V. Other Analyses and Opportunities

Several other opportunities exist to support extremely poor producers in linking to and scaling up their activities in markets. These include supporting analysis of gross margins, or leveraging organic farming and fair trade opportunities.

A. Gross Margin Analysis

Gross Margin is a measure of net income for a farm, fishery, or livestock activity. For example, analysing gross margin per acre is an indication of plot level performance, that is, how well farmers did on their land with the resources that were available to them.

1. How is Gross Margin useful to poor producers?

Farmers can compare this over time to see if they are doing better or worse. In addition, farmers can use gross margin comparisons to compare how income could differ if different farming practices are implemented. Projects can track these figures to see the impact of their investments over time.

Gross margin analysis is an effective tool to convince poor producers to change their attitudes and behaviour. For example, by seeing the difference in yields and income that can be generated by using a new input or doing something in a different way, poor producers may start trusting a new technology or method more. If poor producers can work out how to use gross margin analysis to compare the returns between using traditional ploughing versus ripping, or not doing weeding versus using certain herbicides, they can start assessing the benefits of the new methods or inputs.

If farmers access new markets or adopt new technologies and management practices, then the value of their sales will increase. Production costs will also decrease, resulting in an increase of gross margin per unit of land or animal. Increased gross margins signify greater production and productivity of agriculture products, with associated increases in supply of products and income of farmers.

2. Who can deliver Gross Margin analyses?

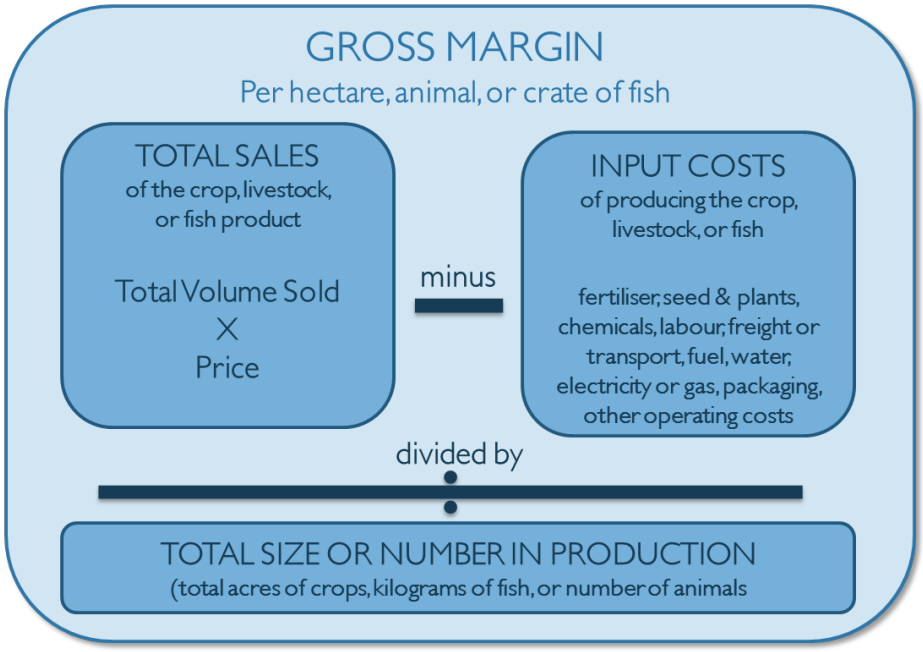
Although calculating gross margins would ideally be conducted by a poor producer directly, in reality, poor producers, such as small scale farmers do not always have the ability to carry out complex calculations. They often do not feel comfortable with basic mathematics, do not have access to calculators - even on cell phones, and in most cases do not know the actual size of their farm land – a key necessity in being able to calculate gross margins.

When working with extremely poor producers, it is helpful to reflect on the type of entities in whose interest it may be to extend gross margin support to extremely poor producers. Market actors with the skills and incentives to support poor producers in calculating gross margin scenarios may include: extension agents who want to provide better agricultural support, agrodealers who may want to show farmers why they should invest in new or more inputs, or buyers who might

want to show farmers what they need to do to increase quality and yields and ultimately earn more income. Development projects could work with these entities to build their understanding of how this service to farmers could ultimately benefit their own businesses, and support them in how to do gross margin analyses for farmers. Tracking changes in gross margins could be of great interest to a buyer who tracking the status of the farmers in their buying regions, or to agrodealers to track how much farmers can afford. In both cases the project could work with these input suppliers or buyers in how to capture this type of data, which the project could then draw from for its own monitoring data.

3. How to calculate Gross margins

Gross Margin is a measure of net income for that farm, fishery, or livestock activity. It is calculated as the difference between the total sales and the variable costs.



Many farmers are unsure of the size of their plots. Farmers can be supported in measuring their land by stepping out the plot size, or, where possible, using smart cell phone applications that help to measure land size.

B. Organic Farming

Producers groups may want to consider becoming organically certified. In organic farming, hand weeding replaces herbicides, integrated pest management replaces pesticides, and composting replaces chemical fertilisers.

1. Why Are Extremely Poor Producers Suited to Farming Organically?

Extremely poor producers involved in agricultural production (through small plots in rural areas or small urban gardens) are in a position to take advantage of organic farming. They tend to have an intimate knowledge of their small plots—they know the soil conditions, pests, and weather better than large-scale producers could ever know their land, and are often in a position to use more sustainable, natural methods to manage their land and produce.[1] Many have not used chemical fertilisers or pesticides as they have not been able to afford or access these. And they typically have the labour necessary to comply with organic standards, thereby opening the possibility of earning a premium price in the market.

2. What Are Key Considerations Regarding Organic Certification?

Many extremely poor producers may not find it advantageous to produce organically. Many may not be able to meet the specific product standards regarding growing conditions. The costs of certification can be very high. Not all produce has sufficient organic market demand. Research on the markets and standards for a particular product must be done, and the potential benefits need to be compared with the costs of certification.

Fair Trade

1. What Is Fair Trade Certification?

Producer groups may want to consider becoming fair trade certified. Producers have to be certified to sell products with the FAIRTRADE Certification Mark to show that the producers and traders have met fair trade standards. They are then eligible to sell their products at fair trade prices. These prices are calculated to ensure that the price paid to producers will cover their costs of sustainable and fair production. The price is generally set to include a premium, which is to go into a communal fund to improve social, economic, and environmental conditions.

2. How Do Producers Become Fair Trade Certified?

The entire market system, from producers to consumers, is audited to ensure the whole chain is compliant with fair trade standards. Fair trade certification, therefore, requires commitment throughout the entire market system, and not just at producer level. Producer groups have to qualify for the general standards that apply to all producers, and the standards for each particular product they wish to sell at fair trade prices. One of the requirements to meet the standards, for example, is that producer groups have to be democratically controlled by their members, i.e., every

1 Adapted from: Harper, Malcolm 2010. Inclusive Value Chains: A Pathway Out of Poverty. Series on Economic Development and Growth, Vol. 4. World Scientific.

person has direct voting rights or is represented by a delegate that votes on behalf of several people.

3. What are Key Considerations Regarding Fair Trade Certification?

Not all groups may find it advantageous to become fair trade certified. Being certified does not guarantee that producers will sell their product to the fair trade market at a premium price. Producers will need support, preferably through local organisations, to determine if there are buyers prepared to pay an increased price in the areas where they can sell to justify the costs that it takes to become fair trade certified. There are ongoing annual costs such as paying for an annual audit, investing in improvements each year, and accessing fair trade markets. Some producers may not be able to meet the specific product or management standards, and the costs of certification can be high. Research on the markets and standards for a particular product must be done, and the potential benefits need to be compared with the costs of certification.

Field Example: Fair Trade and Organic Certification of Extremely Poor Producers in Haiti

In Haiti, producers and exporters of mangos received assistance in accessing fair trade and certified organic specialty markets. This involved contracting certification expertise and agencies for both organic and fair trade markets, developing appropriate internal control systems, and training producer organisations in management and maintenance. World Vision supported processes whereby producer groups in the Central Plateau became certified for organic production and fair trade participation, and could re-establish the certifications (which must be renewed on a yearly basis). Appropriate technical assistance and certification costs were subsidised through donor funding. Key to sustainability has been the interest and commitment of a mango exporter, that was also certified and has continued to support the producer groups with training and facilitated organic and fair trade re-certification after some of the groups lost it through non-compliance with organisational and control systems. Key to maintaining and sustaining the relationship between extremely poor farmers and the exporter is the transfer of internal control systems to the producer groups, with groups hiring managers capable of maintaining the systems. World Vision facilitated access to business skills training for mango producer groups by developing business plans and hiring qualified managers.