

Strengthening farmer-firm relations in the food chain

In many developing countries, smallholders form the backbone of the agricultural sector. There is the concern, however, that they will not be able to supply sufficient food to help meet the needs of an expanding population in the future. Support is especially needed to improve their productivity and to strengthen their capacities to respond to the increasingly stringent quality standards imposed by markets. In many instances, smallholders do not have the means to respond to these demands. They lack adequate services – credit, inputs, market information and training – to be able to respond to the quantity and quality requirements of the retail and processing industry. More information on the outcomes of these supportive policies and projects are needed to support policy decisions and increase effectiveness.



Private companies have been providing support services to farmers either through contractual arrangements or through certification schemes that provide access to credit, markets and training. Often development aid is used to facilitate farmer-firm relations that link smallholders to markets or service providers. The Dutch government supports companies that want to source from smallholders through some special subsidy programmes, for example, through the Private Sector Investment programme (PSI) and the Food Security and Sustainable Development Fund (FDOV). Using public funds to support private sector companies

means that there is a need to demonstrate that these funds have been used effectively and that the interventions have had a positive impact on development. However, it is difficult to measure this impact because there are so many intervening factors and numerous other actors that influence the outcomes of these farmer-firm relations, next to the support that is being provided. This has motivated Wageningen UR researchers to develop new methods to collect evidence and verify the impact of this support. As a result, knowledge tools were developed in three areas:

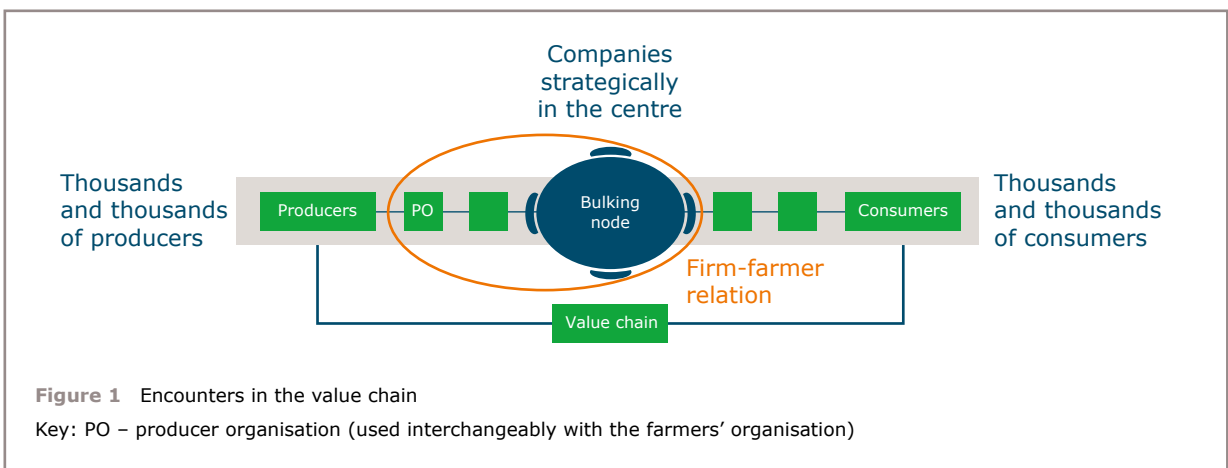


Figure 1 Encounters in the value chain

Key: PO – producer organisation (used interchangeably with the farmers' organisation)

1 Farmer-firm relations

Farmer-firm relations only work when there are benefits on both sides. The company provides access to an attractive market, for example, to supermarkets or export markets, and needs farmers to provide the produce. This creates a variety of forms of farmer-firm relations. The lack of trust between farms and firms can be a strong barrier to market integration. The commercial transactions in the value chain are based on economic interest, so farmers and firms have to be able to 'talk business'. This is not easy to do because there is often a wide cultural gap between the two groups. There is also a difference in market power. Firms tend to have far more resources and much more access to information than farmers, especially smallholders. In order to conduct profitable business and sustain their relations, farmers and firms need to have some mutual understanding of each other and there must be a minimum level of trust between them. To facilitate this, the Wageningen UR Centre for Development Innovation (CDI) developed the tool 'It takes two to tango' (Schrader et al., 2012). The tool uses detailed semi-structured interviews to gather information on each other's perspectives and interests, the results of which are discussed during workshops. It was developed using several business cases in Africa, in Benin, Ethiopia, Kenya and Rwanda. The tool helps groups of farmers and firms to gain an insight into each other's motivations, realities and perceptions. With the aid of a facilitator, the tool helps them to better understand each other so that they can decide to do business together. The resulting farmer-firm relations make it possible for farmers to access more remunerative markets, which stimulates local economic development and helps to reduce poverty.

2 Collective marketing

Researchers from LEI Wageningen UR studied the impact of grants on producer organisations

of smallholder farmers in Bolivia. The aim of the subsidy fund was to stimulate the collective marketing activities of farmer organisations in Bolivia, for example, a processing plant or a storage facility. Evaluating this impact was challenging, especially as the businesses were in the start-up phase, when turnover and profits are still low. It was decided to focus the research on the impact of the funding on the capacities of the producer organisations to organise themselves in the management of their collective marketing activities. With the grant, the group started new activities and needed to define (or refine) internal rules about pricing, quality control and payment systems. The researchers developed a tool for assessing how well these producer organisations performed in striking this balance between the interests of the group and the interests of the members. The tool captures qualitative information on ten common 'tensions' in collective marketing (each group developed specific solutions to contain these tensions), and explores if these have changed as a result of the new business. The tool made it possible to rank organisations and to benchmark them on their organisational performance (Ton et al., 2014a). The research documented practical experiences from which farmer organisations can learn from one another. Organisations that devise and implement simple and cost-effective rules and regulations are more resilient and have less internal tensions.

3 Research for advocacy

The Empowering Smallholder Farmers in Markets programme (ESFIM) supported the advocacy capacities of national farmer organisations (NFOs) to create a more favourable policy environment for farmer-firm relations that improve smallholder market access. The programme, led by LEI and implemented with the Natural Resources Institute (NRI) and the Centre de coopération internationale en recherche agronomique pour le développement



(CIRAD), was co-financed by the European Commission, the research programme on Global Food Security and other donors. It gave NFOs in 11 developing countries the opportunity to contract local experts to strengthen the evidence-base of their advocacy proposals. In a highly participative process, each NFO analysed key advocacy issues for which research support was most needed. This resulted in a diversity of themes and advocacy processes, for example, research and advocacy on the role of cooperatives in Uruguayan innovation policies, a simulation game on market dynamics in a commodity exchange in the Philippines, a review of various seed multiplication programmes in Malawi, and legal and administrative hurdles preventing smallholders from selling to government procurement programmes in Peru and Bolivia (Ton and Proctor 2013).

To assess the impact of these research support activities on the advocacy capacity of the NFOs, the researchers used a self-evaluation technique, in which board members considered a list of statements covering five capacities that are deemed necessary for effective advocacy. The information obtained was used to reflect with the board on ways to improve their capacities in the future.

Moving forward in farmer-firm relations

The research (see Ton et al., 2014b) served to inform policy- and decision-makers in the government and development sector about the effectiveness and replicability of instruments used in markets and value chains aimed at improving the livelihoods of smallholders. The three tools to facilitate and assess development impacts in farmer-firm relations laid the basis for methodological approaches in other areas. For example, in a multi-year programme, Pioneering Real-time Monitoring and Evaluation (PRIME), which is examining the effects of export promotion and management training by the Centre for the Promotion of Imports from Developing Countries (CBI) and the Netherlands Senior Experts (PUM), and in projects that assess the impacts of certification schemes like Utz Certified and Rainforest Alliance.

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References and further reading materials

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