

7 Steps to Connecting Farmers to New Markets: A Practical Guide

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Introduction

With **Value Chain Thinking**, farmers can increase their income by finding market opportunities where they compete on their skills and quality of product rather than by just offering the lowest price (Fearne and Hughes, 1999). This 7-Step Guide, developed by the Australian Center for International Agricultural Research (ACIAR)-funded VINESA Project (“Improving Incomes and Nutrition in Eastern and Southern Africa by Enhancing Vegetable-based Farming and Food Systems in Peri-urban Corridors”) has been used successfully by partners in Eastern and Southern Africa (Macharia et al., 2016). The 7-Step Guide explains how smallholder farmers can connect to those higher value markets best suited to their skills, attitudes, resources and access to inputs. The process is designed to be affordable and participative; it builds capacity amongst farmers to avoid the ongoing need for external support. The guide begins with a summary of the 7 steps (Figure 1), and then each step is explained in detail. It is important to work through each step in a progressive manner. The guide concludes with advice on preparing an Action Plan (Step 7).

Remember: *Increasing the supply of low value products into a local market will inevitably lead to lower prices. This is the opposite of Value Chain Thinking!*

ACIAR

The Australian Centre for International Agricultural Research (ACIAR) invests in applied research to improve agricultural productivity, sustainability and food system resilience in developing countries. It is an Australian Government statutory authority within the Foreign Affairs portfolio and works through bilateral and multilateral research partnerships. The beneficiaries of these programs include farmers, rural poor, consumers, researchers and policymakers.

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Figure 1. The 7 Steps to Connecting Farmers to New Markets

STEP 1: Create a list of potential market opportunities

What are we trying to do in Step 1? Speak to people who can help identify market opportunities for farmers. These will be compared in Step 3 to farmers' strengths and limitations.

Remember: *Value Chain Thinking is about farmers adopting an attitude of producing what they can sell for the best price, rather than simply selling whatever they are accustomed to growing.*

Small-scale farmers often fail to benefit from available lucrative opportunities largely due to their limited ability to participate in high value market chains (Weatherspoon and Reardon, 2002) caused by lack of understanding about what products these markets demand, when and in what volume and quality (Weinberger and Lumpkin, 2007). To help small-scale vegetable growers overcome these major obstacles, one should initially make a list of potential market opportunities by reviewing secondary sources, including reports on consumer trends and opportunities for import substitution, as well talking to industry experts and NGOs. Narrow down these opportunities by speaking to people who have direct experience in supplying and selling the products being investigated. This might include supermarkets, hotel operators, processing companies and kitchen managers at schools, hospitals, and in the military. It is also worth talking to entrepreneurial traders/wholesalers, meaning those who have a positive attitude to working with farmers to supply new markets, rather than those who just want to protect the current situation and focus on high volumes at low prices.

Explain at the start of each discussion that you are only interested in opportunities:

- ◆ for a small number of farmers – not for all the farmers in the region!
- ◆ where these farmers can compete for higher prices because of their skills in farming and Value Chain Thinking, not by offering lower prices.

Some examples of questions to ask are given in Table 1. Feel free to include other questions that are appropriate to the situation.

Remember: *While you are only looking for market opportunities for a small number of farmers who want to be part of a specific value chain, don't forget that they can work together with additional farmers to increase their production, yields and cooperation if they want to supply a bigger market opportunity.*

Remember: *Assumptions are very risky! Gather evidence, not anecdotes.*

Table 1: Examples of Questions to Gather Market Information

Products	■ What quality is likely to be required, including postharvest activities like grading? ■ What quantity will customers want; how frequently and how does this change across seasons? What are typical minimum purchase levels?
Consumers / Shoppers	■ What are the trends in vegetable shopping, especially amongst wealthier shoppers/diners/tourists? ■ What are the changes in where people shop, such as supermarkets versus wet markets, and the vegetables they are choosing? ■ Are new market opportunities emerging where farmers are being slow to react, for example, new ethnic populations? ■ Are some shoppers looking for new value-added products, like preserved vegetables, sauces or other processed products?
Supplies	■ What vegetables offer high or growing demand? Is there a shortage of any kinds of vegetables? How does this vary across seasons? Why is supply too low, and how could farmers or others in the supply chain solve this? ■ Where is there a realistic chance of substituting locally grown vegetables for imports? ■ Are there opportunities for branding, for example to provide an assurance of quality or low pesticide use or being produced in a particular locality? ■ What is the typical price, and how does it vary across seasons? How are higher costs, such as better inputs or packaging, offset by higher prices? ■ Are there regulations that could affect farmers responding to particular opportunities? These could be regulations about food safety or market operations.
Suppliers	■ Who is involved in their supply chains? What benefits would encourage them to change suppliers? ■ Are existing suppliers unreliable? If so, precisely how, and why? ■ Are there cultural barriers affecting market opportunities, for example the involvement of women?
Waste	■ Is waste a big problem in the shop/hotel, etc? How could it be significantly reduced?

STEP 2: Identify farmers' strengths and limitations

What are we trying to do in Step 2? By making a list of farmers' specific strengths and limitations, in Step 3 we can match them against the market opportunities found in Step 1 (Srivastava et al., 2005). This will help prioritise the most suitable opportunities for more investigation.

Remember: Start where farmers are. A realistic assessment of potential market opportunities must start with looking at farmers' priorities, skills, resources (skills, land, finance) and attitudes to change and cooperation.

To avoid investigating unsuitable opportunities, it is important to start by listing farmers' strengths and limitations, and then deciding which market opportunities should be looked at in more detail. To identify these strengths, ask what these farmers could offer that would be more attractive to customers compared to other farmers? Equally, what might limit farmers' ability to meet customers' requirements? Some examples are given in Table 2, but these should be discussed and agreed with the farmers to make sure nothing is missed.



Table 2: Examples of Strengths and Limitations

Skills and Attitudes	■ Skills (Remember: Additional training can be included in the Action Plan in Step 7.) ■ Their preference for balancing - Crops for Consumption¹ - Crops for Cash² - Crops for Value³ ■ Willingness to take some risks in return for potentially higher incomes? (Remember: Farmers might be more willing to take a risk if they can start by taking small steps -- for instance, at first using only a small amount of land for "crops for value".) ■ Willingness to work with other farmers to have enough volume to supply customers, to reduce risk of problems in fulfilling orders ■ Opportunities and constraints created by ethnic and gender issues ■ Knowledge of postharvest processing techniques
Resources	■ Land, including amount, soil, microclimate, location (is the production area known for producing particular, high quality crops?) ■ Money ■ Postharvest facilities to process and store ■ Time available to change to new practices. (Remember: In many cultures, this needs to be considered separately for men and women in households because of their different roles in the family and on the farm.) ■ Transport to market (availability and cost)
Access to inputs	■ Seeds ■ Water ■ Fertilisers and certified chemicals ■ Packaging ■ Training and advice ■ Credit

¹ **Crops for Consumption:** Grown for the farmer's own family.

² **Crops for Cash:** Usually a standard/commodity crop that provides a relatively predictable, if low, return to meet the farmers' need for income and cash flow.

³ **Crops for Value:** Offering higher returns based on Value Chain Thinking, but initially returns may look more risky until confidence grows amongst value chain members.

STEP 3: Compare market opportunities with farmers’ strengths and limitations

What are we trying to do in Step 3? By comparing the list of potential opportunities produced in Step 1 to farmers’ strengths and limitations identified in Step 2, we can see which ones are most promising and worth investigating in more detail.

Remember: *Farmers become preferred suppliers by understanding what extra benefits they can offer potential customers to make them change from their existing suppliers.*

One approach is shown in Table 3. Start by listing the market opportunities down the left hand side, and farmers’ strengths along the top. Then put ticks and crosses in each box depending on whether farmers have, or could quickly develop, the strengths needed for each opportunity (Note: This table only illustrates how this could be done, the list along the top should be the specific strengths identified in Step 2). This should allow you to create a short list of the 2-3 opportunities for which the farmers are most suited, which will be investigated in more detail in the next step.

Table 3: Do farmers have what is required?					
	Skills	Land	Inputs	Finance	Postharvest processing
Market Opportunity 1					
Market Opportunity 2					
Market Opportunity 3					
Market Opportunity 4					

Other types of issues to consider in producing the short list include:

- What volume of crop is required? Is it realistic that a farmer could supply that individually? If not, are enough of them willing to work together?
- Are there any formal or informal barriers, for example cartels controlling access to the market?
- If farmers are cautious, could they start small, and then expand production as their confidence builds? Would customers be happy to start by trialling the farmers as new suppliers, and then increase the order once reliability and quality have been proven?

STEP 4: Investigate the short list in detail

What are we trying to do in Step 4? Having agreed a short list of market opportunities in Step 3, investigate these in more detail. These opportunities should be the ones that can give farmers higher returns compared to their cost of production (Atrill and McLaney, 2002). Depending on the short list, this could involve interviewing the supermarket produce manager, or catering manager at the hotel or school identified as a potential customer; visiting local wet markets to speak to stallholders; or talking to cooperative traders and wholesalers. Ask about their needs for:

- Consistency in delivering quality
- Reliability in terms of delivering on time and with the expected volume
- Cost competition – not the cheapest, but products that are suitable for their specific market, and offered competitively
- Improvement – how they expect suppliers to get better

Some examples of the types of questions to ask are given in Table 4a.

If at all possible, also investigate how shoppers in the chosen venues choose which vegetables to buy. *What Do Consumers Want?* If this is not possible at this stage, it is essential it is included in the Action Plan produced in Step 7 as a priority for the future.

Remember: *Wherever practical, involve farmers in this process. It is an important skill for them to have in the future as market opportunities change.*



Table 4a: Examples of Questions to Ask Potential Customers

Products	■ How do you choose what to sell? ■ What are you looking for in the products you buy? ■ How do you assess quality?
Consumers/ Shoppers	■ What are your shoppers/guests like? ■ What types of shoppers/guests are more attractive as potential customers, and what distinguishes them? ■ Do you know what your shoppers/guests want?
Supplies	■ How much variability is there in supply and demand for particular vegetables (daily, weekly, seasonally and annually)? Is it predictable? How is this managed? Does it produce waste, or force you to sell products for less than they are worth? What could be done to improve the situation? ■ Are there problems with fulfilling orders for particular vegetables? Are these problems to do with availability in terms of volume or quality? If some suppliers are more reliable, why is this, and what should we learn from them?
Suppliers	■ What problems are caused by your current suppliers? How could they be reduced? ■ What do you look for in a good supplier? Do you tend to deal with the same suppliers, or swap around? Why? ■ If you do not currently buy direct from farmers, would you be interested in this? ■ Are there formal contracts or informal/verbal agreements? If so, typically how long do they last? How do you incentivise/reward better suppliers? ■ Would you be willing to agree longer term plans with your best suppliers?
Waste	■ Where and how much waste is generated in your shop, hotel, etc? ■ Are the causes of this waste understood? What efforts have been made to reduce the waste, and with what impact? What is preventing further reductions?

These types of questions could be supplemented by working through the short questionnaire in Table 4b with each potential customer. Ask them to rate problems with current suppliers of different vegetables that the farmers could grow.

Table 4b: Customer Survey

	Potential Crops		
	<i>Vegetable 1</i>	<i>Vegetable 2</i>	<i>Vegetable 3</i>
Consistency of supply (volume)			
Freshness on arrival			
Shelf-life			
Taste			
Blemishes (state nature of blemish)			
Food safety			
Damage due to packing/transport			
Arrive ungraded/sorted, or inaccurately graded			
Currently insufficient supply			
Growing consumer demand*			
Current suppliers unreliable			
Please add and score any additional problems:			

Assessment by customer

- 1 = Not a problem
- 2 = Some problems
- 3 = Significant problem
- 4 = Very significant problem

***Growing consumer demand**

- 1 = Declining
- 2 = Static
- 3 = Rising slowly
- 4 = Rising rapidly

STEP 5: Let farmers decide

What are we trying to do in Step 5? Farmers need to decide which 1 or 2 opportunities to pursue by working through the results of Step 4.

Now that they have more details, the farmers should consider again which market options and trading partners offer them better returns now and in the future, *and* would be best suited to their strengths and limitations (Macharia et al., 2013). This involves identifying members, inputs, and activities in each value chain. Next, identify which of these are critical to the requirements of the market opportunity. Then, encourage the farmers to discuss which opportunities are most attractive. The deciding factors will vary depending on the chain, but some examples to work through are given in Table 5.

Remember: *Value Chain Thinking is about targeting higher value market opportunities and picking the right partners for strong relationships.*

Table 5: Assessing Alternative Value Chains

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Farmers' strengths	- Do they have the skills, attitudes, resources and inputs needed to be better than competing farmers in the most critical activities, and so encourage prospective customers to change suppliers? - Is additional training available to build key strengths?
Working with other farmers	If serving the market opportunity requires cooperating with other farmers to bulk-up supplies, they must commit to an agreement to work together. - Does the scope exist for developing the leadership, organisation, mutual trust and common vision to overcome the challenges? Can the farmers reach agreement in practice? - Can they grow varieties to suit the specific market opportunity and the production schedule (not each farmer's preference)? - Can they coordinate sowing and harvesting, and sometimes sorting, grading, and/or packing?
Downstream partners	- Who are the downstream partners critical to getting the product to each market? Will they commit to a plan for volume, timing, quality criteria, price, reducing waste, and discussing other ways to improve? - Which customers seem most positive about building cooperative relationships with suppliers? Were they: - understanding about the challenges farmers face? - willing to share information when interviewed? - prepared to share risks, costs and rewards, including through incentives? - ready to work together to solve problems, and pre-emptively preventing issues from arising?
Other costs	- What waste might occur, and how could that reduce profit? - What are the likely costs of transport?

STEP 6: Value Chain Meetings

What are we trying to do in Step 6? Get farmers together with the most important members of the chain to agree how they will work together.

Arrange meetings with the key members of the chain. These will be the people identified on the value chain maps who are responsible for the most important inputs and activities. One way to help them choose is to get them to map each potential value chain (Collins et al., 2015). The meetings will agree quality and other specifications; schedule and volumes; prices, etc. *How to pick partners and build lasting relationships:* A summary of topics for the meetings is set out in Table 6.

Table 6: Sample of Topics for Value Chain Partners Meetings

Quality requirements	Cover everything with implications for inputs, production, sorting, grading, storage and transport, such as thresholds on: - Freshness/shelf-life - Cleanliness - Appearance (colour, blemishes, etc.) - Sanitary conditions - Size/shape - Maturity level - Variety - Chemical usage in production - Other postharvest processing
Terms of sale	■ Frequency of supply, packaging requirements, other ways buyer will work to support farmers ■ Price and volumes across the season (estimate if necessary) ■ Payment: - When will payment be made? - Will it be cash/cheque/credit/mix?
Trading conditions	■ Are there other legal or financial requirements? ■ Will the farmers have to produce documents about the chemicals they have used?
Suppliers	■ How the vegetables will be promoted (in-store, to hotel guests, etc.) to highlight their quality and provenance to consumers?
Feedback	■ How and when will customers provide feedback to farmers to minimise problems, improve performance and help build the relationship?

STEP 7: Finalise action plan with farmers

What are we trying to do in Step 7? It is **essential** that farmers have an action plan which sets out in specific detail how they will achieve what was agreed in Step 6 with their customers. The plan should state precisely who will do what and when.

A detailed explanation of developing Action Plans is given in the *Core Activity* of the Value Chain Thinking Training Manual, *Preparing an Action Plan* (Dent et al., 2017). In summary, each Action Plan should cover inputs, production and postharvest processing; the specific agreements the parties have made to work together (including between the farmers); and the flow of information along the chain (Table 7).

Table 7: Sample of Issues for Farmers' Action Plans

Inputs	■ How will farmers make sure the critical inputs are available when needed? ■ How will farmers get the money they need, especially to cover cash flow? - What external support will be needed, and how will it be obtained?
Production	For each farmer involved: ■ What to grow; how much to grow; when to plant and harvest; how to grow it. ■ How will critical activities be monitored to check everything is going to plan? ■ Are all the resources ready: land, time, finance, inputs, skills, involvement of family members? ■ How will the value chain deal with variability in production? What happens if too little can be harvested? What will happen to any excess production? How will the chain ensure a high quality product is still sold at a profit?
Postharvest	■ How will the crops be processed (grading, washing, drying)? ■ How will they be stored to protect their quality and shelf-life?
Working together	If the farmers are working together: - What is their formal agreement? - Who will be in charge of negotiating with customers? - Who will coordinate the farmers, and make sure they deliver on time, in full and to the agreed quality? - Who will monitor the products downstream? Visiting the vegetables where they are sold and talking to customers and shoppers will tell farmers a lot about how to make further improvements. Ensure the Action Plan includes money for any traveling involved in negotiation and monitoring.
Information	■ What information will farmers need before, during and after production? Who will collect the information and how will it be communicated to everyone who needs it? ■ How could the chain gather better information on its target consumers (for example, in-store observation and surveys)? ■ When will the key people along the chain gather together to review what can be improved?

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