

Module 10: The role of Extension in Supporting Value Chains



LECTURER GUIDE

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Contents

Module 10: The Role of Extension in Supporting Value Chains	4
Pre-assessment	4
Study unit 1: The agricultural market, value chain and key actors	5
Session 1.1: Agricultural marketing, the market and the value chain	5
Activity 1.1 Individual activity: The concepts of marketing, the market and the value chain	5
Session 1.2: Agricultural market types	7
Activity 1.2 Individual activity: Market types in the agricultural value chain	7
Session 1.3: The core actors in the agricultural value chain	8
Activity 1.3 Individual activity: Key actors in the agricultural value chain	8
Session 1.4: Business development services in the agricultural value chain	9
Activity 1.4 Individual activity: Business development services in the agricultural value chain	9
Session 1.5: Key regulators in the agricultural value chain.....	11
Activity 1.5 Individual activity: Key regulators in the agricultural value chain.....	11
Activity 1.6 Practical activity: Analysing a value chain	12
Session 1.6: Types of farmers and extension agents in agricultural value chains.....	13
Activity 1.7 Individual activity: Farmers and extension agents in agricultural value chains	13
Summative assessment: Unit 1.....	15
Study unit 2: Using market analysis tools	18
Session 2.1: Market strategies	18
Activity 2.1: Individual activity: Market strategies.....	18
Session 2.2: Market opportunity identification (MOI).....	20
Activity 2.2: Individual activity: Market opportunity identification (MOI).....	20
Session 2.3: Value chain analysis and upgrading	21
Activity 2.3: Individual activity: Value chain survey.....	21
Summative assessment: Unit 2.....	24
Study unit 3: Value chain upgrading strategies.....	26
Session 3.1: Value chain upgrading strategies	26
Activity 3.1: Individual activity: Value chain upgrading	26
Summative assessment: Unit 3.....	28
Study unit 4: Market linkage methods.....	30
Session 4.1: Changing rural communities and marketing strategies	30
Activity 4.1: Individual activity: Marketing strategies and approaches	30
Session 4.2: Value chains and market linkage.....	31
Activity 4.2: Individual activity: The value chains and market linkage	31
Summative assessment: Unit 4.....	33
Study unit 5: Analysing markets and value chains	35

Session 5.1: Defining the type, scale and level of the market analysis.....	35
Activity 5.1: Individual activity: Type, level and scale of market analysis.....	35
Session 5.2: Extension toolkits for value chain development.....	37
Activity 5.2: Individual activity: Extension toolkits for value chain development.....	37
Summative assessment: Unit 5.....	38
Post-assessment.....	40

Module 10: The Role of Extension in Supporting Value Chains

Pre-assessment

After reading through the preface and introduction, complete the following pre-assessment to determine how comfortable you are with the topic covered in this student guide. Then, rate your knowledge on the topics on a scale of 1 to 5 by circling the corresponding number.

	Question	Self-assessment				
		Low		High		
1	How well can you explain why agricultural marketing is important for farmers?	1	2	3	4	5
2	How well can you explain the agricultural market, the value chain and the key actors in the value chain?	1	2	3	4	5
3	Are you able to assess market linkage methods?	1	2	3	4	5
4	Can you analyse markets and value chains?	1	2	3	4	5
5	Can you confidently use market analysis tools?	1	2	3	4	5
6	Can you explore value chain upgrading strategies?	1	2	3	4	5

Learner's answer

Study unit 1: The agricultural market, value chain and key actors

Session 1.1: Agricultural marketing, the market and the value chain

Activity 1.1 Individual activity: The concepts of marketing, the market and the value chain

Answer the following questions in your own words.

1. Define each of the following concepts. (6)

- a) Agricultural marketing
- b) Agricultural market
- c) Agricultural value chain

Answer:

a) Agricultural marketing is the set of business activities performed in the flow of products from the beginning of agricultural production to the hands of consumers.

b) The agricultural market is the group of consumers and organisations interested in a particular agricultural product, has the resources to buy it and is legally allowed to buy the product.

c) The agricultural value chain is the goods, services and processes involved in an agricultural product moving from the farm to the final customer (consumer).

2. Select and indicate the correct option. (8)

2.1 What is marketing?

- a) All activities and services involved in identifying, anticipating and satisfying customer requirements profitably.
- b) Convincing customers to buy products, which they do not need at high prices.
- c) Advertising a product to sell it at the highest price.
- d) Setting a sales target and developing tactics to meet the target.

2.2 Identify the statement that best describes the concept of agricultural marketing.

- a) Marketing should provide farmers, transporters, traders and processors with a profit and provide customers with a quality product.
- b) Marketing should try to help farmers make more profit than traders.
- c) The set of business activities that are performed in the flow of products from the beginning of agricultural production to the hands of consumers.
- d) Marketing should sell more produce regardless of quality.

2.3 What is market supply?

- a) The quantity of a product that producers can offer for sale.
- b) The number of products that people can afford to buy.
- c) Everything that traders want to have in their stores.
- d) The number of products that will be harvested in a season

2.4 Which of the following factors may affect the supply of a crop?

- a) The collapse of a bridge on the main road.
- b) A big, new hotel nearby with many guests.
- c) A drought leading to a poor harvest.
- d) A reduction in the price of fertiliser used on the crop.

Answers:

2.1: a

2.2: c

2.3: a

2.4: c

3. Indicate if the following statements are true or false. If false, correct the statements. (10)

3.1 If prices rise, demand tends to fall. If prices fall, demand tends to increase.

3.2 Changes in consumers' incomes and education may affect demand for a product.

3.3 Market demand is the quantity or amount of a product (maize, potatoes, tomatoes, eggs) that producers can offer to the market for sale.

3.4 Access to fertiliser, water and seeds will not affect market demand.

3.5 The price of grain will go up if the supply of grain goes up.

Answer:

3.1 True

3.2 True

3.3 False: Market supply is the quantity or amount of a product (maize, potatoes, tomatoes, eggs) that producers can offer to the market for sale.

3.4 False: Access to fertiliser, water and seeds will affect market supply.

3.5 False: The price of grain will fall if the supply of grain goes up.

Total: 24 marks

Session 1.2: Agricultural market types

Activity 1.2 Individual activity: Market types in the agricultural value chain

Answer the following questions in your own words.

1. Outline five characteristics of informal markets. (5)

Answer: Any five of the following characteristics:

- Support all types of products produced by smallholders, including the high volume, lower value grain and pulse crops, and the higher value fruits, vegetables and meat products.
- Have no formal grades and no traceability systems.
- Rarely use standard measures.
- Set prices based on local supply and demand conditions.
- Offer few barriers to entry.
- Are attractive to smallholder farmers, as they generally get paid in cash on delivery and have few, if any, rules and regulations.

2. Complete the following table by recording the correct terms for each of the given descriptions. (5)

Description	Answer
a) Markets that include all economic activities within the agricultural and food sectors that are structured, monitored, protected and taxed by Government and internationally recognised standards	Formal markets
b) A collection of internationally recognised standards, codes of practice, guidelines and other recommendations relating to foods, food production, and food safety	Codex Alimentarius
c) Market types that involve goods produced in one location or country being sold and consumed in another country	Export markets
d) Markets where consumers and small businesses (such as restaurants and street-food vendors) buy their daily or weekly supplies of food	Informal retail markets
e) Markets that dominate the agricultural trade and lives of most smallholder farmers in emerging economies	Informal markets

Total: 10 marks

Session 1.3: The core actors in the agricultural value chain

Activity 1.3 Individual activity: Key actors in the agricultural value chain

1. Define the term value chain. (3)

Answer: The value chain is a set of connected (linked) activities that work together to add value to a product while linking producers to processors and markets.

2. Outline the levels of a value chain. (3)

Answer:

- *Level 1: the core value chain actors who buy and sell a product and link farmers and consumers.*
- *Level 2: the business development services, which enable value chain actors to trade efficiently.*
- *Level 3: the regulatory agencies that support the policies and standards within value chains.*

3. Briefly describe the role of each of the following key actors in the agricultural value chain. (9)

a) Farmers

b) Collectors

c) Consumers

Answers:

a) Farmers grow crops or raise livestock, and they or their family members do the initial processing (harvesting, drying, sorting, etc.). They occasionally sell directly to consumers (often other people in their village), but they usually sell to traders.

b) Collectors are small, local traders who buy directly from individual farmers. They may buy a few bags of produce from many farmers and store them until they have enough to sell to a larger trader or processor. Collectors have limited capital and trade small volumes. They may use motorbikes or may own or rent a small truck.

c) Consumers, who are at the end of the value chain, are the people who buy and use the product. They include the end-users, who eat or drink the food or wear clothes made of wool or cotton. Consumers also include companies that use the product to make something else, such as a restaurant that uses peanut oil to fry food

Total: 15 marks

Session 1.4: Business development services in the agricultural value chain

Activity 1.4 Individual activity: Business development services in the agricultural value chain

1. Briefly explain what business development services are and identify the different types of business development services. (8)

Answer: Business development services are people and organisations that support the production, supply and marketing of goods without owning the product.

Business development services include:

- *Market access support (e.g., identification of markets, facilitation of relationships, contract negotiation).*
- *Infrastructure support (e.g., transport, communication, warehousing).*
- *Training.*
- *Technology supports.*
- *Input supplies and finance.*

2. Outline the role of market information services in the agri-food sector. (10)

Answer:

Market information services provide the following information on product prices, which helps them to make an informed decision on what to grow, where and when to sell their products and how to sell their products:

- *Spot prices: the price of the product at a certain place at a specific time.*
- *Price trends: price variations from place to place and from season to season.*
- *Price premiums: the prices offered for specific grades or standards of produce or larger or smaller amounts of the product.*

Market information services also provide the following types of market information:

- *Links with potential buyers.*
- *Information on product quality and quantity.*
- *Frequency of delivery.*
- *Payment conditions, e.g., how is the payment made (in cash, by check, or by bank transfer), when is the payment made (on delivery, at the end of the month, after 30 days, after 90 days, etc.).*

3. In what way does research support farmers? (2)

Answer:

- *Research provides farmers with new products and better methods to produce, enabling*

farmers to increase their productivity or reduce their costs.

- *Research also helps farmers become more competitive, improve their quality, reduce their losses, or add value to their output.*

Total: 20 marks

Session 1.5: Key regulators in the agricultural value chain

Activity 1.5 Individual activity: Key regulators in the agricultural value chain

Answer the following questions in your own words.

1. What are key regulators in the value chain? (4)

Answer: Key regulators refer to the actors and agencies on Level 3 in the value chain that set formal and informal policies, standards and regulations that govern how the core actors and business service providers conduct their businesses and deliver their products or services.

2. Outline the consequences of conducting business in an unregulated market. (8)

Answer:

- *At the points of sale in an unregulated market, the sanitary conditions are generally not regularly inspected, which means that handling conditions are subject to various forms of risks*
- *and hazards associated with infections, contaminations, and highly variable product quality.*
- *For the most part, unregulated conditions are such that food remains fit for consumption, and the lack of standards in the food systems probably reduces food prices.*
- *Problems such as spoiled food products, contamination, infections and occasional mass poisoning occur in unregulated markets.*
- *If problems occur in an unregulated market, there are no consumer protection and only limited ways of tracing the source of contaminated products.*

Total: 12 marks

Activity 1.6 Practical activity: Analysing a value chain

1. Select a value chain and describe how each of the following actors is engaged in the production and marketing of the products in the selected chain, from farm to final consumer:

- Main core value chain actors
- Regulators

2. Identify any critical services/actors that are missing in the value chain.

Session 1.6: Types of farmers and extension agents in agricultural value chains

Activity 1.7 Individual activity: Farmers and extension agents in agricultural value chains

Answer the following questions in your own words.

1. Identify the main farmer segments in the value chain. (6)

Answer: Farmers can be segmented into the following segments:

- *Rural World 1: globally competitive farmers, embedded in agri-business, commodity producers and processors, politically connected, linked to formal markets and often export-driven.*
- *Rural World 2: locally orientated farmers with access to and control of land, multiple enterprises, often undercapitalised and declining in terms of trade.*
- *Rural World 3: farmers known for their fragile livelihoods, limited access to productive resources, multi-occupational migrants straddling rural and urban residencies, unskilled and uneducated and dependent on low-waged, casual family labour.*

2. Briefly discuss the changing role of national government agricultural extension agents. (12)

Answer: Traditionally, farmers have relied on agricultural advice and information from government extension agents.

These agents are often long-term employees with extensive experience in local cropping and livestock systems. They focus their efforts on specific geographic areas, and they have close ties to national research organisations. Because of changes in the extension environment, government agents often form the backbone of long-term provision of advisory services. Still, in most countries, they have become insufficiently resourced to meet the demands of extension services.

However, the significant increase in farmer numbers has not been met with a corresponding increase in government field agents. As a result, many farmers never receive visits from government extension agents. Many countries are also shifting their political structures from centralised governments to a more federated or decentralised assembly and service provision system. This approach may improve the nature and efficiency of local services, but it also means that government extension services have to be managed within many local clusters. This may lead to inconsistent staffing and expertise across the country.

To fill the gaps, countries are increasingly turning to pluralistic advisory service approaches, which integrate government agents with other forms of service providers, including:

- *Lead farmers.*
- *Local volunteer agents.*
- *Commission agents.*
- *NGO field agents.*

- *Private sector service providers.*

Total: 18 marks

Summative assessment: Unit 1

Answer the following questions in your own words.

1. Briefly explain the concept of agricultural marketing and indicate how a marketing plan can help farmers. (10)

Answer: Agricultural marketing deals with consumer needs and the profit that is made by satisfying consumer needs. The agricultural marketing circle consists of:

- *The final consumer of the targeted customer.*
- *Factors that can be controlled are known as the marketing mix: product, price, place (distribution), and promotion.*
- *Environmental factors, which cannot be controlled: political, economic, legal, technological factors.*

Agricultural marketing includes all the activities and services involved in moving an agricultural product from the farm to the consumer who buys the product. In this way, agricultural marketing includes activities such:

- *Production planning.*
- *Growing and harvesting.*
- *Packaging.*
- *Storage and transport.*
- *Distribution.*
- *Advertising.*
- *Sales.*

In industrial countries, many farmers plant a crop only after finding a buyer, agreeing on the terms of sale, and completing a business plan. Farmers in developing countries should do the same. A marketing plan helps farmers to decide:

- *What to plant.*
- *When to plant.*
- *How to produce a crop.*
- *To whom to sell the harvested crop.*

2. Identify the different levels that may occur in a market. (5)

Answer: The different levels in a market are:

- *Potential market: Consumers in the total population who are interested in buying the product.*
- *Available market: Consumers in the potential market who have enough money to buy the product.*

- *Qualified available market: Consumers in the available market who are legally allowed to buy the product.*
- *Target market: The consumers in the qualified available market to whom a company decides to sell the product; and*
- *Penetrated market: The consumers in the target market who have bought the product.*

3. Distinguish between market supply and market demand. (4)

Answer:

- *Market supply is the quantity or amount of a product (maize, potatoes, tomatoes, eggs, etc.) that producers can offer to the market for sale.*
- *Market demand refers to the product that customers are willing and able to buy, which partly depends on the price.*

4. Outline the disadvantages of informal markets in which smallholder farmers operate. (5)

Answer: The following disadvantages are involved in informal markets:

- *Local authorities often rule the markets, and trader groups who limit competition, can enforce stall fees and rarely invest in upgrading market facilities.*
- *Lack of investment and poor levels of transparency often result in crowded and unsanitary conditions.*
- *Food safety issues are often overlooked, and, in many countries, this has resulted in middle-class consumers in developing countries seeking alternative market options.*
- *Informal markets have few modern trading facilities, relatively few have computerised systems, and the markets do not attempt to operate in a coordinated manner.*
- *The lack of a business outlook from the informal market's management limits their attractiveness for investment and growth.*

5. Identify six features of formal markets. (6)

Answer: Any six of the following features:

- *Do not always offer higher prices than the informal sector, but generally offer more consistent pricing methods and extended seasonal buying.*
- *Are also highly competitive.*
- *Have strict quality standards and are subject to increasing levels of food safety regulations.*
- *Invest in information and communication technology so that produce is traceable within the market chain.*
- *Produce is monitored for quality.*
- *Information on prices and volumes is recorded and shared.*
- *Invest in storage systems.*

- *Monitor sanitation through the market system.*

6. Identify the different types of business development services. (5)

Answer: Business development services may include:

- *Market access support (e.g., identification of markets, facilitation of relationships, contract negotiation).*
- *Infrastructure support (e.g., transport, communication, warehousing).*
- *Training.*
- *Technology supports.*
- *Input supplies and finance.*

7. Explain the role of input suppliers as business development service providers. (3)

Answer: Input suppliers provide the key products that farmers need to grow crops and raise animals, including seed, agro-chemicals, veterinary medicines, irrigation pumps and pipes, farm tools, equipment such as threshers, spare parts. In other words, input suppliers essentially provide all the basic materials and equipment that farmers need for production.

8. Explain the role of lead farmers in the agricultural value chain. (12)

Answer: The lead farmer acts as the host for the field agent visits and convenes the farmer group or farmer field school. The lead farmers typically have a demonstration plot. They set aside land to show the benefits of new varieties and new production methods and provide a training point for demonstrating techniques such as the safe use of agro-chemicals.

Lead farmers are a vital means of testing new ideas at a specific location and helping to scale out new innovations with other farmers. In some countries, lead farmers specialise in one area, such as crops, large livestock, small ruminants, tree crops, horticultural crops and fisheries, as no one farmer will have all of these skills and

enterprises on their land. This differentiation of extension services helps to scale out information from field agents to the local farming community.

Lead farmers are usually not paid for their services, but the incentives for them to be part of the local system include:

- *First point access to advice*
- *Access to innovations.*
- *Local convening power.*
- *Local respect and status as a leading member of the local farming community.*

In some cases, lead farmers receive funds to feed farmers who attend meetings, and they may also receive uniforms and basic farming tools, particularly those who work with NGOs.

Total: 50 marks

Study unit 2: Using market analysis tools

Session 2.1: Market strategies

Activity 2.1: Individual activity: Market strategies

Answer the following questions in your own words.

1. Distinguish between the intermediary firm and the inclusive business model. (20)

Answer: Intermediary firm business model: The intermediary firm business model takes on a chain-wide approach, but it is selective. The work is channelled towards a single or a small number of firms. These firms are normally major aggregators within a sub-sector or processors. However, they are not at the end of a market chain: they supply other larger processors or retail firms.

<i>Marketing approach</i>	<i>The intermediary firm has identified a market with links to target buyers. This approach seeks to align suppliers more effectively to improve efficiency in the series of actors who supply them. Many value chain projects work around a large intermediary firm, which often provides the bridge between informal and formal business operations. This is a particularly important partnership process for smallholder farmers who are often unaware of the product requirements for formal and higher value markets.</i>
<i>Target clients</i>	<i>Business partners from farmers. Traders. Business development services. Finance services. Government support for business.</i>
<i>Lead agency</i>	<i>Intermediary firm working with NGOs</i>
<i>Key service providers</i>	<i>Public research. Input supply. Farmer groups. Value chain actors.</i>
<i>Finance services</i>	<i>Banks. Impact investors.</i>
<i>Funding</i>	<i>Private sector co-investment; Public sector. Foundations NGO co-investments.</i>

Inclusive business model: An inclusive business model is an approach based on lead firms that build robust and long-term trading links with a set of established business partners, from production through to retail. The traditional business model focuses on a single firm. In contrast, the inclusive business model aims to provide core business principles that support partners along the chain. In addition, specific attention is paid to the procurement (payment) practices and support services required to improve trade stability with smallholder farmers.

<i>Marketing approach</i>	<i>The lead firm identifies a market to align suppliers more effectively and improve efficiency in the series of actors who supply them. For example, many value chain projects work around a large intermediary firm, which is often the bridge between informal and formal business operations.</i>
<i>Target clients</i>	<i>All suppliers in the value chain that support the lead firm, with particular emphasis</i>

	<i>on trading conditions and relations with smallholder farmers.</i>
<i>Lead agency</i>	<i>Lead firm working with NGOs and target suppliers.</i>
<i>Key service providers</i>	<i>All required core chain and service providers necessary for the smooth operations of the market chain.</i>
<i>Finance services</i>	<ul style="list-style-type: none"> • <i>Banks</i> • <i>Trade finance through business partners.</i>
<i>Funding</i>	<ul style="list-style-type: none"> • <i>Private sector</i> • <i>Co-investment from the public sector</i>

Total: 20 marks

Session 2.2: Market opportunity identification (MOI)

Activity 2.2: Individual activity: Market opportunity identification (MOI)

Answer the following questions in your own words.

1. Briefly explain the term market opportunity identification (MOI). (5)

Answer: The aim of market opportunity identification (MOI) is to provide farmers and field agents with a simple and systematic participatory method for collecting market information to identify and select products and services for investment and agri-enterprise development. MOI enables local producers to undertake market studies and identify investment options based on their local knowledge and market demand, rather than relying on pre-selected products selected by external experts.

The ability to identify market opportunities is a core skill that farmers and field agents need to acquire if they are to engage with markets successfully, particularly when a marketing project ends.

2. Identify the steps involved in the MOI process. (5)

Answer: The following steps are involved in the MOI process:

Step 1: Organise the survey team;

Step 2: Design an MOI survey questionnaire or checklist;

Step 3: Assess and select market options;

Step 4: Analyse profitability;

Step 5: Share results with farmers and select products.

Total: 10 marks

Session 2.3: Value chain analysis and upgrading

Activity 2.3: Individual activity: Value chain survey

Answer the following questions in your own words.

1. List the seven steps involved in the value chain analysis. (7)

Answer: The value chain analysis generally consists of the following steps:

- *Select the survey team, organise support staff and meet lead clients (training and innovation).*
- *Identify key issues for analysis.*
- *Conduct a literature review.*
- *Select market and key informants.*
- *Map the market chain.*
- *Prepare a market survey questionnaire or checklist.*
- *Visit markets and key informants in the market chain to collect information:*

2. Discuss the role of the literature review in the value chain analysis. (8)

Answer: The literature review, which is based on the information in secondary sources, should precede the collection of primary data from the field. The literature review provides the team with information on:

- *The production and marketing system*
- *Gaps to be filled by the primary data*
- *The essential background for subsequent fieldwork and analysis.*

Key sources of secondary information include:

- *Official statistics from statistical departments*
- *Ministries of agriculture, trade or finance*
- *Donor agencies*
- *The Internet*
- *NGO reports*
- *Specialised journals*
- *Bulletins and newsletters*
- *Documentation of trade associations and chambers of commerce*
- *Other rural development projects*

This information is cheaper to access than primary data from the field. It should provide the team with an important framework for assessing the information given at the interview stage.

3. Distinguish between market participants and knowledgeable observers as key informants in the value chain analysis. (5)

Answer: Market participants are the actors involved in the production, marketing and processing of the agricultural commodity that is being analysed. Examples of market participants include:

- *Input suppliers, farmers*
- *Traders*
- *Transporters*
- *Storage service providers*
- *Processing firms*
- *Importers*
- *Exporters*

Knowledgeable observers are insightful, knowledgeable people who do not participate in the production or marketing of the commodity but who can offer a broad and sometimes detailed perspective on the sub-sector.

4. Identify seven tools that can be used to collect primary data in the value chain analysis. (7)

Answer: Any seven of the following tools:

- *Focus group*
- *Product ranking and prioritisation*
- *Historical calendars*
- *Market mapping*
- *Evaluation of service provision*
- *Market visits*
- *Learning journeys*
- *Checklists or semi-structured interviews*
- *Structured interviews*
- *Direct observation*

5. Explain the problem tree analysis and how it can be used in the value chain analysis. (5)

Answer: The problem tree analysis is a tool that can help a survey team to think through a specific challenge and to identify the range of problems that prevent a goal from being achieved. In the marketing context, the problem tree can be used to identify problems that reduce market performance for a specific product in a selected market chain.

6. Name the main sections that should be included in the survey report written at the end of the value chain analysis. (8)

Answer: Survey reports generally have the following main sections:

- *Executive summary*
- *Introduction*
- *Target clients for the study*
- *Methodology*
- *Key findings*
- *Specific recommendations to the target clients*
- *Conclusions*
- *Annexures.*

Total: 33 marks

Summative assessment: Unit 2

Answer the following questions in your own words.

1. Briefly explain the livelihood marketing strategy. (6)

Answer: The livelihood marketing strategy typically begins with a primary focus on supporting farmer organisations and identifying opportunities for farmers to enhance productivity, nutrition and market linkage. The intervention is regarded as a livelihood strategy because it aims to assist farmers in adopting more sustainable production methods, promoting crop/enterprise diversification and support in other areas, such as savings and loans, and water and sanitation to stabilise farming families and build their resilience.

2. Identify three situations that offer market opportunities. (3)

Answer: The following three main situations that offer market opportunities:

- *Supplying a product that is in short supply*
- *Supplying an existing product in a new or improved way*
- *Supplying a new product*

3. Explain why it is important to include farmers in the survey team that conducts a market survey. (4)

Answer: Farmers are included in the survey team because:

- *They are the clients in the research and, therefore, their point of view is important*
- *They participate in the decision-making when market options are selected and discarded*
- *The survey will gain more credibility from the rural community if smallholder producers, who are their equals, are included in the team, thereby increasing the possibility of implementing research results*

4. Discuss the product filtering process, which is performed to assess and select market options. (10)

Answer: The filtering process, which involves discarding unsuitable market options, is based on:

- *Production feasibility*
- *Business attractiveness*
- *Viability on small farms*
- *Risk and contribution to production sustainability.*

The product filtering process involves the following three levels of filtering:

- *Filter 1: Obvious discards: The first level of filtering discards products that are unsuitable for further consideration. This filtering eliminates products that cannot be grown in the area for agronomic or environmental reasons and products that are unsuitable for smallholder producers. They require too high a level of investment, sophisticated production methods,*

or they are culturally or socially unacceptable.

- *Filter 2: Market option characterisation: The second level of discard is based on an objective analysis of agronomic, economic and financial characterisation. This leads to summary tables that are used to systematise information based on economic characteristics, marketing requirements and profitability.*
- *Filter 3: Final evaluation of market options with the rural community: The final filtering and product selection are based on producer preferences. This process can be done for mixed groups or through a series of meetings with producers according to their wealth ranking so that investment options can be made according to the levels of risk that producers want to take on.*

Total: 23 marks

Study unit 3: Value chain upgrading strategies

Session 3.1: Value chain upgrading strategies

Activity 3.1: Individual activity: Value chain upgrading

Answer the following questions in your own words.

1. Identify the factors that influence farmers' market access. (3)

Answer: The factors that affect market access are:

- *Location and business maturity within a target area;*
- *Access to infrastructure, agricultural services, water and production technologies; and*
- *The farming community's skills, education, and organisation in terms of their ambitions, discipline, and ability to prepare plans, set goals and follow an implementation schedule.*

2. Briefly discuss commercialising smallholder farmers as a method of upgrading value chains on the farmer level. (5)

Answer: By its nature, the private sector focuses on profit and sustainability planning. However, the larger firms have come to realise that, as the demand for food products continues to grow, they need to reach out to ever more marginal farming communities. This raises a critical question as to whether these firms have the investment capital and commercial appetite to invest in the business development of pre-commercial farmers.

The more marginal farmers require basic skills building to strengthen their farmer organisations and improve their productivity before upgrading their business skills. Once they have acquired business skills, which will allow them to navigate modern market chains, farmers will seek market opportunities more aggressively.

3. Briefly explain the knowledge and skills that extension agents should acquire to assist farmers in value chain upgrading. (8)

Answer: Different types of agencies and organisations are involved in providing advisory services to farmers, ranging from the public, civil society, and private sectors. All these service providers need to collect information and gain certain knowledge and competency levels before providing meaningful advisory services to farmers. Farmers also choose the types of advisory services they need and can access through various means, such as kinship, memberships, partnerships, alliances, and business relationships.

A growing range of extension topics and needs for most teams and individual agents cannot provide a comprehensive set of services. The more pluralistic nature of modern extension means that farmers have considerably more choice in the types of advice they access, the way they access information and knowledge and whether or not they pay for services. To play an effective role, extension agents tend to specialise in specific advisory services.

Extension teams need to define their area of support. Agents need to acquire the right set of skills in a particular area: input supply, production, post-harvest, marketing, nutrition, gender,

etc. These core sets of skills change with time and as research identify new needs and clients make investment decisions.

Depending on the type of services, there are many ways in which service providers gain skills and competencies in their professions. For example, some extension agents are specifically trained in an area through formal national education systems, such as university degrees or college diplomas. In contrast, others take courses as part of their working duties and gain certification for specific skills over time, while others learn through long-term experience.

Many extension agents are certified or affiliated with an organisation in some way. These certifications and affiliations give the agents legitimacy to provide quality services, enabling the agents to build networks and trust with their clients, whether these are farmer organisations or individual farmers. The long-term nature of extension-agent relationships is based on their performance and the means of supporting the service.

To maintain relevance and keep up with current thinking and trends, extension agents need to refresh their skills from time to time, and the process of on-the-job training is important to maintain effectiveness.

Total: 16 marks

Summative assessment: Unit 3

Answer the following questions in your own words.

1. What are the main assumptions on which a value chain upgrading strategy is based? (10)

Answer: The value chain upgrading strategy is based on the following assumptions and decision-points:

- *There are capable, organised farmers who can produce a target product sustainably at a profit.*
- *Farmers share a common vision*
- *There are capable extension services to support a chain-wide intervention.*
- *There are willing buyers:*
- *Markets have been identified; and*
- *Value chain studies have been completed.*
- *A value chain upgrading process has been planned and agreed upon by chain partners.*
- *Value chain partners are willing and able to commit to an upgrading process.*
- *There are available funds and access to financing for upgrading processes to take place.*
- *There is available trade finance to support the business transactions.*
- *The necessary business development services are in place.*
- *There is a conducive policy environment for market growth.*

2. Outline the actions involved in the value chain investment process. (10)

Answer: Investment in the value chain involves the following actions:

- *Write a business plan with farmers to meet market needs.*
- *Prepare an implementation plan with schedules.*
- *Prepare a technical assistance schedule.*
- *Co-invest with farmers and to meet market requirements.*
- *Encourage farmers to market the product as a group (collective marketing).*
- *Strengthen the links to essential business development services.*
- *Support the market process along the chain to end market partners.*
- *Support innovation analysis along the chain and co-invest in upgrading options.*
- *Review the agri-enterprise performance of the actors along the chain.*
- *Review, improve and scale up the process.*

3. Explain the purpose of a business plan in the context of value chain upgrading. (9)

Answer: The main purpose of a business plan is to:

- *Guide the enterprise over the long-term*
- *Facilitate understanding and agreement*
- *Improve organisation and decision-making*
- *Test and strengthen financial feasibility*
- *Measure performance*
- *Ensure continuity*
- *Sell the enterprise*
- *Convince lenders and donors*
- *Guide implementation*

Total: 29 marks

Study unit 4: Market linkage methods

Session 4.1: Changing rural communities and marketing strategies

Activity 4.1: Individual activity: Marketing strategies and approaches

Answer the following questions in your own words.

1. What is an informal sales agreement? (4)

Answer: These sales agreements are not formal or legal documents, but they help farmers coordinate their activities with other farmers and aggregate (assemble or combine) their goods to sell to larger buyers. These informal sales agreements are often made on a handshake or through a letter of intent to sell. The advantage of the informal sales agreement is that it has no legal commitments and can be set up quickly. The disadvantage of this approach is that it can easily be broken, as farmers fall back into opportunistic selling.

2. Outline the advantages of contract farming and marketing for smallholders. (4)

Answer: Contract farming, which provides smallholders with a direct sales agreement into a target market, has the following advantages for farmers:

- *Access to a more consistent market*
- *Highly competitive pricing, which at times (during times of market scarcity) may offer farmers slightly below prevailing market prices*
- *Access to new technologies and finance*
- *Improved social capital through farmer organisations that provide opportunities for learning and future market opportunities.*

3. Briefly explain the concept of integrated production and marketing as a type of vertical integration. (8)

Answer: Vertical integration is a business arrangement in which a single company owns the activities along a supply chain. Production and marketing contracts, in which business enter into exclusive, long-term arrangements to produce and supply a product, are a common approach to vertical integration. This model of integrated production and marketing is common for livestock—particularly poultry production across the world. Under production contracts, farmers agree in advance to sell their animals to integrators under an agreed price system. Production contracts include detailed conditions for growers, who are paid, based on the efficiency of the feed used as provided by the integrator, to raise the animals. The contract dictates:

- *The construction of facilities*
- *Feeding, housing and medicating the animals*
- *Handling of manure*
- *Disposal of carcasses.*

Total: 16 marks

Session 4.2: Value chains and market linkage

Activity 4.2: Individual activity: The value chains and market linkage

Answer the following questions in your own words.

1. Define each of the following terms. (8)

- a) Market chain
- b) Market chain actors
- c) Supply chain
- d) Value chain

Answer:

- a) A set of linkages between actors with no binding or sought-after formal or informal relationships, except when goods, services and financial agreements are purchased or sold.*
- b) The individuals, companies, organisations and associations within a market chain or value chain that are involved in producing, transporting, processing, trading or consuming a particular product.*
- c) A market chain that supplies a particular customer, meeting their particular product specifications and procedures.*
- d) A specific type of supply chain in which actors support one another to increase their overall efficiency and competitiveness.*

2. Identify the elements of farm-level support in the value chain approach to market linkage. (11)

Answer: Farm-level support includes:

- *Farmer organisation and business plan development*
- *Identifying improved production technologies to enhance productivity*
- *Identifying financial services to meet business plans*
- *Post-harvest management to maintain produce quality after storage*
- *Sales of standardised units of sale, of an agreement quality*
- *Agreements of terms and conditions for sale to first link buyer*
- *Basic value addition to products such as:*
 - *Aggregation / bulking of goods after harvest*
 - *Grading*
 - *Packaging*
 - *Storage*

3. Why is the value chain approach important to modern extension organisations? (6)

Answer:

The value chain approach is one of several market systems approaches used in market-based agricultural development projects. The value chain approach seeks to understand the actors operating a product sector—from input suppliers to end market buyers. The approach is popular with donors, companies and development teams, as the principles of the approach can be applied to a broad range of locations, products. It can also be adapted to work with different business environments and diverse actors, including farmers, traders, processors, and retailers. The approach can be designed for income smallholder farmers, as well as larger farmers and firms.

Total: 25 marks

Summative assessment: Unit 4

1. The majority of smallholder farmers in emerging economies are not organised: they still rely on individual opportunistic market sales. Discuss the concept of opportunistic market sales and outline the disadvantages that it holds for the smallholder farmer. (8)

Answer: The majority of smallholder farmers in emerging economies produce sufficient food crops for their family needs. They work as individuals and are generally not part of a marketing team that is focused on production targets, achieving a specific quality or meeting new market requirements that offer premium prices.

When harvests are good, these farmers sell small amounts of the surplus produce of mixed quality to their nearest buyer immediately after harvest. These farmers typically sell from their farm gate to local farmers or travelling traders, who come to the farms at harvest time. In some cases, the farmer sells the crop in the field, and the traders make arrangements for harvesting and loading.

This passive or opportunistic approach to marketing has few costs and minimal risks, but this marketing strategy also attracts the lowest price for their goods. These farmers are often referred to as price takers because they simply seek to offload surplus produce for the first offer of cash. It is common to find that these farmers do not know their production costs and, therefore, they may be selling their goods for less than what they have paid to produce them.

2. Identify the types of investments that may increase the chances of improving the possibility of creating durable and beneficial trade. (4)

Answer:

- Adapting the trading relationships through the value chain to fit the unique needs of small-scale producers*
- Public co-investment in infrastructure, improving the management capacity of producer organisations and introducing technology options to enable farmers to meet market requirements and food safety regulations*
- Changing the procurement policies, communications, strategy, and culture of the lead firm, where necessary, supports the new trading relationships and maximises value.*

3. Explain the shift from production to the market chain as a marketing approach for smallholder farmers. (8)

Answer: For many years, development projects and extension teams have focused on helping farmers produce more. This approach works well when there are readily available markets, support services, and farmers can access the markets without major challenges. However, this is rarely the case, and interventions with production-only focus have experienced numerous challenges to their long-term success. The most common problem is that, as farmers produce more when they use new technologies, they can rapidly oversupply local markets, which results in low market prices.

The second phase of projects helped farmers access improved production methods and then assisted them in their market linkage needs. Many projects invested heavily in helping farmers by taking on the role of local service providers and market agents. In this approach, the farmers learn marketing skills and build market relationships that endure beyond the life of the projects. The approach can be successful if farmers learn the skills that the extension team are providing. However, if farmers fail to understand the role of the support agencies, these seemingly successful farmers find it difficult to maintain their new levels of production and sales when these services are withdrawn (e.g. at the end of a project). If they can no longer access the technologies, skills, and market networks provided by the project staff, they rapidly slide back to their former low production and sales levels.

To improve the sustainability of development projects and avoid the problems involved in the previous two approaches, extension teams from civil society (NGOs) and the private sector have designed a more integrated approach and developed methods that invest more effort into the production and marketing system. This integrated approach to development, which facilitates activities between input suppliers, farmers, traders, processors, wholesalers, retailers and consumers, has become known as the supply chain, market chain or value chain approach. In this approach, the farmers learn marketing skills and build market relationships that endure beyond the life of the projects.

Total: 20 marks

Study unit 5: Analysing markets and value chains

Session 5.1: Defining the type, scale and level of the market analysis

Activity 5.1: Individual activity: Type, level and scale of market analysis

Answer the following questions in your own words.

1. Define the term market analysis. (3)

Answer: A market analysis can be defined as the study of a market to determine the market's attractiveness in a particular industry and understand the opportunities and threats in the market, as they relate to the strengths and weaknesses of a company.

2. Draw a table to outline the levels on which a market analysis can be done. (10)

Answer: A market analysis can be done on the following five levels:

Level	Type of analysis
Sector analysis	<i>Broadest level of analysis; Focuses on the cereal sector at a national level.</i>
Sub-sector analysis	<i>Focuses on one or a cluster of cereals from a sector, e.g. maize; Typically national level.</i>
Territorial analysis	<i>Focuses on maize within a target area; Provides more details on the maize marketing system as it applies to a particular geographic region.</i>
Value chain	<i>Focuses on a set of specific actors who are producing, buying and selling a specific product and targeting an identified set of end markets.</i>
Community market	<i>Focuses on a particular set of markets that are typically close to the producers</i>

3. Briefly explain the value chain approach to market analysis. (7)

Answer: Value chain approaches aim to link informal small-scale producers to more formal markets at the local, regional and export market levels. The value chain approach takes a systems perspective with each project, focusing on a single product or a sub-sector. For the world's estimated 500 million smallholder farmers, participation in formal agricultural value chains bring opportunities for increased income. However, connecting small-scale producers to more formal and global markets is not a simple task.

Formal markets have increasingly strict requirements—including quality, food safety, consistency and traceability and often certified standards that require regular communication and coordination along the value chain. Value chain processes recognise the following three dimensions that need to be understood and analysed to build business plans for farmers:

- *Regulation and infrastructure*

- *Core chain actors*
- *Services*

Total: 25 marks

Session 5.2: Extension toolkits for value chain development

Activity 5.2: Individual activity: Extension toolkits for value chain development

1. Access the Microlinks website via the following link: <https://www.microlinks.org/>.

Briefly report on the topics covered and the type of resources available on the website. Identify and record at least three resources that are found in the Microlinks library (10)

Answer: The following topics are covered:

- *Value chain development*
- *Vulnerable populations*
- *Rural finance*
- *Food security*
- *Financial inclusion*
- *Emerging payment systems*

2. What is the aim of SMART skills? (4)

Answer: The SMART skills approach aims to strengthen all the skills that farmers need to create effective and sustainable linkages to markets. The curriculum presents an integrated and sequential approach to strengthening the capacity of farmers—both men and women—to link with markets and manage their resources.

3. Briefly explain how the LINK method can support extension agents. (6)

Answer: LINK can help an organisation facilitate a systematic learning process between actors from a selected value chain and discover new opportunities for innovation, based on the application of a participatory toolkit, with the following four main tools:

- *The value chain map*
- *The business model canvas*
- *The New Business Model principles*
- *The prototype cycle*

By the end of the LINK process, you should be able to:

- *Understand the relationship between specific business models (buyer and seller) and the overall value chain*
- *Identify critical areas for improvement*
- *Design, implement, evaluate and improve on the innovation prototype for the business model you have selected*
- *Evaluate the effects of these changes on smallholder farmers and on the business itself.*

Total: 20 marks

Summative assessment: Unit 5

1. Identify the key areas of interest of marketing analyses. (4)

Answer: Key areas of interest for all the types of marketing studies are:

- Demand analysis (growth, trends, potential);
- Supply analysis (actors, margins, bottlenecks);
- Major challenges (threats) and opportunities (technology, organisation, services, policy);
and
- Realistic business opportunities (client focus).

2. Briefly discuss the nature and extent of the sub-sector market analysis. (10)

Answer: For large development projects, market studies tend to focus on a particular sector or a cluster of product(s) within a country or a region. At this level of analysis, the marketing team focuses on aspects such as the levels of production and the locations of major production zones, which provides a better understanding, for example, of the national supply channels. The sub-sector analysis determines the main markets in which the product(s) are sold and provides information on major trends in market demand, opportunities and key challenges within the target market.

A sub-sector analysis provides the following types of outputs:

- The overall perspective of product flow
- Market demand criteria with opportunities and challenges
- Major technical opportunities and challenges
- Basic competitiveness of the sector in target areas
- Identification of key business players operating in this sector
- Main business prospects
- Main competitors or competition
- Financial services
- Maturity of the business environment
- Review of the political economy
- Innovation and research needs
- Major policy implications

3. Identify six toolkits that can be used in value chain development. (6)

Answer:

- Microlinks
- Making Markets Work for the Poor (M4P)

- *Territorial Approach to Rural Agro-enterprise Development*
- *SMART skills for smallholder farmers*
- *Farmbook Suite of ICT tools*
- *ValueLinks*
- *LINK method*

4. Briefly explain the nature and purpose of ValueLinks. (5)

Answer: ValueLinks, which GIZ developed, is an action-oriented approach for promoting economic development with a value chain perspective. It provides essential know-how on ways to enhance employment and the income of micro, small and medium-sized enterprises and farmers by promoting the value chains they are operating. The ValueLinks methodology provides a comprehensive set of tools and approaches to identify and provide methods for upgrading value chains. The ValueLinks manual is intended for development projects or by public agencies promoting specific agribusiness, handicraft or manufacturing sub-sectors of the economy. It has no specific sectoral focus.

However, the emphasis is on those product markets that offer opportunities for the poor.

Total: 25 marks

Post-assessment

Complete the following post-assessment to determine how much you have learnt.

	Question	Self-assessment				
		Low		High		
1	How well can you explain why agricultural marketing is important for farmers?	1	2	3	4	5
2	How well can you explain the agricultural market, the value chain and the key actors in the value chain?	1	2	3	4	5
3	Are you able to assess market linkage methods?	1	2	3	4	5
4	Can you analyse markets and value chains?	1	2	3	4	5
5	Can you confidently use market analysis tools?	1	2	3	4	5
6	Can you explore value chain upgrading strategies?	1	2	3	4	5

Learner's answer

Global Forum for Rural Advisory Services (GFRAS) is about enhancing the performance of advisory services so that they can better serve farm families and rural producers, thus contributing to improved livelihoods in rural areas and the sustainable reduction of hunger and poverty. Rural advisory services help to empower farmers and better integrate them in systems of agricultural innovations.