

POCKET GUIDE

Integrating Very Poor Producers into Value Chains

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Introduction

This Pocket Guide complements the Integrating Very Poor Producers into Value Chains Field Guide. It is intended to provide the field-level practitioner with a summary that can be taken to the field as a quick reference guide on considerations and strategies when working with very poor producers. The intended outcome is greater market engagement for very poor producers through enterprise and market development activities.

This Pocket Guide is applicable when the most strategic sectors that practitioners will be working in have been selected, appropriate value chain analysis has been completed, and importantly, producer-level constraints have been identified as being critical in terms of strengthening a value chain and/or targeting benefits to very poor households.

The Field Guide is NOT implying that working at producer level or producer group formation are the only solutions to overcoming constraints facing very poor producers' participation in markets. The Field Guide recognizes that at times there will be greater impact on poverty reduction by intervening elsewhere in the market system. The Field Guide further acknowledges that even when intervening at the producer level, this may not always imply forming producers into groups.

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I. Linking producers to buyers and suppliers

A. Effective buyer and supplier linkages

REALITY CHECK

Very poor producers:

▶ Don't feel comfortable negotiating business contracts, or even basic pricing and ordering

▶ Produce in such small quantities that buyers feel like it is not worthwhile to make an effort to buy from them

▶ Buy inputs in small quantities and infrequently, so input supply firms feel like it is not worthwhile to make an effort to sell to them individually

▶ Don't feel comfortable interacting with other larger or more formal businesses, or wealthier or more educated people, as they do not understand their business culture and norms

▶ Need to access local suppliers, extension agents and buyers who are willing to come to local communities as they are often constrained by not being able to travel far

▶ Are often influenced by informal rules and norms, such as whether it is acceptable to be seen as more successful than others or what is regarded as wealth, that limit their ability to interact with other businesses or their ability to benefit from business in any significant way

HIGHEST SUCCESS RATE

The highest success rate is achieved when linkages with buyers and suppliers:

- ✓ facilitate the development of long-term, win-win business relationships, rather than focusing on increasing once-off sales
- ✓ facilitate continued access to appropriate information – such as what appropriate quality standards and specifications are and how to meet them, knowledge on how to use inputs most effectively, or how to use specific equipment to improve a product in a way that the buyers want
- ✓ facilitate beneficial embedded service arrangements – such as linkages to businesses that prepay for crops before they are harvested to reduce initial cash needed by very poor producers
- ✓ support everyone in getting higher profits, more stable income, or more consistent income – such as ensuring that producers can earn a living from what they get paid while buyers are still able to make enough profits to stay in business
- ✓ support processes that increase trust – such as taking small steps to slowly demonstrate trustworthiness from both sides

POTENTIAL PITFALLS

Be careful that linkages with buyers and suppliers don't mean that producers:

- ✓ need to accept delayed payments (be paid later and not have access to the money now when it may be most needed)
- ✓ are required to work in a more formal group structure than they have the capacity to manage
- ✓ need to meet higher level variety, quality, and safety specifications than they might be able to provide
- ✓ must be able to supply agreed quantities at all times which may place very poor producers in conflict with family or other obligations
- ✓ start specializing to the extent that they may be limited to only having a small market for their products – such as if they move into processing produce for a specialized market
- ✓ agree on prices that are lower than open market prices – which could lead to side-selling (sales outside of the contract to other buyers)
- ✓ enter markets that are more inherently risky than they are ready for (such as export markets)

- ✓ need to comply with new standards (e.g. organic, quality and traceability, fair trade) that they may not be able to meet in the short or medium term
- ✓ are required to find an external financing company (such as a bank) to finance credit facilities which they are not yet ready to manage the repayment



INEFFECTIVE LINKAGES:

- ▶ are one-off transactions
- ▶ lack open communication and transparency
- ▶ lack investment from both sides
- ▶ benefits mainly one party

EFFECTIVE LINKAGES:

- ▶ are long-term with repeat transactions
- ▶ have open lines of communication
- ▶ have investment from both sides
- ▶ are mutually beneficial

ASSESSING LINKAGES WITH BUYERS AND SUPPLIERS

Use these questions to assess the suitability of buyer and supplier linkages and prompt ways to improve them:

- ? What types of linkages do very poor producers currently have with buyers or suppliers?
- ? What type of linkages would be beneficial and feasible for very poor producers?
- ? What are the advantages and disadvantages of these beneficial and feasible linkages?

- ? What are the limitations faced by very poor producers in forming relationships with buyers or suppliers?
- ? What are the risks that very poor producers will face and are they willing to face them?
- ? What quality standards are necessary and can very poor producers meet them?
- ? What embedded services might be available from buyers or suppliers that will help very poor producers upgrade?
- ? What informal rules or norms exist that could impact the ability of very poor producers to link to the businesses or benefit from the transactions?

B. Embedded support from buyers and suppliers

- ▶ Support services provided by buyers and suppliers to very poor producers in return for their business are known as 'embedded services.'
- ▶ Buyers provide a much-needed service to producers, with the expectation that the producers will sell the higher quality products in return. Producers who understand how to grow better, use equipment better, grade better, or spend time and money on new techniques, are more likely to grow higher quality and more goods. Buyers may want to order and even pay for these ahead of time, or at least pay a higher price.
- ▶ Suppliers provide a much needed service to producers, with the expectation that the producers will buy their inputs, resulting in increased sales. Producers who understand how to choose and use inputs are more likely to buy the most appropriate ones to increase their production, so they have more money to buy more inputs the next season.
- ▶ Producers adopt the new technology or practice, or make the new investment, feeling secure that they will have a market in which to sell their improved goods at a fair price.
- ▶ These services aren't entirely without cost: buyers and suppliers will cover their costs by paying a slightly lower price for the products or charging a slightly higher price for the inputs.
- ▶ If done well, embedded services can be a very useful win-win situation for producers and buyers.

Financial

- ✓ **Suppliers:** Sell supplies to producers on credit that they can pay for later (such as paying for seeds after they harvest the crops).
- ✓ **Buyers:** Pay for production upfront by paying producers earlier than usual to support their cash flow (such as paying when the order is placed rather than when the products are delivered – maybe even before the products are produced or made – allowing producers to have more money to buy better quality supplies).

Training and skill-building technical assistance

- ✓ **Suppliers:** Provide skill-building on how to use the inputs well (such as how to grow seeds so that they maximize success of germination, how to apply fertilizers in the most effective way). Provide training on new production technologies.
- ✓ **Buyers:** Provide skill-building and know-how on how to use appropriate equipment, improve production processes, or be able to take on new post-production activities (such as producers receiving training from buyers on farming techniques or on grading that increase the quality of the produce). Provide training on new production or processing technologies.



Certification / compliance technical assistance

- ✓ **Suppliers & Buyers:** Support compliance and certification through providing producers with assistance in applying for certifications or complying with certain requirements by improving or changing processes (such as support in qualifying for fair trade certification). Provide training on quality management and control.

Market access

- ✓ **Suppliers:** Support easier access to inputs through delivering or making seeds available closer to where the producers are. Support access to transport as not having access to transport due to lack of money, information, ready cash, ownership of a vehicle, or an established commercial relationship with a transporter creates risks on the producer side.
- ✓ **Buyers:** Support easier access to markets with buyers picking up goods closer to where the producers are or assisting with transport for delivery of goods (such as if payment comes from traders after the sale, the cost of the transport service could be a significant challenge to the producer). Provide advertising support. Support access to market information.

Assured supply / demand

- ✓ **Suppliers:** Assure consistent supply of high quality inputs at the quantity needed.
- ✓ **Buyers:** Assure market through pre-orders (such as if a certain number of goods are produced at the quality and other specifications required, then producers might know that the buyer will definitely buy these).

Equipment access and maintenance

- ✓ **Suppliers & Buyers:** Provide access to equipment, packaging, training and maintenance support, to improve production processes or be able to take on new post-production activities, through direct provision, access to, or loans of equipment (such as buyers sharing the costs of processing equipment that will upgrade the product to achieve higher prices).

ASSESSING OPPORTUNITIES FOR EMBEDDED SUPPORT

Use these questions to prompt opportunities for embedded support by buyers and suppliers:

- ? What **relationships currently exist** with suppliers or buyers and very poor producers?
- ? What **support or services** would be beneficial for very poor producers to receive from their suppliers or buyers?

? Are suppliers and buyers **already offering these services**? If not, then why not? What incentive could be used to encourage them?

? Are there **informal rules and norms** influencing their current behaviour?

C. Trust between very poor producers and their buyers & suppliers

REALITY CHECK

Buyers

- ▶ may see a lack of resources and knowledge and not trust that very poor producers will be able to meet their commitments to provide a certain amount and quality of produce.
- ▶ may mistrust very poor producers as they have the experience of producers breaking agreements and side-selling to other buyers in the past.
- ▶ need to be assured that producers will honour their agreement with the buyer if market prices rise and not engage in side-selling with another buyer in order to get a higher price. The very poor are perceived as being more likely to put aside any previous agreements if a better price is offered, as they are more likely to face more urgent needs for cash.
- ▶ may mistrust producers if they have experienced dishonesty in processes before, such as the weighing or sorting process.

Very poor producers

- ▶ may not trust buyers or suppliers as they feel like they have no power to negotiate price and terms that are good for them or that they will be taken advantage of by other businesses.
- ▶ may mistrust buyers as they have experienced delays in payments from buyers in the past.
- ▶ needs to be assured, as much as possible, that a buyer will not switch to buying cheaper products from other producers in the short run if market prices fall, but that the buyer will honour the producers' relationships built on service and quality.
- ▶ are often indebted to buyers who have lent money or made advance payments for produce before it is harvested (often at a very low price ahead of the harvest, exploiting the very poor producer's urgent need for immediate cash), or during the lean period between planting and harvest.

- ▶ may mistrust buyers if they have experienced dishonesty in processes before, such as the weighing process.
- ▶ may have a misunderstanding around standards, norms, and accountability.

BUILDING TRUST

- ✓ **Continuous dialog** Forums, summits, consultations, and stakeholder workshops can slowly build trust, understanding, and collaboration, by facilitating discussions between producers and other market actors about the issues that each are faced with.
- ✓ **Low risk and early return activities** Demonstrate success by starting with low-risk activities that bring results quickly to show that each side will follow through on commitments. Incrementally expand depth and outreach as stakeholders become more open to working collaboratively and with increasing levels of trust. Recognise that very poor producers need to make quick returns to stay involved and trust that they will ultimately benefit.
- ✓ **Repeated exposure to other businesses** Repeated exposure to others tends to build confidence that each party can be trusted.
- ✓ **Cross visits** Not just telling, but showing each partner's position and situation will help both sides understand the other's needs, challenges, and objectives, which fosters trust (e.g. millers or processors can open their plants for visits from producers and show the effect of poor quality produce on their final products; firms can visit producers to understand the constraints that they face in growing high quality produce).
- ✓ **Contracts** Formal, written agreements that stipulate all aspects of the business relationship can reduce misunderstanding and build security.



- ✓ **Checks and balances** If there are government or NGO officials that very poor producers can go to if they feel taken advantage of by suppliers or buyers, then they may feel more trust in buying or selling from others (e.g. instituting a transparent way to read weights and measures so that both parties feel comfortable).
- ✓ **Recognise that it takes time** Building real trust and long-term business relationships often take years.
- ✓ **Price incentives, payment terms, and other support for producers** Can be used to build trust and loyalty from the producers. If the producers understand that the buyer pays fairly and on time, they are more likely to be loyal.
- ✓ **Loans to producers** Providing loans and training to farmers will tie them to the contract. Loans are used by the producers to buy inputs, and training is provided by the buyer up front. When it is time to sell, farmers are obligated to sell to the buyer because of the loans they received.

D. Learning & information flow to and from buyers & suppliers

REALITY CHECK

- ▶ Learning and acquiring new knowledge often occurs through business relationships.
- ▶ Producers should also be encouraged to seek out new information about their markets with a continual learning philosophy.

SUPPORTING LEARNING AND INFORMATION FLOW

- ✓ **Ensure access to explanation and interpretation of information.** Information gathered by or for very poor producers usually needs some interpretation and explanation of why it is important and how it can be used. For example, if very poor producers learn that a particular variety of tomato is able to fetch more than the variety they currently produce, that information is useless unless it is accompanied by guidance on how the producers can acquire the improved tomato seeds.
- ✓ **Ensure information is presented visually where appropriate.** Information presented in a visual way might be needed

for producers to understand it. For example, it might be necessary to visually illustrate the difference between various varieties of mangoes.



- ✓ **Support access to other selling options.** Very poor producers should benefit from accessing information on more selling options for their produce and ways to contact other buyers.
- ✓ **Support system that provides ongoing, updated information.** The goal is not to have one exchange of information, but to end up with a long-term, continuous flow, so that producers always know where to go to have access to the information they need to be competitive on the basis of price and quality, etc.
- ✓ **Facilitate access to appropriate communication technology** where appropriate. A mobile phone can be very useful for very poor producers to communicate with other businesses, especially when they are far away. Producers can loan someone's phone or collectively pool resources to buy a phone, to call buyers or send them a text message to find out market prices, communicate the quality and quantity of products, and generally negotiate on deals, without having to leave the village. This allows much lower transaction costs (not harvesting unless there is a deal agreed on beforehand, not having to use transport to get to market for negotiating and possibly returning with product), access to a large number of potential buyers quickly in places they might not be able to travel to, access to regular market information from their village and technical information and service providers.
- ✓ **Support access to information in close proximity** to producers. Distance is a key issue for geographically and socially isolated groups and for women who have many demands on their time and limited ability to move about. Producers need support in finding local suppliers, extension agents, and buyers who are willing to come to local communities.

TYPES OF INFORMATION NEEDED

Information needed varies from sector to sector and is subject to negotiations between buyers and sellers. Important information includes:

From Buyers

- ✓ **Price:** Probably linked to current market information. Within a contract context, price is often set ahead of time.
- ✓ **Method of payment:** Delayed payments can be especially difficult for poorer producers.
- ✓ **Quantity:** Minimum and maximum amounts.
- ✓ **Quality:** Size, shape, colour, dry/wet, packaging, etc. Very poor producers often sell a significantly lower quantity, or at a significantly lower price, as they do not meet necessary quality standards. It can take several years for producers to reach required quality levels to be able to qualify for sale to certain larger buyers.
- ✓ **Use of the product:** How will their products be used after they are sold? Will they be processed? Will they be re-packaged? This type of information can help to identify new markets or new buyers.
- ✓ **Timelines:** One big supply or ongoing supply?
- ✓ **Embedded services:** Will the firms provide inputs, extension services, credit, etc.?
- ✓ **Transportation:** Who is responsible?
- ✓ **Failure to comply clauses:** How to handle issues such as: failure to meet buyer's specifications (including quantity and quality); failure to use inputs provided by buyers for produce they have ordered but rather reselling the inputs on the open market; side-selling; unintended or unexpected failures on either side (e.g. crop failure due to lack of rain).
- ✓ **Penalties for not fulfilling the contract:** What the penalties are and who will administer these for non-fulfilment on either side (e.g. all the chickens die and the producers are not able to deliver the promised quantity of poultry meat).

From Suppliers

- ✓ **Price:** If suppliers are willing to provide bulk quantity discounts, producer groups have an incentive to engage in bulk buying.
- ✓ **Method of payment:** Need to know the payment plan from

suppliers. Very poor producers prefer cash on delivery.

- ✓ **Quantity:** Often very poor producers need smaller quantities than commercial firms provide – smaller packaging allows for very poor producers to buy quantities suitable for their needs.
- ✓ **Quality:** Producers can weigh costs and benefits of making a larger versus a smaller investment depending on quality of inputs.
- ✓ **Use of inputs:** Information on best timing, quantity and application techniques to use inputs.
- ✓ **Availability:** Very poor producers need access to inputs close to their farms to reduce the cost of transportation. They need inputs that are available when they would need to use them, e.g. fertilizer during growing season. At times only very poor producers are able to access free or available inputs because of their poverty status.
- ✓ **Embedded Services:** Will suppliers provide embedded extension services to the producers?
- ✓ **Failure to comply clauses:** How to handle issues such as inputs not functioning as promised (e.g. seeds do not grow properly).

FACILITATING INFORMATION FLOW

Use these questions to consider facilitation activities to enhance efficient and effective flow of information between the very poor producers and their buyers and suppliers:

- ? What are the types of information needed from buyers or suppliers?
- ? What are market processes that can be supported, if possible, that will regularly and efficiently make this information available to producers?
- ? How can producers be supported in understanding why they need this information and how to get it from buyers or suppliers?

E. Working with the private sector

I. LEAD FIRMS

Highest success rate when working with firms (which are then defined as “lead firms”) that:

- ✓ lead in innovation and technology
- ✓ ideally already have links to large number of poor producers
- ✓ can provide technical assistance, credit, inputs, and other support as

part of the business relationship.

- ✓ can help the very poor producers to access much-needed innovation and technology
- ✓ are financially stable, can make the needed investments, and are willing to be patient in waiting for results to materialize
- ✓ strong demand for their products to ensure a steady market for the producers
- ✓ are respected thought leaders in the business community
- ✓ have a good business reputation
- ✓ can influence others in the industry to enter into similar relationships with producers
- ✓ have shown interest in working with very poor producers

There are several potentially negative consequences of over-involvement of practitioner organizations in trying to negotiate with lead firms on behalf of producers (or vice versa):

- ▶ Problems for the practitioner if market linkages don't materialize as expected
- ▶ Potential confusion created on both sides
- ▶ Delays the formation of sustainable business relationships
- ▶ Creates the potential for corruption to occur through inappropriate payments



2. SMART SUBSIDIES

Subsidies are money, products, or other resources provided by an NGO or other institution as a grant to assist a community, sector, or business that is seen as being for the public good. Smart subsidies are when these are provided in order to build capacity or incentivize other businesses to provide products and services to very poor producers on a long-term, sustainable basis.

Types of subsidies include:

- ✓ **Cost share:** Development organisation provides a % towards the private business' expansion of services to very poor producers. If the business finds the services profitable over the long term they may continue to provide these as sustainable services to the producers.
- ✓ **Vouchers:** Development organization, through a local business or institution, provides a paper or electronic credit to purchase goods and services to very poor producers without the capacity to purchase.
- ✓ **Community-level assets:** The community may have commonly held public land that can be used by very poor producers for productive purposes. This can help very poor producers to increase their income without owning assets. Those allocated the use of unused community-owned land could pay the community a portion of what they make from the land.
- ✓ **Cash or asset transfers:** Government or development organisation provides a cash or productive asset to very poor producers. This can help to build up assets, and the assets themselves could provide a stream of income.

Highest success rate when subsidies are:

- ✓ unknown to the producers
- ✓ keep role of project in providing subsidy invisible
- ✓ mimic real-life market interactions
- ✓ emphasise business or mechanism that is providing subsidy (to allow relationships, rules, and norms that govern business transactions to emerge)
- ✓ gradually withdraw or phase out (e.g. slowly decreasing value of vouchers)
- ✓ producers slowly pay for more of the resource over time (encourages use of savings or accessing credit)
- ✓ only provided over a specific time
- ✓ not used for too long or too often – which can lead to very poor producers relying on the subsidies rather than responding to the quality and quantity of products and services the market wants
- ✓ decrease risk to businesses of taking on full cost or taking time to build demand for products

- ✓ demonstrate success of working with very poor producers to other businesses so that they can start providing same service or resource to very poor producers
- ✓ help very poor producers learn how to form and maintain business relationships
- ✓ demonstrate behaviour to other very poor producers so that they can feel comfortable and motivated to perform the same activity or take on the same behaviour
- ✓ used with very poor producers who would not be served by other businesses without a short-term subsidy
- ✓ only used when absolutely necessary
- ✓ used to accelerate a process that would otherwise take a long time
- ✓ used in recovery contexts and after disasters
- ✓ used to increase the supply of and demand for products and services
- ✓ used to build and protect financial assets to enable the very poor to start participating in markets
- ✓ used to build human and social capital to enable the very poor to start participating in markets
- ✓ used to stop assets from being given away or sold to fulfil short term needs, such as the need to eat (such as by providing food or other asset transfers)



3. MARKET OFFER – DIALOGUE AND PARTNERING WITH THE PRIVATE SECTOR

Practitioners often need to facilitate initial relationships between producers and their buyers or suppliers. This involves identifying key businesses to partner with, sharing the vision of a partnership, and supporting the initial steps in partnering. This initial support could comprise some type of shared investment by the development organisation in order to incentivize businesses to start

acting in a certain way or taking on certain roles. Approaching businesses about this type of investment and partnership is often referred to by practitioners as “making a market offer.”

The practitioner’s market facilitation offer to a lead firm needs to include time, information, linkages, and possible limited subsidized funds. The practitioner presents this offer to lead firms as their potential market partners with the purpose of helping to reduce the risk of failure in the lead firm’s commercial transaction in exchange for their willingness to invest in and make changes in their attitudes, capacities, and practices to advance their own and wider system change.

Highest success rate if project is clear about:

- ✓ **Who the offer is aimed at** – Who is the market partner? Is it an individual or a firm?
- ✓ **What they could expect to get** – What is the offer: time, information, linkages, and limited funds?
- ✓ **Why someone would want what the market facilitator has** – What is the incentive to partner from a business perspective and not a social responsibility perspective? Is this likely to continue as a reason for the long term?
- ✓ What the market facilitator may expect in return – What would the market facilitator want the market partner to be willing to do? (such as the partners’ willingness to invest in and make changes in their attitudes, capacities, and practices to advance their own and wider system change)
- ✓ How would the offer and partnership benefit and change the sector overall?
- ✓ How can the market facilitator ensure that the offer is clear, specific, and credible?

4. CONTRACTING WITH BUYERS AND SUPPLIERS

Types of contracts for very poor producers with their buyers and suppliers:

- ▶ **Immediate sale** – Product is bought for cash and delivered immediately. Transactions are completely market-based. Contracts are verbal.

- ▶ **Forward contracting** – Commercial buyer and seller agree on delivery of a specified quality and quantity of goods at a specified future date before the goods are produced. Price is agreed upon in advance.
- ▶ **Regular sub-contracting** – Buyer has a list of preferred suppliers (producers / farmers) with whom forward contracts are regularly made. Provides security and reduces search costs on both sides.
- ▶ **Outgrower schemes** – Larger farm contracts with neighbouring producers to complement its own production volume. Outgrowers receive technological services but may sell to other buyers as well.
- ▶ **Contract production/ Contract farming** – Producer / farmer works for one buyer exclusively for a particular crop/product. Product and technology are clearly specified. Producers / farmers receive the necessary inputs.

Consider the following to establish what may be appropriate contracting:

- ? Which type of contract seems most appropriate for very poor producers?
- ? What ability would very poor producers need to enter the particular type of contract?
- ? What type of commitment would very poor producers need to make?
- ? What would very poor producers need to put in place to fulfil the commitment?
- ? What challenges might very poor producers have in fulfilling the commitment?
- ? What level of trust needs to exist between very poor producers and those they are contracting with? Does this exist? If not, how can it be slowly and intentionally built?
- ? What level of collaboration needs to exist between very poor producers and those they are contracting with? Does this exist? If not, how can it be slowly developed?
- ? What type and frequency of communication needs to exist between very poor producers and those they are contracting with?
- ? Do very poor producers have the ability or equipment to be able to communicate in the method required? If not, what support or capacity building do they need?

Highest success rate when contracts with buyers and suppliers:

- ✓ **Produce positive results quickly:** Very poor producers need income as soon as possible as they tend to have minimal savings, and should not be encouraged to make investments into activities that will take a long time to make their money back, until they have enough income to cover current activities.
 - ▶ Short-term investments (such as purchase of high quality fertilizer for production through credit extended by an input supplier) can be recovered in a single crop cycle. Producers can quickly make back the money they spent on the seeds by selling the produce as soon as it grows.
 - ▶ Longer-term investments (such as investments into fair trade certification or obtaining credit to buy larger equipment), can take a long time to realise the gains. It may take a few years for very poor producers to make back the money they spent on this – which may be too long for them to wait.
- ✓ **Strengthen social relationships:** These are traditionally very important to very poor producers. In the case of unexpected circumstances or unforeseen events, very poor producers need to be able to draw on their social networks for support. Both the number and intensity of social relationships should be encouraged. Savings groups and mutual labour societies, for example, are opportunities to develop positive social networks and offer economic benefit
- ✓ **Include a clear understanding of all the risks:** Very poor producers have limited ability to take on additional financial risks.
- ✓ **Include a clear understanding of expectations and how relationship will work:** Very poor producers are often less familiar with business transactions and may be taken advantage of or expect successes too quickly.
- ✓ **Take into account informal rules and norms:** Very poor producers might not appear to act rationally in making business decisions since informal rules and norms, such as not wanting to appear successful within their community, or placing value on acquisition of cattle over and above other assets, can influence their behaviour and decisions.

II. Linking producers to other producers

A. Effective producer-to-producer linkages

Linkages between producers can include linkages promoted by a leading producer, or linkages through formal producer groups, informal producer groups, or cooperatives.

REALITY CHECK

Challenges exist for very poor households to successfully participate in markets: They lack assets (physical, financial, and social) and information, face social exclusion, have low self-confidence, and have a limited ability to take on additional economic risk.

HIGHEST SUCCESS RATE

Highest success rate when producers are encouraged and incentivized to link with other producers to:

- ✓ Leverage easier and cheaper access to buyers, suppliers, and support through benefitting from economies of scale. By pooling resources, producers can get group discounts on inputs such as seeds and fertilizer, sell in bulk for increased prices, provide one large delivery rather than several small deliveries to a buyer, or share more affordable transport options by combining products.
- ✓ Improve bargaining power by negotiating with traders or transporters as a group, or exerting increased bargaining power when they buy or sell in bulk.
- ✓ Lower costs (for buyers and for the producers), through sharing transportation costs to be able to access more formal buyers, and by-pass informal traders, who often pay very low prices, or deliver products from multiple producers to one central point for easier access by buyers – to decrease the costs for the buyer as they do not have to travel to individual producers.
- ✓ Improve quality control by obtaining support in meeting appropriate quality standards to increase efficiency in post-harvest handling, or gaining a reputation for higher quality by combining their products and sorting and grading by size, quality, or other characteristics demanded by the market.

- ✓ Increase production because they can afford the necessary inputs through bulk-buying, or have the confidence that they can sell all of their production because of combining their products for collective buying and selling.
- ✓ Access savings or credit such as lump sums of cash through savings or credit, or loans from financial institutions that are more likely to lend to groups of borrowers, particularly if the group has its own saving programme.
- ✓ Purchase equipment and services together such as pooling resources to build collective storage facilities or to buy machinery or equipment that they could not afford on their own.
- ✓ Negotiate and access discounts in the use of, for example, post harvest storage facilities, or for buying inputs such as seeds and fertilizers in bulk.
- ✓ Obtain easier access to training and other services as it is easier for agencies providing training services to teach a group of producers rather than each one individually. Producers operating in groups can negotiate discounts as they can buy inputs such as seeds and fertilizers in bulk, and as a group, producers can access post-harvest storage facilities as together they can fill the storage facility, but would not have enough produce to be able to afford the facility on their own.
- ✓ Pool resources to share assets such as sharing the use and ownership of equipment.



- ✓ Share time and labour to obtain assistance in working their land (such as planting) or repairing equipment. Could be informal or through shared labour schemes.
- ✓ Improve access to emotional support from peers when working with other producers.
- ✓ Improve access to knowledge by learning from each other, improving their knowledge and skills across a range of areas.
- ✓ Improve access to information by pooling information sources, sharing information between each other, and learning from each other.
- ✓ Link to wider commercial networks by pooling with other producers.
- ✓ Share risk of taking on transactions by pooling resources.
- ✓ Build confidence to be active market participants, as working with other producers or belonging to a producer group can help to build the confidence to be active participants in markets.
- ✓ Increase access to information and skills for upgrading, as a producer that is connected to a group is more likely to be exposed to new production techniques or technologies.
- ✓ Exert influence, as groups of producers can often exert more political influence to improve government services such as repairing roads or improving the services that schools and clinics provide.
- ✓ Increase social capital, as collective activity can strengthen social cohesion and trust within a community.

POTENTIAL PITFALLS

Be careful that linkages with other producers don't mean that:

- ✓ the leading producer may pull out of the venture
- ✓ payment may be deferred if buyers send payment to the leading farmer
- ✓ there may be power issues exerted between stronger and weaker producers
- ✓ there are greater record-keeping, reporting, tax and registration requirements than the producers can manage
- ✓ producer groups may still not be able to access contracts as they are unregistered
- ✓ if cooperatives depend on subsidies and external managerial assistance, commercial activities can collapse when subsidies and managerial assistance run out

B. Lack of trust

BUILDING TRUST AMONG VERY POOR PRODUCERS

Within a producer group setting, encourage:

- ✓ clear communication of members' roles and expectations
- ✓ clear understanding of the group's goals and vision
- ✓ shared vision of a business plan
- ✓ continued, transparent communication to keep members informed and involved
- ✓ processes or avenues to deal with issues or concerns (One way to do this is to designate one member of the leadership team as a confidential person whom members can go to if they have problems.)
- ✓ conducting business-like meetings, following a clear agenda and having written minutes
- ✓ clear agreement on penalties if roles are not fulfilled or if someone has done something outside of the agreed ways of working
- ✓ regular review and reflection on events to learn from experience and evaluate the way things are working
- ✓ regular rotation of group leadership to lessen potential for corrupt practices

C. Limited ability to take on risk

REALITY CHECK

Very poor producers:

- ▶ are not in a position to take on added financial or economic risks, however small, that could threaten their basic survival as they are already vulnerable to unexpected events
- ▶ lack effective ways to overcome the financial or economic risks from unexpected events such as illness, loss of a job, or a natural disaster (including not having access to savings or insurance)
- ▶ could lose the few assets they have as a result of any sort of unfavourable circumstance, and just meeting daily needs may be a struggle
- ▶ rather than putting a priority on increasing their incomes, may put a priority on decreasing their spending and increasing their saving. What

may seem like an opportunity to a higher income producer (investing in equipment or technology to increase production) may seem like a large financial risk to a very poor producer (she could lose all of her investment and be left with nothing). The very poor can't afford to invest their time and resources in a crop that may fail or a product that may face drastically falling prices.

INCREASING COMFORT TO TAKE ON MORE RISK

- ✓ Encourage multiple sources of income, so that if one fails, or is not as lucrative at a certain time, there will still be income coming to the family from another source. Taking on a range of low-profit activities, rather than one highly profitable activity, ensures more consistent income as time goes by, ensures less risk of the only income source failing, and overcomes the impact of only receiving income during certain seasons.
- ✓ Encourage specialisation across several products. To maximize their incomes and benefit from the sector that they are working in, it helps if very poor producers focus on and specialise in a particular product. To still encourage multiple sources of income, they could specialise within a small group of products or activities – rather than intensify their focus on one product at the expense of others, or rather than having 20 products that they handle without being competitive in any.
- ✓ Link to food aid and food transfers where, without the initial food support, very poor producers would not be able to focus on the other activities.
- ✓ Promote crops for consumption and the market. Balance with need to earn income with food consumption, or very poor producers are more likely to eat their chickens or calves, sell their start-up equipment to access money for food, and not put aside money to save but buying a meal for their family instead. With access to food, they may be able to take on the economic risk of investing in a new activity. Do not assume that all households should be growing their own food to eat rather than taking on other activities and buying food instead, or that all producers are also good gardeners. Encourage food crops that provide the requisite nutrients needed by households and which can be profitable, or intersperse highly nutritious food crops with high value cash crops.
- ✓ Promote food consumption for the family and livestock first, rather than holding food back as it has market and income potential.

- ✓ Start with small, low risk activities. Low economic risk activities often provide less money, but are far more comfortable for very poor producers as a starting point before moving into higher risk activities that can make more money.
- ✓ Connect to markets with low barriers to entry and low risks - often (but not always) local markets – even if they offer lower returns. Starting with and doing well in these markets helps to build skills and confidence to move into more risky options.
- ✓ Focus on activities with short-term, frequent returns, rather than having long periods without income. Helpful information includes the seasons of various crops so that producers can grow several crops that are draw income throughout the year, or methods to extend growing seasons, such as drying or juicing, and therefore result in longer periods with income.
- ✓ Build on existing resources, skills, and behaviours, where the vulnerable household may already feel confident and that require comparatively less time and financial investment.
- ✓ Use “smart” subsidies to decrease risk, encouraging producers to adopt a new behaviour or invest in a new technology.
- ✓ Connect to formal safety net initiatives, such as supporting access to micro-health insurance, food or cash transfers, or government pension schemes.
- ✓ Facilitate community-level traditional safety nets such as extended families or neighbours providing food, other resources, or assistance to extremely poor households. This might include informal insurance mechanisms to protect land or equipment, or shared labour groups to collectively help each other during times of need.
- ✓ Facilitate coaching and mentoring. Very poor producers can learn to understand the market system and the nature of risks through informal or formal mentoring from other local people, such



as more established female microentrepreneurs supporting younger female entrepreneurs just starting an enterprise. Market facilitators should also ensure that they are coaching and mentoring producer group representatives through more formal arrangements.

- ✓ Arrange exposure visits with other producers to learn from peers by seeing examples of producers in similar settings using new techniques.
- ✓ Support participatory research and analysis. If producers are included in market analyses they are more likely to understand the risks involved and to use new techniques or buy improved tools.

D. Limited access to resources

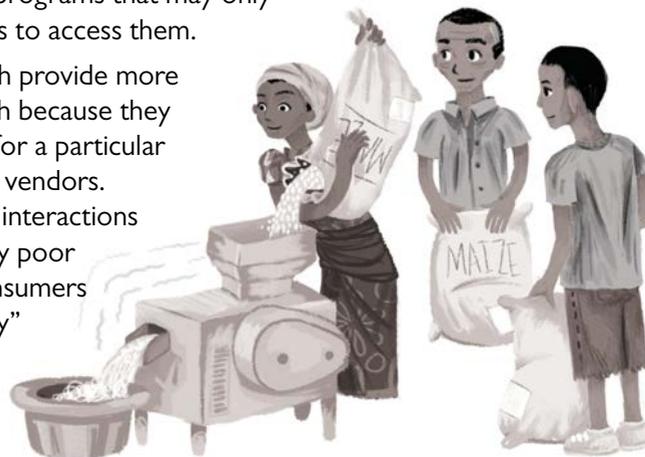
REALITY CHECK

- ▶ Very poor producers generally lack the assets required to participate in markets.
- ▶ They may not even have access to basic services.

OVERCOMING THE PROBLEM OF LIMITED RESOURCES

Higher rate of success when working through local businesses and institutions to allow very poor producers to:

- ✓ Access provisions from safety net programs – such as advocacy with government or NGOs to include extremely poor families in their safety net programme.
- ✓ Form groups to access services – such as government Ministry of Agriculture extension programs that may only allow registered groups to access them.
- ✓ Access vouchers, which provide more accountability than cash because they have to be redeemed for a particular service from particular vendors. They allow for market interactions to take place – the very poor are participating as consumers with the power to “buy” something, rather than just taking a handout.



- ✓ Form informal labour groups that provide the ability and motivation to engage in larger income generating or home and farm maintenance, projects that are not feasible for individuals, and develop stronger relationships that can be called on in times of need.
- ✓ Acquire a productive asset – such as initial seed “starter packs” of improved crop varieties.
- ✓ Be creative with the assets that they do have – such as undertaking an asset-mapping exercise to find that a group of disabled people may not be able to work land but can make tools, exchanging tools for others to work their land – and by becoming part of the economy, reducing the stigma they face.
- ✓ Link with buyers or suppliers who can often provide embedded services (e.g. training, inputs on credit) to reduce initial cash needed.
- ✓ Generate capital through savings from small income-generating activities.
- ✓ Use in-kind rotating schemes such as seed banks or animal banks with goats and other livestock. At harvest time or after reproduction of animals, the initial beneficiary has to ‘pay back’ the assets received, with interest, to other members of the community (such as a part of the harvest being given as seed to other community members).

E. Lack of confidence

REALITY CHECK

- ▶ After hope, confidence is one of the most important factors that enable very poor producers to cope with change and to negotiate with people that are perceived to have greater power.
- ▶ Very poor producers often:
 - lack market confidence, feeling uncertain about management, negotiation, organizational skills, basic numeracy & literacy, and analytical skills
 - face social stigma from society for being very poor
 - lack social confidence

INCREASING THE CONFIDENCE OF VERY POOR PRODUCERS

- ✓ Choose initial activities that are simple, have a high chance of success, are quick to produce results, and have observable success.

- ✓ Foster social relationships that can be called on in times of need, building on what already exists to improve self-esteem, confidence, and opportunities for reciprocity, rather than assuming social exclusion.
- ✓ Build basic skills such as training in functional literacy and numeracy that build confidence and prepare very poor producers to better participate in markets.
- ✓ Build understanding of the market such as building group capacity to access and maintain information on prices, trends, and buyers to improve confidence in bargaining with buyers.
- ✓ Match very poor producers with mentors from the community to build skills and confidence, hear the same message from multiple people, and increase social capital that can be called on in times of need.
- ✓ Foster regular reflection events that provide opportunities for producers to regularly see and celebrate the progress that has been achieved, emphasizing the ongoing journey toward more hope.



F. Exclusion of women

REALITY CHECK

Women often:

- ▶ have limited influence over decisions about the use of household income
- ▶ differ from men in their use of time and the amount of time they have available
- ▶ lack time as often otherwise occupied (such as simultaneously taking on income generation as day labourers or housemaids, maintaining the household, and child bearing and rearing)
- ▶ are responsible for ensuring that children are well-nourished and cared for, and may use more of the household income for the direct benefit of the children and family

- ▶ are constrained from actively participating in markets and business
- ▶ risk physical, sexual, and other gender-based violence
- ▶ have limited social standing or social capital in the community limiting access to certain market opportunities or group structures
- ▶ experience social or cultural confinement and immobility
- ▶ are restricted by informal and formal roles and requirements of marriage
- ▶ are limited by traditional gender roles and expectations
- ▶ have inadequate legal protection or ability to enforce existing laws
- ▶ have a lack of control over resources (in particular, property)
- ▶ are restricted by social perceptions that link household responsibilities with women's work
- ▶ are taken advantage of by powerful community members or traders when the women need food or other resources
- ▶ are critical to the operation of a smallholder farm
- ▶ limited in how far they can travel safely or are allowed to travel

PROMOTING THE PARTICIPATION OF WOMEN

Reducing the cultural barriers to women's participation

- ✓ Share market information using communication channels used by women
- ✓ Identify labour-saving technologies to reduce women's time on household responsibilities (e.g. local water points, access to draft animals to pull equipment)
- ✓ Design alternative service delivery for those not producing or in groups (e.g. women acting as rural sales agents who may not be involved in producer groups)
- ✓ Encourage community discussions amongst men and women about gender inequalities and the barriers for women
- ✓ Analyse the discrepancies between perceived access and control over resources between men and women, highlighting the differences in perceptions
- ✓ Promote value chain selection that favours women's participation with lower barriers to entry

Building women's skills, confidence, and social capital:

- ✓ Link women with support structures and networks that build their social capital, skills, and business confidence
- ✓ Design awareness raising campaigns to promote women's leadership in business

Addressing lack of access to assets by women:

- ✓ Work with lending institutions to design loan products for women (such as the use of non-land assets in lending)

Addressing lack of ownership and control of assets by women:

- ✓ Work with entities that advocate for women's rights (such as raising awareness on land ownership rights, advocating for equitable land distribution, and supporting better enforcement of existing legislative framework on land policy)

Addressing time and mobility realities:

- ✓ Encourage market times and venues that allow for easy access and participation by women
- ✓ Support access to information sources that are close in proximity and available at times when women can access these.

Designing logistics of participation around women's circumstances and needs:

- ✓ Announce information about participation in groups through communication channels used by women
- ✓ Hold meetings at times and in venues that support women's participation given their time and mobility challenges
- ✓ Provide for shared childcare while group meetings are being held



Encouraging membership and leadership criteria that allow women's participation:

- ✓ Encourage membership fees to be on a level and payment schedule that women can manage
- ✓ Create women-only groups, if appropriate, to encourage the entry of more women into the market where it is unacceptable for women to intermingle with men that are not family members
- ✓ Facilitate women-only meetings where appropriate if it is not possible to create women-only groups
- ✓ Advocate for processes that enable women to be more fully involved as both participants and leaders, such as ensuring that training on governance addresses this
- ✓ Investigate potential barriers to women's leadership positions within groups
- ✓ Encourage membership to be based on output (e.g. litres of milk for sale or baskets of tomatoes) rather than access to factors of production (e.g. legal title to land or registered ownership of animals)
- ✓ Encourage a change from exclusive membership criteria to a more graduated membership, which is based on increased quality and quantity of product delivered to an association – to allow women to gradually gain access as they become more involved
- ✓ Encourage official membership of women (not just wives), such as women who are household heads (primary breadwinners, second wives, or where husbands are not present for various reasons)
- ✓ Encourage membership requirements that do not require land ownership, which would often exclude women's participation
- ✓ Advocate for rules to allow non-producer members to attend trainings and access benefits, which will still allow women to join and benefit where they have been traditionally excluded because of lack of certain assets or land rights
- ✓ Encourage adoption of gender-sensitive practices and policies (such as non-discriminatory membership or gender-sensitive technical trainings)
- ✓ Include programme targets on the percentage of members who are women and who serve in leadership positions within the group

