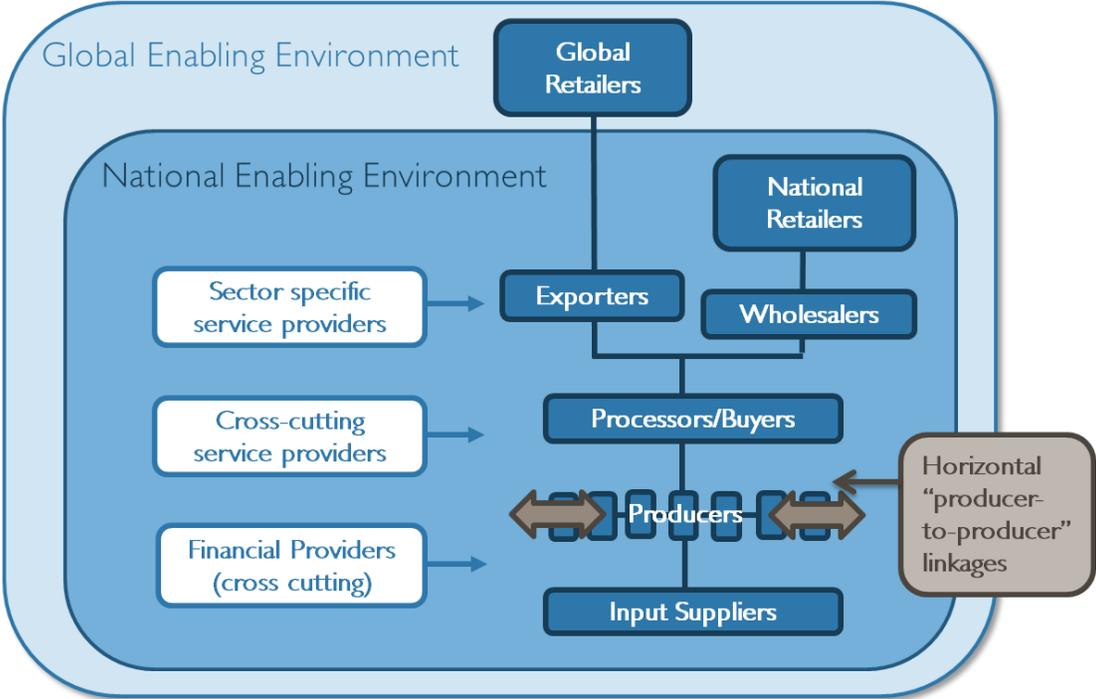


IV. Linking Extremely Poor Producers to Other Producers

Extremely poor households face many challenges to successful participation 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.

A. Producer-to-Producer Linkages

Extremely poor producers can be linked to other producers through informal linkages or more formal arrangements, such as producer groups. When extremely poor producers are a part of producer groups, they can overcome barriers to market entry.





Field Example: Working with Producer Groups in Post-Conflict Angola

For smallholder farmers in post-conflict Angola, the ability to break out of very small input purchases and to stabilize incomes is not an easy task. The majority of extremely poor farmers are informal, have limited access to financial services, and in general may not be functionally literate. This means in the market they are unable to get fair prices from buyers or sellers, and as a result they are missing out on opportunities to increase their profitability. They generally lack the confidence to take on risks and make investments that will grow their incomes.

In response, World Vision's Bill & Melinda Gates Foundation-funded ProRENDA project adapted a multifaceted approach to increase smallholder farmer incomes. This approach focused on increasing access to information (about inputs, markets, and techniques), building better relationships between farmers and suppliers & buyers, and critically, increasing the roles of women and youth in associations to allow them to leverage resources they would not have access to as individual smallholders. Together these activities mitigated some of the risks perceived by smallholder farmers and increased their confidence to demand more competitive prices—both from suppliers and from buyers.

Among ProRENDA's activities were farmer business schools/training-of-trainers, demonstration plots as proof of the viability of new techniques, seed banks to increase access to better inputs, adult literacy training to increase business planning and confidence of the farmers, savings groups to increase access to finance, and the diversification of incomes to increase the resiliency of vulnerable groups in the face of droughts and other shocks. Read Case Study Five for more details.

How Can Linkages with Other Producers be Used to Benefit Extremely Poor Producers?

Building horizontal linkages among extremely poor producers is one way to involve them in market systems development activities. As part of a producer group, extremely poor producers can share assets, information, and risk, as well as obtain access to a variety of services and inputs. Linkages can improve upon weak economies of scale and address social issues of empowerment. Informal groups especially can offer an entry point through which quick wins can be generated.

Operating as part of a group can assist extremely poor producers in building the confidence necessary to be active participants in markets. Producer groups are effective in improving the knowledge and skills of their members in a range of activities, in improving access to information, in helping members access lump sums of cash through savings and/or credit, and in linking producers to wider commercial networks. Producers operating in groups can negotiate discounts, as they can buy inputs such as seeds and fertiliser in bulk, can group together to buy a piece of equipment, and can also access discounts in post-harvest storage facilities.

Productive and effective producer-to-producer linkages (horizontal linkages) involve longer-term cooperative arrangements among firms that include interdependence, trust, and resource pooling in order to jointly accomplish common goals.

Benefits of mutually beneficial horizontal linkages include:

- ▶ Utilising economies of scale
- ▶ Achieving reduced transaction costs
- ▶ Experiencing sharing of risks
- ▶ Benefitting from collective learning
- ▶ Increasing bargaining power
- ▶ Increased social capital to offset shocks





Benefits of Horizontal Relationships

This table shows areas to capitalise on in effective producer-to-producer relationships.¹

Benefits to Leverage	Practical Example of Producer-to-Producer Linkages
Leverage cheaper and easier access to buyers, suppliers, and support	<p><i>A single farmer doesn't produce enough to fill a truck to bring produce to market; 50 producers together would likely have enough to fill the truck.</i></p> <p><i>Buyers usually don't like to work with many small suppliers: they often prefer to work with groups that can supply a large quantity in one transaction.</i></p>
Improve bargaining power	<p><i>A single farmer representing a larger group has more influence in negotiations with traders or transporters than when acting alone.</i></p> <p><i>Increased bargaining power accompanies buying or selling in bulk.</i></p>
Lower transaction costs (for buyers and producers)	<p><i>With a rented truck, groups of producers can access more formal buyers, and bypass informal traders who often pay very low prices at the farm gate.</i></p> <p><i>If buyers are able to purchase products that have been collected from multiple producers at a central point, it decreases the costs for the buyer as they do not have to travel to individual producers.</i></p>
Improve quality control	<p><i>Producers can obtain support in meeting appropriate quality standards to increase level of efficiency in post-harvest handling.</i></p> <p><i>When bringing their produce together, producers can gain a reputation for higher quality by sorting and grading their produce by size, quality, or other criteria from the market.</i></p>
Increase production	<p><i>Many producers do not produce as much as they could because they cannot afford the necessary inputs, or they are afraid of not being able to sell all of their production. Collective buying and selling can address this.</i></p>
Access savings or credit	<p><i>Producers are often able to access lump sums of cash through savings or credit. Banks are sometimes more likely to lend to groups of borrowers, particularly if the group has its own saving programme.</i></p>
Purchase equipment and services together	<p><i>Producers can pool their resources to build collective storage facilities, buy machinery or equipment that they could not afford individually, or obtain group discounts on inputs such as seeds and fertiliser.</i></p>
Negotiate and access discounts	<p><i>Group participation can result in access to discounts for post-harvest storage facilities, or for buying inputs such as seeds and fertilisers in bulk.</i></p>
Obtain easier access to training and other services	<p><i>It is easier for agencies providing training services to teach a group rather than each producer individually.</i></p>

¹ Adapted from Robbins, et al. 2008. Advice Manual for the Organisation of Collective Marketing Activities for Small Scale Producers. USAID, CRS, NRI. Chapter One.

Benefits to Leverage	Practical Example of Producer-to-Producer Linkages
Pool resources to share assets	<i>Producers can pool their resources to share the use and ownership of equipment and other assets.</i>
Share labour	<i>Producers can share time and labour to obtain assistance in working their land (such as planting) or repairing equipment. Could be informal or in the form of shared labour schemes.</i>
Improve access to moral support	<i>Producers can increase the moral support provided from their peers when working with other producers.</i>
Improve access to knowledge by learning from each other	<i>Producers can learn from each other, improving their knowledge and skills across a range of areas.</i>
Improve access to information	<i>Producers can increase their access to information by pooling information sources, sharing information, and learning from each other.</i>
Link to wider commercial networks	<i>Producers can access wider commercial networks by pooling with other producers.</i>
Share risk	<i>Producers can share the risk of taking on transactions by pooling resources.</i>
Build confidence to be active market participants	<i>Working with other producers or belonging to a producer group can help to build the confidence necessary to be active participants in markets.</i>
Increase access to information and skills for upgrading	<i>A producer that is connected to a group is more likely to be exposed to new production techniques or technologies than if s/he was alone.</i>
Exert influence	<i>Groups of producers can often exert more political influence to improve government services such as repairing roads or improving the services that schools & clinics provide.</i>
Increase social capital	<i>Collective activity can strengthen social cohesion and trust within a community.</i>

Worksheet:

- [Producer-to-Producer Facilitation Worksheet](#)

Linkages between producers can take multiple forms, including:

- ▶ Linkages promoted by leading producers
- ▶ Linkages through formal producer groups
- ▶ Linkages through informal producer groups
- ▶ Linkages through cooperatives



Field Example: Need for Formal Producer Groups in Some Contexts

In some contexts, producers need to be in groups in order to access certain services or benefits. In Angola, producers are only able to access loans if they are members of a producer group. In other cases, such as in Sierra Leone, extremely poor producers are only able to access free government inputs, such as seeds, if they are members of an officially registered group.

The table that follows discusses several of the forms that producer linkages with other market actors can take and notes the advantages and disadvantages in each case.



Analysis of Types of Producer Linkages

This table shows advantages and disadvantages of different types of producer-to-producer linkages for extremely poor producers.²

Type of linkage	Collective Activity	Advantages	Disadvantages
Linkage promoted by leading producer	<ul style="list-style-type: none"> Producers usually function as informal group, coordinated by one or a few leading producers 	<ul style="list-style-type: none"> Producers have output, and sometimes input, marketing taken care of Greater negotiation power with larger quantities 	<ul style="list-style-type: none"> Leading producer may pull out of the venture Payment may be deferred if buyers send payment to leading farmer There may be power issues between strong and weak producers
Linkages through formal producer groups	<ul style="list-style-type: none"> Producers may link directly with each other through formal, registered producer groups 	<ul style="list-style-type: none"> Potential for producers to sell larger volumes Potential for producers to buy in bulk 	<ul style="list-style-type: none"> Greater recordkeeping, reporting, tax and registration requirements
Linkages through informal producer groups	<ul style="list-style-type: none"> Producers may link directly with each other through informal, unregistered producer groups 	<ul style="list-style-type: none"> Can take advantage of economies of scale through purchase of inputs, technical assistance, etc. Can provide support to one another, learn from each other, and draw on relationships in time of need 	<ul style="list-style-type: none"> Producer groups may not be able to access contracts as they are unregistered

² Adapted from Shepherd, Andrew W. 2007. Approaches to Linking Producers to Markets. Agricultural Management, Marketing and Finance Occasional Paper 13. p. 8-9

Type of linkage	Collective Activity	Advantages	Disadvantages
Linkages through cooperatives	<ul style="list-style-type: none"> Producers may link directly with the cooperative or through other groups 	<ul style="list-style-type: none"> Inputs, technical assistance, etc. may be supplied on credit Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative Potential for producers to sell larger volumes 	<ul style="list-style-type: none"> Cooperatives often depend on subsidies and external managerial assistance. Commercial activities can collapse when subsidies and managerial assistance run out

Consider the characteristics of the extremely poor producers that you are working with and the characteristics of the linkages in this table, and ask yourself:

- ▶ Are formal groups necessary?
- ▶ What are the risks that extremely poor producers will face and are they willing to face them?
- ▶ What embedded services might be available to help extremely poor producers to upgrade?

Worksheet:

- [Producer Linkages Assessment Worksheet](#)

Worksheets in this section:

- [Producer-to-Producer Facilitation Worksheet](#)
- [Producer Linkages Assessment Worksheet](#)

Click on a worksheet title above to download a Word file of the worksheet. (Note: your computer must be connected to the Internet.) If this does not work, go to the [Field Guide resource page](#) on the Microlinks web site, scroll down to the Field Guide Table of Contents, and click on the worksheet title.