐

21. Do you aware the government export promotion services?

A. yes B. no

21.1 If your answer is yes, what are they? (State)

____

____

____

21.2 If your answer is no, why? (State)

____
____
____

22. Based on the assumption that you knew the government export promotion services, how were these services performance? (Please circle the appropriate number)
Very Satisfactory 5 4 3 2 1 Very Satisfactory

23. What do you suggest about export of value added natural gums?
____
____
____

24. Is the business profitable?
A. yes B. no

25. Do you have an idea about the use and purpose of each type of natural gums by the end users (consumers)?
A. yes B. no

26. If your answer is yes, what are they? (State)
____
____
____

27. If your answer is no, what do you suggest to tackle this problem?
____
____
____

28. What are the factors that affect the qualities of natural gums?
____
____
____

29. Which grade is mostly demanded by your buyers and why? (Discuss)
____
____
____

30. From your experience, what are the major problems in natural gum local and export markets?(State)
____
____
____

31.What solutions do you suggest to tackle these problems and who will take the responsibility?
____
____
____

32. What supports do you need to improve your business and whom will you expect to offer these supports?
____
____
____

33. Other comments, opinions and suggestions
____
____
____

Thank you for your kind cooperation

B. Interview Checklist for Natural Gum Producers (individual farmers or producers, cooperatives and unions, organized associations, investors or other producers)

Name of enumerator____
Date of interview____
Name and positions of the interviewee in the market chain
____
Region____
Zone____
Woreda (town)____

1. What are the means for your living?
2. Do you have been involved in natural gum production?
3. If yes, when and why did you start (involve)?
4. How long have you been in production?
5. From where and what did you produce natural gums?
6. Who provided and allowed you resources for production?
7. Who are the owners of these resources and what are the procedures in obtaining these resources for production?
8. For how long the production resource area have officially been allowed to you?
9. What are the production systems in producing natural gums?
    - When you start production in a year
    - How many times did you tapping in a production year
    - When you start and finish (harvest)
    - What equipments and other inputs used
    - What are the steps (processes) in production
    - Who participates in production and from where they come
    - How did you transport the harvested products
    - Where did you store your products
    - What are the cost break downs associated with each type of natural gum production
    - Which type of natural gum do you produce and why? (Gum Arabic, olibanum, myrrh, oppopanex or others(Specify)
    - How much quantity in kgs did you produce from one tree in a year (max and min)?
    - Others (Specify)
10. How much quantity in quintals do you produce in a year (max and min)?
11. What are the factors that affect the quality of products during production, transport and storage?
12. Do you process (grade) before you sale? If not why
13. To whom, when and where did you sale your products?
14. How do you negotiate and set prices?
15. Did you use any intermediaries such as agents, brokers, consignment and other (Specify)?
16. Do you have an access to current market information? If yes, what are their sources and how do process, interperate and use in case of selling your products?
17. How did you finance production? Do you have an access to credit institutions?
18. What do you know about grades and standards of each natural gum?
19. Which type of natural gums do you think highly demanded and why?
20. Which type of natural gums produced more and which not and why?
21. What are the risks either production or marketing that have you been faced?
22. Which are the most important problems in this sector?
    - prices are low
    - prices are =igh
    - prices are unstable
    - quality problems

- absence of grades and standards
- multiple taxes (by regions, zones and woredas)
- high tax in production area
- difficulties in obtaining production resource
- illegal production and trade
- low productivity and production
- weak demand
- weak access to market information
- limited access to credit
- inadequate market infrastructure
- absence of government support to improve production and marketing others (Specified)

23. What solutions do you suggest to tackle these problems?
24. How do you compare natural gum production as income generating products with crop and livestock production?
25. How much quantity in quintals did you produce and sale in the last 5 to 10 years?
26. Any other comments

Thank you for your kind cooperation

C. Interview Checklist for Natural Gum Domestic Traders (cooperatives, rural and urban retailers, rural and urban wholesalers, traveling traders and others)

Name of enumerator____
Date of interview____
Name and positions of the interviewee in the market chain
____
Region____
Zone____
Woreda(town)____

1. Are you natural gum trader?
2. Do you specialize natural gum trading?
3. Which type you traded?
4. How long have you been in this trade?
5. From whom did you buy?
6. How did you negotiate and who determined prices and how and when you got up to date market information?
7. Did you use any intermediaries in buying and selling? If yes, who are they and what are their roles?
8. How much quantity have you been bought and sold in the last five years and in the current year?
9. How much are the maximum and minimum buying and selling prices?
10. When were your best time of purchase and sales?
11. To whom did you sell?
12. Did you transport your products for sale? If yes, how
13. Did you have storage facility? If yes, is it your own or rented
14. Did you process (grade) before sale or not?
15. What are the costs associated with purchase and sale of these products?
16. What are the factors do you think that affect the quality of natural gums?
17. How did you finance this trade?
17.1 Do you have enough working capital or
17.2 Do you have an access for credit? If yes what are the terms and conditions
18. What risks and most important marketing problems did you face in this market?
19. What solutions do you suggest to solve these problems?
20. How do you comment the degree of competition in this market?
21. Are there any barriers to enter in to this market? What the freedom to exit
22. Which are the most important problems in this sector? (Rank first, second and third problem by representing number 1, 2 and 3 for each respectively)
    - selling prices are low
    - buying prices are high
    - prices are unstable
    - quality problems
    - absence of grades and standards
    - multiple taxes (by regions, zones and woredas)
    - high tax in production area
    - difficulties in obtaining trade license
    - difficulties in obtaining production resource
    - illegal production and trade
    - low productivity and production
    - weak demand
    - weak access to market information
    - limited access to credit
    - inadequate market infrastructure
    - absence of government support to improve production and marketing others (Specified)

23. What solutions do you suggest to tackle these problems?
22. Does the business profitable and satisfactory?
23. What do you know about the use of these products by your local customers, if they are end users and what about the use by export market end users?
24. Are you satisfied with the government policies, strategies and supports (if any) in this sector?
25. Any other comment

Cost breakdowns for natural gum production and marketing in birr/quintals

No	Cost elements	Cost in birr	Remark
1	Purchase by coops from------before grading at -----------		Detailed costs in each steps of production will be discussed, if possible
2	Transport to --------		
3	Grading		Detailed costs for each type of grades will be discussed, if possible
4	Product loss (impurity)		
5	Storage		
6	Bags		
7	Tax		
8	Overheads		
9	Loading and unloading		
10	Interest for --- months		
11	Other costs		
12	Total cost		
13	Sales to ------------		
14	Profit margin		

Thank you for your kind cooperation

D. Interview checklists for government institutions
D.1 Agriculture and rural development
A. Woreda level

Name of enumerator____
Date of interview____
Name and positions of the interviewee in the market chain
____
Region____
Zone____
Woreda(town)____

0. What are your office objectives as far as natural gums production and marketing concerned
1. What are the types of natural gums and their potential production in a year?
2. What proportions from each have been actually produced, by whom produced?
3. What are the government as well as your office policies, strategies and supports in developing natural gums production and marketing?
4. What are the procedures in leasing production area and methods of controlling in distribution and marketing of natural gums in this area?
5. Who are the major producers, when they start and how much they produce each year
6. To whom, when and how they sell it
7. What technical supports did you provide for the producers?
8. Do you think that the producers sold their products in the local market here and other nearest towns or for exporters and Addis Ababa?
9. Do you believe that illegal trade exists here in gum trading?
10. Who are the actors and their roles in this market?
11. How were the buying, selling and pricing practices of these actors?
12. Do you think that the production and marketing systems of natural gums have been undertaken effectively and efficiently? If not why
13. What are the most important problems and challenges in developing production and marketing of natural gums in this area?
14. What supports did you provide them?
15. Do you believe that you provide them services as required? If not, why
16. What measures and interventions will be taken by you and the higher government bodies' do you suggest in order that the production and marketing efficiencies improved?
17. What supports do you expect from NGOs and other development partners so as to improve production and marketing systems for a better utilization of natural gum resources in this area?
18. Any other comment

Thank you for your kind cooperation

D.2 Cooperatives
A .Zone and Woreda Level

Name of enumerator____
Date of interview____
Name and positions of the interviewee in the market chain
____
Region____
Zone____
Woreda(town)____

1. What are your office objectives as far as organizing natural gums production and marketing cooperatives and unions concerned?
2. Do you organized cooperatives and unions
3. If yes, how many, what are their names and where do we find them
4. Did they start production? If yes, when they start, which type, how much they produce, where, to whom and how they sale until then
5. Do you believe that these cooperatives have been done this business efficiently?
6. If not, what do you think their most important problems and how will they be tackled
7. What supports did you provide them?
8. Do you believe that you provide them services as required?
9. If not, why
10. Any other comment

Thank you for your kind cooperation

D.3. Trade and Industry
A. Zone and Woreda Level

Name of enumerator____
Date of interview____
Name and positions of the interviewee in the market chain
____
Region____
Zone____
Woreda(town)____

1. What are your office objectives, policies and procedures as far as natural gums trading concerned
2. How many natural gums licensed traders (exporters, wholesalers, retailers and others) are there, when they start, how much quantity they traded each year? How about producers licensed
3. Would you tell us the details of their records? (Name, address, capital, etc)
4. Do you believe that these traders have been done the business efficiently?
5. If not, what do you think their most important problems and how will they be tackled
6. What supports did you provide them?
7. Do you believe that you provide them services as required?
8. If not, why
9. Any other comment

Action for Development / Target Business consultants Plc
Data collection Questionnaires
For Financial Institution
On Livestock Value Chain

Name of respondent : ____________________________
Name of Organization : ______________________________
Address:

____

Telephone: ________________ Fax ________________________

1. What types of financial facilities you have for livestock marketing?

____

____

2. What is the maximum loan limit per individual?

____

3. What is the minimum loan limit to individuals?

____

4. What is the interest rate you charge for such types of loan?

____

5. What types of collateral you seek for such loans

____

6. Do you think the collateral and the interest rate you are charging are in line with the risk associated with the loan?

____

7. What are the main objectives of the loan?
   a - Purely business b - Mainly social support c- both a and b d- Others

____

8. How do you rate the risk of such types of loan?
   a - Highly risky b - moderate c- low risk
9. Which of the traders in the livestock value chain that you are targeting to finance?
   a. Livestock Exporters
   b. Meat exporters
   c. Medium and Large scale traders (not involved on export market) who are supplying the exporters
   d. Medium and Large scale Fatteners
   e. Livestock marketing cooperatives

10. What are the criteria for selection of the traders to qualify them to award the loan?

____

____

____

____

____

____

____

11. Is livestock insurance a mandatory to hold the stocks as collateral? Yes _____ No ______

____

12. How long do you think this loan facility will be extended?

____

Thank you for your kind cooperation

Action for Development / Target Business consultants Plc
Survey questionnaire for live animal exporter/export abattoirs/ agent

Date of interview---
Region--
Zone--
Woreda--
Name of the abattoir/ exporter----------------------------------
Name of respondent------------------------------------

1) How long have you been in this business?
1. < 1 year 2. 1-5 years 3. 5-15 years 4. 15-20 years
2) To which country (ies) do you export meat/animals (cattle, shoat or camel)?
Name of the country (ies) --
----
3) What kind of cattle breed do these countries prefer?
1. Horro 2. Boran 3. Any other (specify)
4) Do you get the required breed at the market?
1. Yes 2. No
5) What are the criteria's to purchase these animals from the market?
1. Sex 2. Age 3.Color 4. weight 5.all 6.Other (Specify)
6) Which sex is preferable for your market?
1. Male 2. Female
7) What age range is preferable for your market? --------------------
8) Do you get this age group at the market?
1. Yes 2. No
9) If yes, how do you identify their age?
1. Teeth 2. Observation 3. Other (specify)
10) If no, what do you think is the reason? --
----
11) Does skin color has effect on your cattle purchase?
1. Yes 2. No
12) If yes, what color is preferable?
1. White 2. Brown 3. Gray 4. Other (Specify)
13) What weight range is preferable to purchase? -------------
14) Do you get this weight range at market?
1. Yes 2. No
15) If no, what do you think is the reason? --

----
16) Does physical defect affect your purchase of cattle?
1. Yes 2. No
17) If yes, what type of defects?
1. Skin damage 2. Blind eyes 3. Broken horn 4. Broken leg
5. Other (Specify)
18) Do you have holding ground at the abattoir?
1. Yes 2. No
19) If yes, how many cattle can it accommodate at a time? -------------------------------20) How many cattle can your abattoir slaughter per day? ---------------------------------
21) What are the major diseases inspected at your abattoir?
1. FMD 2. CBPP 3.RVF 4. Other (Specify)
22) Who is the inspector at the abattoir?
1. Ministry of Agriculture 2. Your professionals 3.Other (Specify)
23) Do you satisfy your customer's demand/volume with respect to resource of the

country? 1. Yes 2. No

24) If no, what is your reason? --

----

25) Do you think domestic market is competing with you?
 1. Yes 2. No

26) If yes, how? --
----

27) If no, how? ---
----

28) Currently what is your selling price of slaughtered cattle? ----------- Br/kg

29) Do you think the price for export market affect the domestic market?
 1. Yes 2. No

30) If yes, mention how it affects. --
----

31) If no, why? ---
----

32) How is the trend on demand/volume of your customers?
 1. Increasing 2. Decreasing 3. Constant 4.It depends 5. Other (specify)

33) If decreasing, what is the reason?
 1. High price 2. Low quality 3. Disease causes 4. Other (specify)

34) What are your customer's criterions to purchase slaughtered cattle/goat?
 1. Age 2. Sex 3. Weight 4.All 5.Other (mention)

35) Do you fulfill the customers' criterion? 1. Yes 2. No

36) If no, what is your reason?
 1. Market problem 2. High competition with domestic market 3. Air transportation problems 4. Other (Specify)

37) Who supply cattle for you?
 1. Yourself 2. Brokers 3. Official suppliers
 4. Others, please specify---------------

38) How much do you pay per animal? -------------

39) How many cattle on average can you purchase per week? -------------

40) Why are you not purchasing more than this number per week?
 1. Financial constraints 2. Could not handle more than this number
 3. The price is high 4. The supply is insufficient 5. Lack of market (demand)

41) Does the supply of cattle to your abattoir vary from season to season?
 1. Yes 2. No

42) If yes, what is the reason?
 1. Price change 2. Transportation problem 3. Drought (Lack of grazing land) 4. Disease incidence 5. Or other, specify

43) In which months of the year do you think is the cattle price become higher and lower?
 1. --------------Month high price----------- Birr
 2. -------------Month lower price----------- Birr

44) Why do you think is the reason for cattle price variation across months/season? --
----

45) How long does it take you to reach resale market?
 1. 1-2 days 2. 2-5 days 3. 5-7 days 4. > 7 days

46) What mode of transportation do you use?
 1. Air lines 2. Shipping lines 3. 1 and 2 4. Other (Specify)

47) If you use Air lines, how much do you pay per head of slaughtered cattle?

1. Nearest market--------------Birr 2. Farthest market-----------Birr

47) If you use Shipping lines, how much do you pay per head of slaughtered cattle?

1. Nearest market--------------Birr 2. Farthest market-----------Birr

49) How do you do if you cannot sell the slaughtered cattle you offered to the export market? 1. Take them to Restaurants 2. Take them to Hotels

3. Sell at lower price

4. Other means indicate ---

50) Do you fatten (condition) animals before bringing to market?

1. Yes 2. No

51) If yes, for how long?

1. Two weeks 2. One month. 3. Two months 4. Three months

5. > three months

52) During what time of the day do you think purchase of cattle is preferable in terms of price?

1. 12-2 hrs 2. 2-4 hrs 3. 4-6 hrs 4. 6-8 hrs 5. 8-10 hrs

6. Other (Specify)

53) What are other internal constraints you face? (mention)-------------------------------

----

----

54) What do you recommend to alleviate these constraints? (mention)-------------------

----

----

55) What are other external constraints you face? (mention) ------------------------------------

----

Thank you very much for your time!

Action for Development / Target Business consultants Plc
Market Field survey of Pastoralist

B. Formal survey
Name of enumerator-____
Date of interview-____
Region____
Woreda____
Name of market____
Zone____

1. What are the sources of income for living?
   1. Crop production 2. Livestock production 3.Wage labour
   4. Crop and livestock production 5. Livestock Trading 6. Other _________________.
2. Do you have been involved in cattle production?
   1. Yes 2.No
3. If yes, when did you start? --------- (Year/month)
4. If yes, for what purpose do you rear beef cattle?
   1. Selling 2. Farming 3.Other ______________ (specify)
5. If for selling, do you practice cattle fattening before selling?
   1. Yes 2.No
6. If yes, when did you start? --------- (Year)
7. If yes, where do you get the animals for fattening?
   1. Buy from market 2. Buy from neighbors3. from own herd 4. From relatives 5. From office of agriculture 6. from other organizations 7. Other ________________________
8. If no, why?
   1. It is not profitable 2. No cash/credit to start with 3. Lack of feed
   4. Disease prevalence 5. No market 6. Labor shortage
   7. I don't know how to do it 8. I don't like it 9. Other _________________
9. Who is the owner of cattle in the household?
   1. Husband 2.Wife 3. Husband and wife 4.The family
   5.Other
10. What is your future opinion about fattening?
   1. I will do fattening 2. I won't do fattening 3. I don't know 4.Other _____
11. What is your source of technical support about beef cattle production?
   1. Office of Agriculture 2. From fellow farmers
   3. Radio 4. Newspapers and television
   5. Conferences of the administration 6. Other ___________________
12. Is the technical support sufficient?
   1. Yes 2.No
13. On what issues do you want to get technical support?
   1. Cattle health 2. Cattle feed 3. Cattle product utilization
   4. Cattle marketing 5.Other _________________
14. Do you want to expand your beef cattle production or to maintain as it is now?
   1. Reduce 2.Expand 3. Maintain, as it is
   4. It depends 5. Other ______________
15. What is the opinion of the family on the future size of the beef cattle production?
   1. To expand 2.To reduce 3.To maintain as it is 4.It depends
   5. Other __________
16. Is the trend of beef cattle production and productivity increasing or decreasing?
   1. Increasing 2.Decreasing 3.No change 4.Other ________________
17. Is the cash income you generate from beef cattle production increasing or decreasing?
   1. Increasing 2.Decreasing 3.It varies 4.I don't know 5. Other
18. How grazing lands are owned in your area?

1. Individually owned 2. Communally owned 3.Both

19. Do you have sufficient grazing land for your cattle?
    1. Yes 2.No
20. If no, how do you overcome the shortage? ______________
21. Is there feed shortage for cattle in general?
    1. Yes 2.No 3.It depends on the season
22. When is feed shortage critical? ____________________(write months)
23. What do you do to cope up with the feed shortage in this (these) month (s)?
    1. Rely on stored feed 2. Rely on farm residues
    3. Rely on the natural vegetation 4. Send my animals to other areas
    5. Rely on the market 6. Other ____________________
24. Do you store feed for your animals?
    1. Yes 2.No
25. If yes, what type of feed you store?
    1. Teff straw 2. Maize stalk 3. Sorghum stalks 4. Other __________________ (specify)
26. What are the main feed resources for your cattle during feed available seasons?
    1. Teff straw 2. Maize stalk 3 Sorghum stalks 4. Leaves from trees
    5. Other ___________________ (specify)
27. What type of feeding system do you follow?
    1. Cut and carry (Zero grazing) 2. Grazing 3. Other _____________ (Specify)
28. What are the sources of water for your beef cattle?
    1. Spring 2. Rivers 3. Mechanically assisted 4.Other ___________(Specify)
29. Do you have any other associated problems regarding water sources?
    1. Yes 2.No
30. If yes, what is it? ________________________________ (Mention)
31. What type of herding systems do you practice?
    1. Rotational/communal 2. Individual 3. Hiring a person
    4. ________________Other (Specify)
32. What type of housing system do you use?
    1. Home stead shades 2. In living rooms with the family 3. Barn
    4. Other _______ (Specify)
33. Do you have sufficient family labour power for cattle production?
    1. Yes 2.No
34. In which months do you face labour shortage? (Mention the months)
35. Do you have any other consequent beef cattle production problems?
    1. Yes 2. No
36. If yes what are the problems? (Mention)
    ____
37. If yes, what are the indigenous alleviation strategies? Mention.
    ____
38. Is there a problem of cattle disease?
    1. Yes 2.No 3.It depends on the season
39. Whom do you assist the health of your cattle?
    1. Government 2.Private Veterinarians
    3. Traditional medications 4. Other _____ (Specify)
40. How much do you pay on average per year for medication of your cattle?
    ____
41. How much do you pay on average in a single trip to medicate your cattle?
    ____
42. Do you buy cattle feed from the market?
    1. Yes 2.No
43. If yes, how much do you spend per year?
    ____

44. Do you get market information before you sell your cattle?
    1. Yes 2. No
45. If yes, from where do you get market information?
    1. Extension agent 2. Relatives 3. Cooperatives
    4. Neighbors 5. Own markets visit 6. Other (specify)
46. Which source of market information do you prefer?
    1. Extension agent 2. Relatives 3. Cooperatives
    4. Neighbors 5. Own market visit 6. Other (specify)
47. What is your reason for selecting the specified source(s) of market information?
    1. It is accessible 2. It is reliable 3. Other (specify)
48. To what extent is the market information you get is accurate?
    1. Very high 2. High 3. Medium 4. Low 5. Very low 6. Other (specify)
49. How frequent do you get market information?
    1. Weekly 2. Fortnightly 3. Sometimes 4. Other (specify)
50. Do you get advice on cattle marketing issue form development/extension agent?
    1. Yes 2. No
51. If yes, on what aspect?
    1. On quality of cattle to be produced for the market
    2. On the time to sale cattle
    3. On price of cattle at different markets 4. Other (specify)
52. Where do you mostly sell your cattle?
    1. Negelle 2. Dubluk 3. Surupa 4. Didliben
    5. Yabello 6. Other (specify)
53. What is your reason of preference while you decide to sell your cattle at a Particular market?
    1. Relative advantage of price 2. Proximity of the market
    3. Other (specify)
54. How many hours does it take to reach the market that you frequently visit to sell your cattle?
    1. Nearest market -------------hours 2. Farthest market-----------------hours
55. How do you take your cattle to the market?
    1. Trekking 2. Trucking 3. Both
56. Who trek your cattle to the market place?
    1. Your self 2. Relative 3. Hired labor 4. Neighbor 5. Other (specify)
57. If you hire labor, how much do you pay?
    1. For nearest market------------- birr/head 2. For farthest market-----------birr/head
58. To whom do you sell your cattle?
    1. Trader 2.Abattoir 3. Local butcher 4. Other (specify)
59. Do you think that there is road/ transportation problem to access market in your area? 1. Yes 2. No
60. What is you suggestion to improve physical market access? -------------------
61. Who determine the price at the market place?
    1. Seller 2. Buyer 3. Broker 4. Negotiation b/n seller and buyer
    5. Other (specify) --
62. Do you think that there is cattle price difference across different markets in your area? 1. Yes 2. No
63. If yes, in which market is the cattle price is higher and lower?
    1. Better /higher price at -------------------market-------------------Birr
    2. Lower price at ----------------------------market-------------------Birr
64. What do you think is the reason for these price variations?
    1. Difference in number of traders 2. Proximity to urban center 3. Difference in road and transportation facilities 4.Other (specify) ______________

65. In which months of the year do you think is the cattle price become higher and Lower?

1. --------------**Month higher price**----------- **--**
2. --------------**Month lower price**---------------

66. Why do you think is the reason for cattle price variation across months/season?

----

67. What factors determine cattle price at the market place?
1. Color 2. Age 3. Sex 4. Weight 5. Time of sale
6. Other (specify)

68. What is your feeling/perception on the prevailing cattle price in your area?
1. Very good 2. Good 3. Poor 4. Other (specify)

69. Do the brokers have an influence on you while you sell your cattle?
1. Yes 2. No

70. If yes, how they influence you? ---
----

71. What is the trend of cattle price in your area?
1. Increasing 2. Decreasing 3. No change 4. Others

72. Are you happy with the prevailing cattle price in your area?
1. Yes 2. No

73. If no, what do you think is the solution to improve cattle price in your area?
Mention ……………………………………………………………………………………………………

74. Why do you sell your cattle?
1. To settle government debt 2. To cover school fee
3. To cover health fee 4. To replace older stock 5. Other (specify)

75. When do you mostly sell your cattle?
1. When price is high 2. During harvest season 3. When need arises 4. Other (specify)

76. What happened on animal ownership after you sold your cattle?
1. Nothing 2. I loss my status 3. I will raise another 4. I will buy another 5. Other (Specify) ___________________________

85. Do you consume beef cattle meat at your home?
1. Yes 2. No

86. If yes, at what time?
1. During festivals 2. Any time 3.Other (Specify)

87. How many times? ___________ per month.

Thank you very much for your time!

Action for Development / Target Business consultants Plc
Survey questionnaire for Trader/butchers

Name of respondent--------------------------
Date of interview-----------------------
Woreda ---------------------------------
Sub-city------------------------------------

1) How long have you been in selling cattle/ meat?
   1. < 1 year 2. 1-5 years 3. 6-10 years 3. 11-15 years 4. 16-20 5. >20 years

2) Do you participate in cattle trading year round?
   1. Yes 2. No
3) If no, at what period of the year do you participate?
   1. Only during holidays 2. When price becomes low
   3. Other period of the year (specify) ---------------------
4) From which market do you buy cattle for resale purpose?
   1. Farm gate (Farmer) 2. Primary market 3. Secondary market
   4. Terminal market 5. Other (specify) -----------------
5) Who purchases cattle for you?
   1. Yourself 2. Brokers/commission agent 3. Relatives 4. Family members 5. Others, please specify-------------------
6) If others/brokers, how much do you pay per animal?
7) Do you purchase dry cow for slaughtering purpose?
   1. Yes 2. No
8) Let us say you slaughter 100 beef cattle per year then, how many of them could be Boran cattle? -------------
9) Does the supply of cattle in the markets vary from season to season?
   1. Yes 2. No
10) If yes, in which months of the year do you think is the cattle supply and demand becomes higher and lower?
11) What is the reason in the supply changes?
   1. Price change 2. Transportation problem 3. Drought (Lack of grazing land)
   4. Disease incidence 5. Other, specify
12) Do you think the export market is competing with you?
   1. Yes 2. No
13) If yes, how?
   1. They purchase at high price 2. They purchase in mass 3. Other (specify)
14) What is the current selling price of meat? -----(Br/kg)
15) Do you think the selling price of meat from time to time increasing, decreasing or what? 1. Increasing 2. Decreasing 3. No change 4. Other (specify)
16) If increasing, what is the reason?
   1. Export market 2. High local demand 3. Transportation cost
   4. Other (Specify)
17) How long does it take you to sell slaughtered cattle?
   1. <1 day 2. 1-2 days 3. 3-5 days 4. > 7 days
18) Who performs the activity?
   1. Yourself 2. Relatives 3. Family member 4. Hired laborers
19) If you hired labor, how much do you pay per head for this activity? ------Birr
20) How many cattle (on average) do you sell on a better marketing day?------- (head)
21) Who are most of your products sold to?
   1. Other Butchery 2. Consumers 3. Restaurant 4. Others (specify)
22) How do you do if you cannot sell the cattle meat you offered to the market?
   1. Take it back home 2. Take it to other market (s)

3. Sell at lower price 4. If other means indicate---------------

23) What do you think is the reason about the difference of selling price of 1 kg. Meat Between you and city butchery houses?

1.--

2.--

3.--

24) During what time of the day do you think selling of cattle meat is preferable in terms of price?

1. 12-2 hrs 2. 2-4 hrs 3. 4-6 hrs 4. 6-8 hrs

5.8-10 hrs 6. Other (Specify)

25) From where do you get the slaughtering service?

1. Indoor. 2. Addis Ababa abattoir (Kera) 3. Around abattoir

4 Other (Mention name)---------

26) How much do you pay to the abattoir per cattle for the slaughtering service?

27) How many kgs. do you get from single cattle after slaughtered?

28) What type of problem do you face in selling cattle/goat meat? Indicate according to their order of importance. --

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31) What do you think about the solutions of constraints mentioned above?

Thank you very much for your time!

Action for Development / Target Business consultants

Questionnaire for GO/NGO Institutions /Officers

Name of the institution-----------------------------------
Name of respondent/informant--------------------------
Position of the informant---------------------------------
Date of interview--

1. How your organization did address issues of livestock marketing?
2. How did your organization contribute in livestock marketing value chain?
3. Have you done any activity to improve livestock marketing in the past 3 to 5 years? Please mention in detail if possible supported by data.
4. What achievements have attained in the past actions or programs of your organization in livestock market improvement?
5. Have you produce or release any written document addressing livestock marketing or its value chain?
6. Do you have on going and future plan (program) addressing or related to livestock marketing value chain now?
7. What has been identified as the critical problem of livestock marketing in you past assessments?
8. What action do you suggest to tacle these problems and by whom?

Thank you very much for your time!

Action for Development / Target Business consultants
Livestock Value Chain Study
Questionnaire to Stakeholders - Associations

As your association is one of the few organizations in the country which are involved in livestock related matters, it is very essential to address your role in the enhancement of the value chain of livestock for the benefit of those who based their living in livestock. Accordingly, we would to request your kind cooperation to fill in this questionnaire.

1) Name of the Association____
Address:- ____
E-mail______________________ Website ______________________
Telephone ______________________ Fax______________________
P_o_Box______________________
2) Contact Person
Name ______________________ Mobile Phone (Optional) ______________

2) Date (year) of formation (registration)______________________________
3) Number of Members:
registered members______________ Active members ________________
4) Criteria of membership
____
____
____
____

5) Major objectives of the association:-
a) Short Term
____
____
____
____
____
____

b) Long Term
____
____
____
____
____
____
____
____
____

6) Major achievements made to date (This includes training provided, consultation, workshop, seminars, awareness creation, lobbying, research, etc):-
____
____
____
____
____
____

____
____
____

7) Major challenges encountered by the association

____
____
____
____

8) Respondent Name___________________________ Signature_________________________

Thank you