

Annex F: Glossary of Key Terms

Ad hoc: no contractual relationship with no long-term consideration; formed or used for specific or immediate problems or needs

Asset: an item of property including land, capital, or a share in ownership

Association: a formal group or organisation of people linked by a common interest

Audit: a formal review of a group's accounts and practices; for example, a review to ensure a group is meeting fair trade standards

Bank: an establishment for the custody, loan, exchange, or issue of money, for the extension of credit, and for facilitating the transmission of funds

Break-even point: the point at which the costs are equal to the proceeds; the point at which one begins to make a profit

Business or enterprise: a person or group of people that provides a service or product for a profit

Buyer: a person who, through payment, acquires possession, ownership, or rights to use services. Typically retail companies, exporters, local collectors, traders, lead firms, or foreign buyers

Buyer-supplier linkages: business relationships between firms at different levels in a market system that buy from and sell to each other

Bylaws: rules decided on by the producer group to control its actions, including definition of the membership criteria

Chambers of Commerce: an association of businesspeople to promote commercial and industrial interests in the community; also known as a board of trade

Collateral: property used by a borrower as insurance that a loan will be re-paid

Collective farming: growing crops or raising livestock cooperatively on a larger farm made up of several smallholdings, sometimes owned by the state

Collector: a person who gathers items or money

Commercial linkages: relationships between organisations that promote a flow of information and ideas in order to reach a shared goal

Constitution: written set of rules and principles used to govern an organisation

Contract farming (contractual arrangement): producer/farmer works for one buyer exclusively for a particular product/crop, product and technology are clearly specified, producers/farmers receive the necessary inputs

Cooperative: a formal group or organisation that is collectively owned by its members

Diversification: a strategy in which a business or enterprise produces a variety of products for a variety of markets

Embedded services: services that are integrated into what has already been set up or paid for as part of the commercial transaction between a buyer and seller (e.g., input suppliers provide training to producers on how to use fertiliser as part of the price of fertiliser purchase)

Exit strategy: agreed upon criteria defining when and how non-commercial actors will stop aiding a group in order to transition into a fully independent commercial enterprise

Exporter: a wholesaler who sells goods to merchants in another country

Extension programmes: secondary services provided in addition to primary services of an organisation

Extremely poor: persons who earn less than \$1.25 per day, as measured by purchasing power parity market exchange rates

Factors of production: inputs or resources used in the production process, specifically land, labour, and capital

Fair trade: trading arrangements based on dialogue, transparency, respect, fair pricing strategies, and safer working conditions that benefit, particularly, extremely poor producers.

Farm gate price: the price of the product when sold by the farm—typically lower than the retail price consumers pay in a store as it does not include costs for shipping, handling, storage, marketing, and profit margins of the involved companies

Formal group: an organisation of people that is officially registered according to legal requirements and regulations; a formal group is also able to participate in official financial transactions and open a bank account

Forward contracting (contractual arrangement): commercial transaction in which a commercial buyer and seller agree upon delivery and price of a specified quality and quantity of goods on a specified future date before the goods are produced.

Informal group: an organisation of people that is not officially registered, such as a farmer field school or self-help group

Informant: a person who provides data or information

Input: a resource used by an individual or group in the production process

Internal lending: giving money to another group member to use with the condition of full repayment

Internal saving: putting money aside to reserve as a group

Inventory: list of property and goods in the group's possession

Lead firms: companies that lead in innovation and technology to make the industry more competitive

Legal entities: a formally defined group whose existence is separate from the identities of its individual members

Local enterprise: business run by people who live in the location of the operations

Marginalised population: people in a powerless position within a group or community

Market demand: the willingness or ability to purchase a certain product or service within a given market

Market facilitators: an entity (such as a person or project) that works to stimulate markets to evolve in a way that increasingly involves and benefits the poor, but without becoming a part of the market

Market linkages: a business relationship that can range from an informal agreement with local traders to formal contracts with large-scale exporters

Market offer: offer presented by a practitioner to an individual or firm (the market partner) of an appropriate bundle of resources (time, information, linkages, limited funds) to be provided by the

practitioner's project to help reduce the risk of failure for the enterprise in a 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, and ultimately benefits for extremely poor producers

Market penetration: increasing the extent to which a good or service sells to a specific audience; for example, increasing the price or quantity available for a certain product

Market strategy: a detailed plan or method for economic activity within a certain sector or area

Market system (value chain): all the actors (including producers, processors, distributors, and retailers) that participate directly or indirectly in bringing a product or service from its conception to its end use in the market, as well as the extent and type of relationships between these actors (also referred to as market system)

Market system (value chain) development: strengthening product-to-market systems, by intervening in one or more places, to increase incentives for the system to improve performance, productivity and trade, and, ultimately, economic returns for poor producers

Marketing agent: represents the interests of the group to market actors and shares the results with the rest of the producer group

Misappropriation: to wrongly take, usually by theft or embezzlement

Mutual trust: assured reliance on the character, ability, strength, or truth between parties involved

Organic farming: growing crops or raising livestock without the use of pesticides, herbicides, or chemical fertilisers

Outgrower schemes (contractual arrangement): big farm contracts with neighbouring producers to complement its own production volume, outgrowers receive technological services but may sell to other buyers

Output: the goods or services produced by an individual or group

Premium: a sum above the normal market price; for fair trade products, this premium becomes part of a communal fund to improve social, economic, and environmental conditions

Private sector: part of the economy made up of individuals, independent business enterprises, and non-profit organisations

Producer group: a set of people who cooperate and work together closely to create goods or provide services to an identified market

Producer-to-producer linkages: business relationships between firms at the same level in a value chain that buy from and sell to the same people

Product development: Sale of new or modified products in the same market that a seller is already a part of

Profitability: the extent of success as defined by monetary gains

Retailers: a person who sells small quantities directly to the end consumer

Safety net clauses: guidelines used between business partners to accommodate unexpected failures on either side (e.g., crop failure due to lack of rain)

Sector: a part of the economy that produces a specific type of goods or services

Social capital: trust, norms, networks, and relationships among people that can be used to solve common problems

Side-selling: producers break a previous agreement in order to get a higher price for their produce from another trader

Smart subsidies: financial or in-kind support that reinforces the development of beneficial commercial relationships by mimicking normal transactions and increasing the benefit of the transaction for one or both parties involved

Spot market (contractual arrangement): Cash sale where product is delivered immediately; market-based transactions; contracts are verbal and often anonymous

Stakeholder workshop: A structured, facilitated discussion with participants from various parts of the industry with the goal of designing an action plan for making the target industry more competitive

Subsidy: a sum of money granted to help an industry or business maintain low prices for a certain commodity or service

Output subsidies (to the buyer): a sum of money given, usually by the government, to discount final product costs

Input subsidies (to input suppliers or service providers): money given to discount production of materials

Suppliers: an individual or entity responsible for providing an input to a process in the form of resource or information

Sustainable production: industrial processes that transform natural resources into products that society needs

Sustainability: long-term maintenance of well-being, which has environmental, economic, and social dimensions

Trader: a person who buys and sells in search of short-term profits

Upgrading: the market actor invests time, money or other resources into improving their enterprise or activity

Value chain: all the actors (including producers, processors, distributors, and retailers) that participate directly or indirectly in bringing a product or service from its conception to its end use in the market, as well as the extent and type of relationships between these actors (also referred to as market system)

Value chain development: strengthening product-to-market systems by intervening in one or more places to increase incentives for the system to improve performance, productivity, and trade, and, ultimately, economic returns for small producers and businesses (also referred to as market system development)

Vulnerable households: households that cannot afford all basic necessities and that are susceptible to chronic food insecurity

Wholesaler: a merchant middleman who sells chiefly to retailers, other merchants, or industrial, institutional, and commercial users, mainly for resale or business

Win-win relationship: each side invests something in the commercial relationship but also gains something from that investment