

# Smallholder participation in the TF superfruits VC: ensuring equitable share of the success to enhance their food security

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# Overview

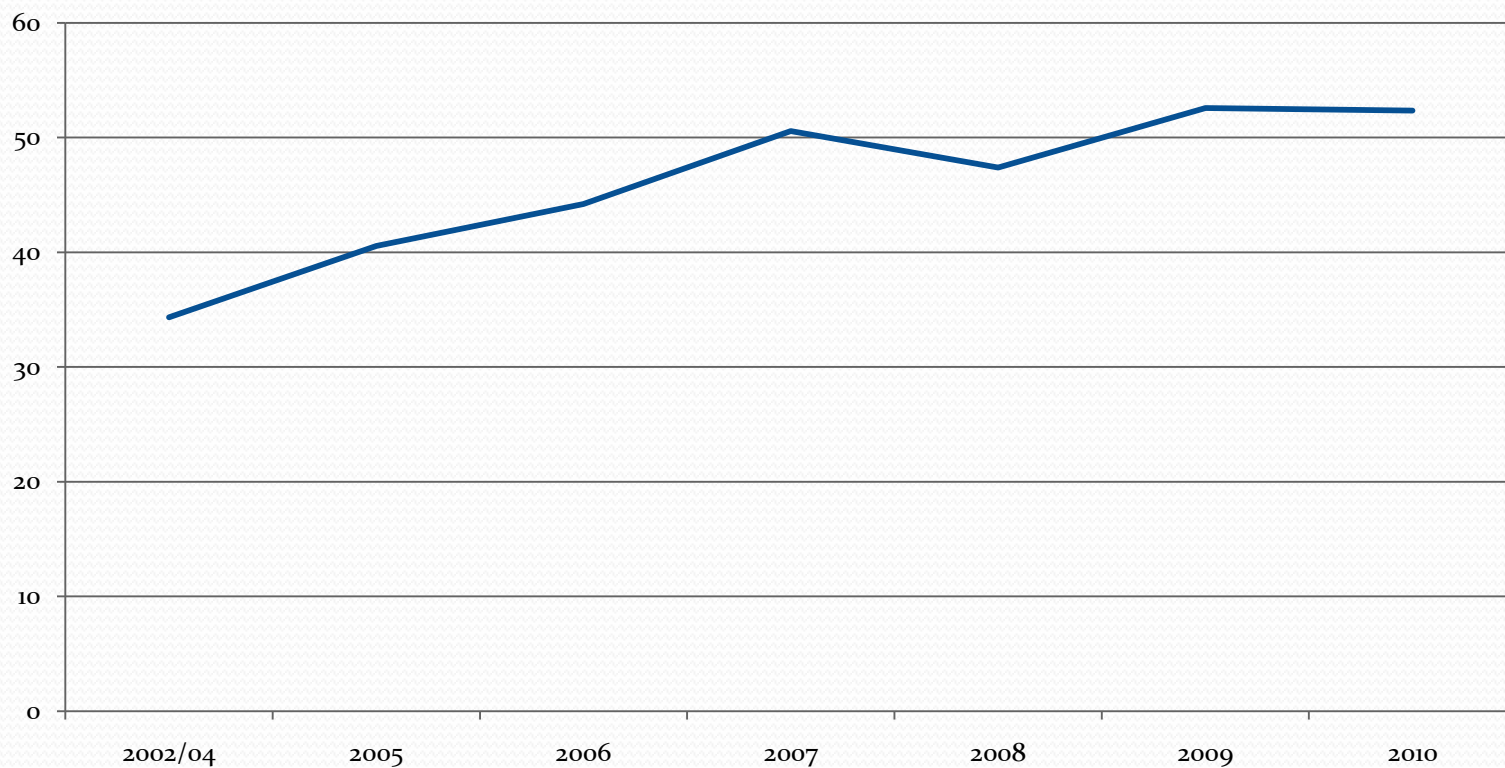
- Introduction
- Exclusion of smallholders
- Strategies to integrate smallholders in the tropical superfruits value chain
- Project evidence
- Smallholder success story: the case of Chiapas
- Concluding remarks

# Introduction

- Initiate discussion on the role of smallholders in the tropical fruits sub-sector and how their effective participation in the value chain could enhance their food security.
- The strategic involvement of smallholders in rural development programmes would spread the benefits of development to a greater number of people and in the process enhance their food security.
- However, a common occurrence often negates such aims; often, as value chains become more structured, smallholder participation is reduced.

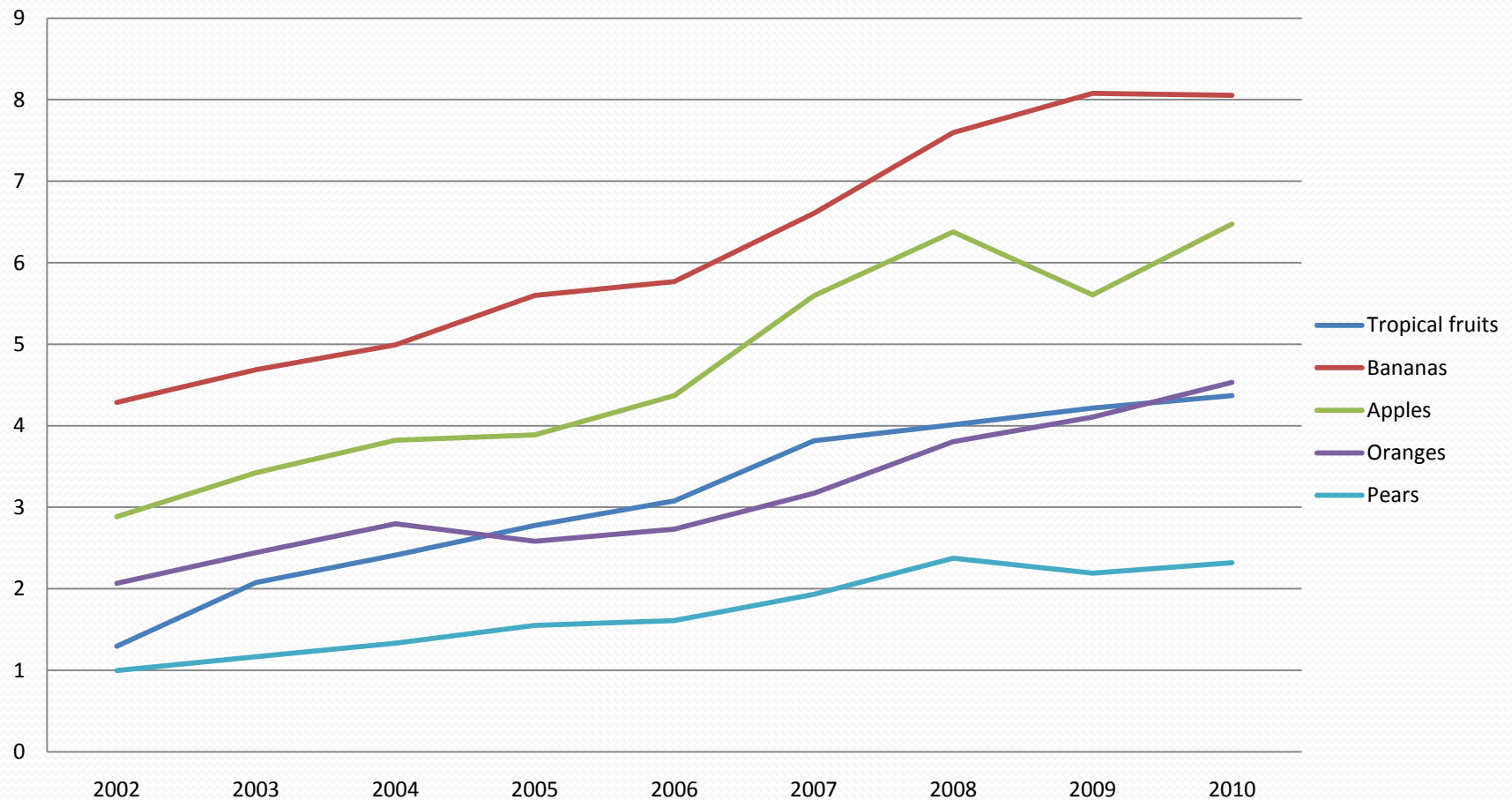
# Production Value (USD billion)

## 2002/04 - 2010



# Trade value (USD billion)

## 2002-2010



# FAO's Strategic Objectives (SO)

- SO 1 - Eradicate hunger, food insecurity and malnutrition ;
- SO 2 - Increase and improve provision of goods and services from agriculture in a sustainable manner ;
- SO 3 - Livelihoods of rural populations and in particular for women and youth improved through enhanced employment opportunities and conditions, increased access to productive resources and rural services;
- SO 4 - Enable more inclusive and efficient food and agricultural systems at local, national and international levels;
- SO 5 - Increase the resilience of livelihoods to threats and crises;
- SO 6 - Covers the provision of technical knowledge and normative work

SYMPOSIUM : SO 3 and SO 4.

# Conceptual Framework of the Value Chain

- The concept of value chain in vogue today was popularized by Michael Porter in the 1980s. He suggested that a firm's value chain is composed of primary and support activities, where primary activities create value, and generate margin at each stage;
- Other broader definitions include: Attai and Fourcadet (2003); and Kaplinsky and Morris (2000) – ref. document.

# Methodologies for analysing the value chain

- The most popular methodologies used in VC analysis are:
  - *The French Systematic Method;*
  - *The Structure-Conduct-Performance Paradigm (or SCP model);*
  - *The Neo-Institutional Approach;*
  - *The Business Development Cycle; and*
  - *The Strategic Approach of Porter based on the 5 determinants of competition - rivalry among existing firms, bargaining power of suppliers, bargaining power of buyers, threat of new entrants and threat of substitute products or services.*



# Exclusion of smallholders

Some of the reasons that SH are excluded, or drop out of the value chain include:

- Economies of scale;
- Restricted market access, market information and dissemination;
- Effective policies;

# Determinants to integrate smallholders in the VC

- Geographical location;
- Technological and farm management skills of SH in growing tropical fruits;
- Representation – Cooperatives, farmer groups etc.;
- Access to information – technical, market and regulatory;
- Access to credit; and
- Access to institutional support – extension etc.

# Objectives essential to integrate smallholders

- Increase productivity;
- Improve technology transfer and GAPs;
- Strengthen smallholder linkages to markets; and
- Policy support.

# Strategies to integrate smallholders

- Access to natural resources, labour and capital to satisfy their subsistence needs will determine their ability and willingness to increase production;
- The geographical proximity, knowledge of asymmetries, power relationships and the cost of commerce; and
- The fundamentals of the markets, such as seasonal price volatility due to supply levels and access to regional and international markets. Volatility can affect risk levels and lack of access to regional and international markets would discourage production and significantly affect participation.

# Appropriate Policies

- Policy support must be targeted at ensuring these determinants are available to smallholders in order to facilitate their participation in the value chain.
- A well functioning market will give smallholders appropriate incentives to participate effectively in the value chain.
- However, if one of the determinants is missing, they cannot or will not be willing to participate to the same extent.

# Project evidence

- A selection of projects supervised by the FAO Secretariat that utilized some of the strategies must:
  - Involve policy makers;
  - Establish baseline indicators to measure the project's impact;
  - Build alliances with the private sector; and
  - Take into account measures and interventions to ensure smallholder participation.
- Emphasis should be put on removing the notion that projects provide free resources and offer free financial support to the beneficiaries.
- The success of a project is its ability to continue to generate income after completion.

# Project evidence

Establishing baseline indicators to measure the project's impact

- To assess the success of a project, baseline indicators should be put in place to measure its impact.
- The IGG/Tea Secretariat supervised a project on *Capacity building and rejuvenation of tea smallholdings by adopting eco-friendly management practices and strengthening marketing links for enhanced income generation of poor farming communities* in Indonesia and Bangladesh.
- Restraints were assessed through baseline studies on the physical, biological and environmental constraints and on the socio-economic issues.

# Baseline Cont'd

- The baseline survey identified setbacks in business institutions and partnerships;
- In order to establish partnerships between the tea smallholders and the tea factories and private plantation companies, individual ad hoc farmers needed to set up self-help groups, which in turn could organize into cooperatives, with the final aim that the cooperatives became the apex body that is responsible for marketing smallholder tea from Indonesia, namely the Indonesia Tea Inc.



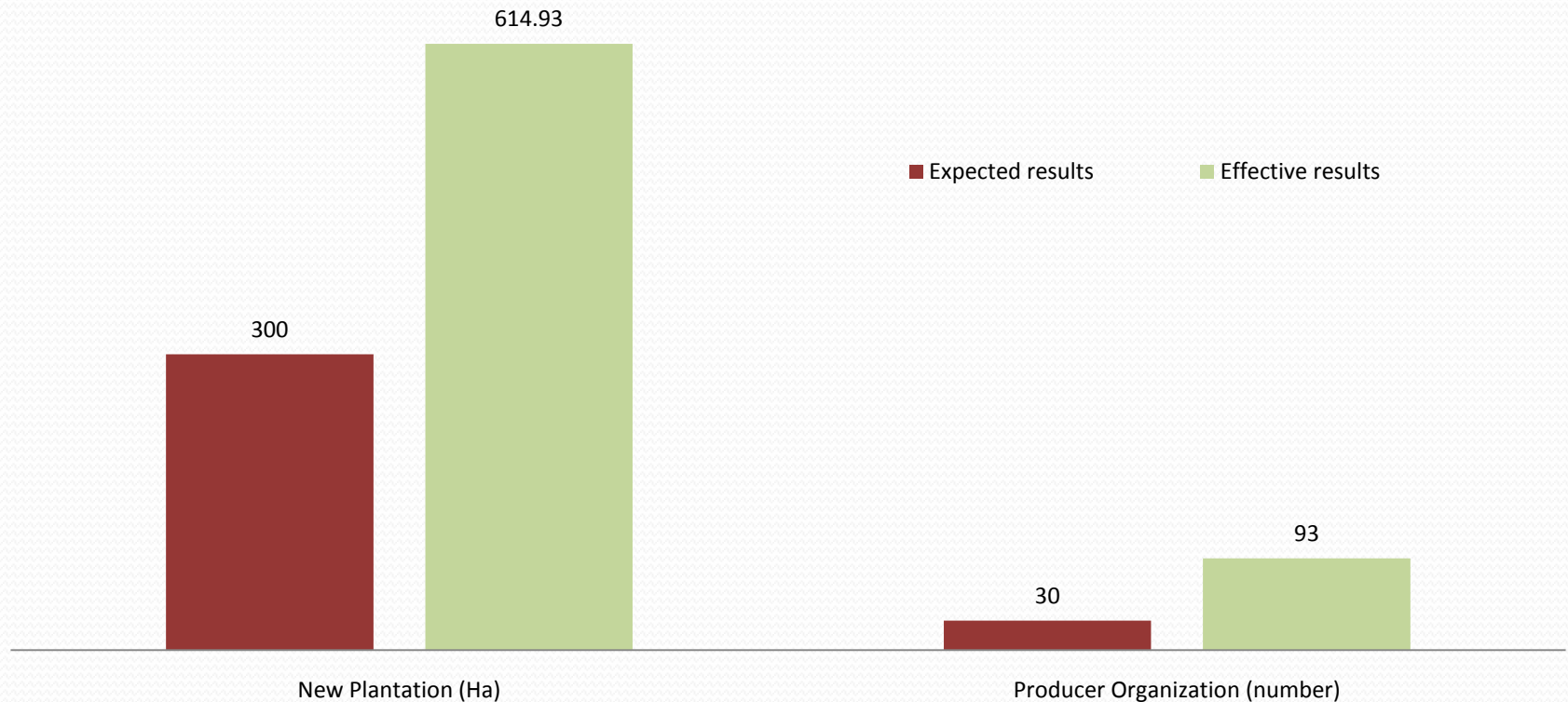
# Building alliances with the private sector

- Government intervention was necessary to:  
Increase access to credit ;
- Improve product quality and reduce the costs of production;
- Promote and invest in agronomic research and development;
- Improve effective agricultural extension services;
- Improve road and rail networks, logistics and telecommunications;
- Promote producer organizations so that they could provide increasingly effective services to their members; and
- Introduce risk management incentives for producers and producer organizations

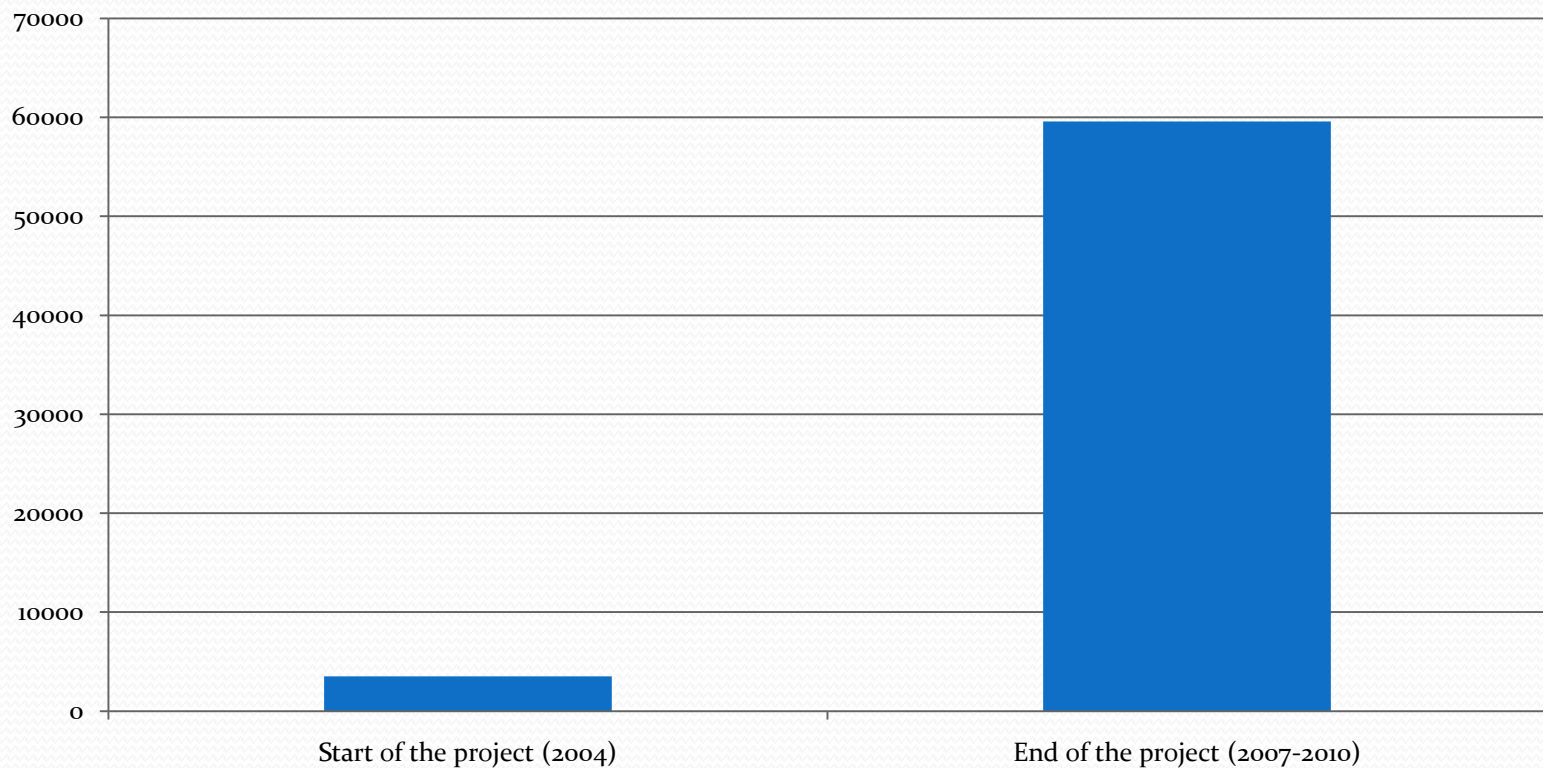
# The Chiapas Project

- The pilot project “Diversification of Agriculture in Guatemala and Mexico (Chiapas), through the Production and Exports of Fruit” was a successful implementation of converting a smallholder based, traditional cropping system of coffee and maize, to high value horticulture based on tropical fruit and vegetables;
- The pilot initiatives that improved income and food security of SH through diversification;
- The cooperatives established tropical fruit orchards that would provide sustainable incomes to their members in the longer term;
- The socio-economic conditions in the selected areas were made worse by excessive deforestation, erosion and general environmental deterioration;
- Two major principals: to build the capacity of the communities with greater efficacy, and secondly to add value to the products.

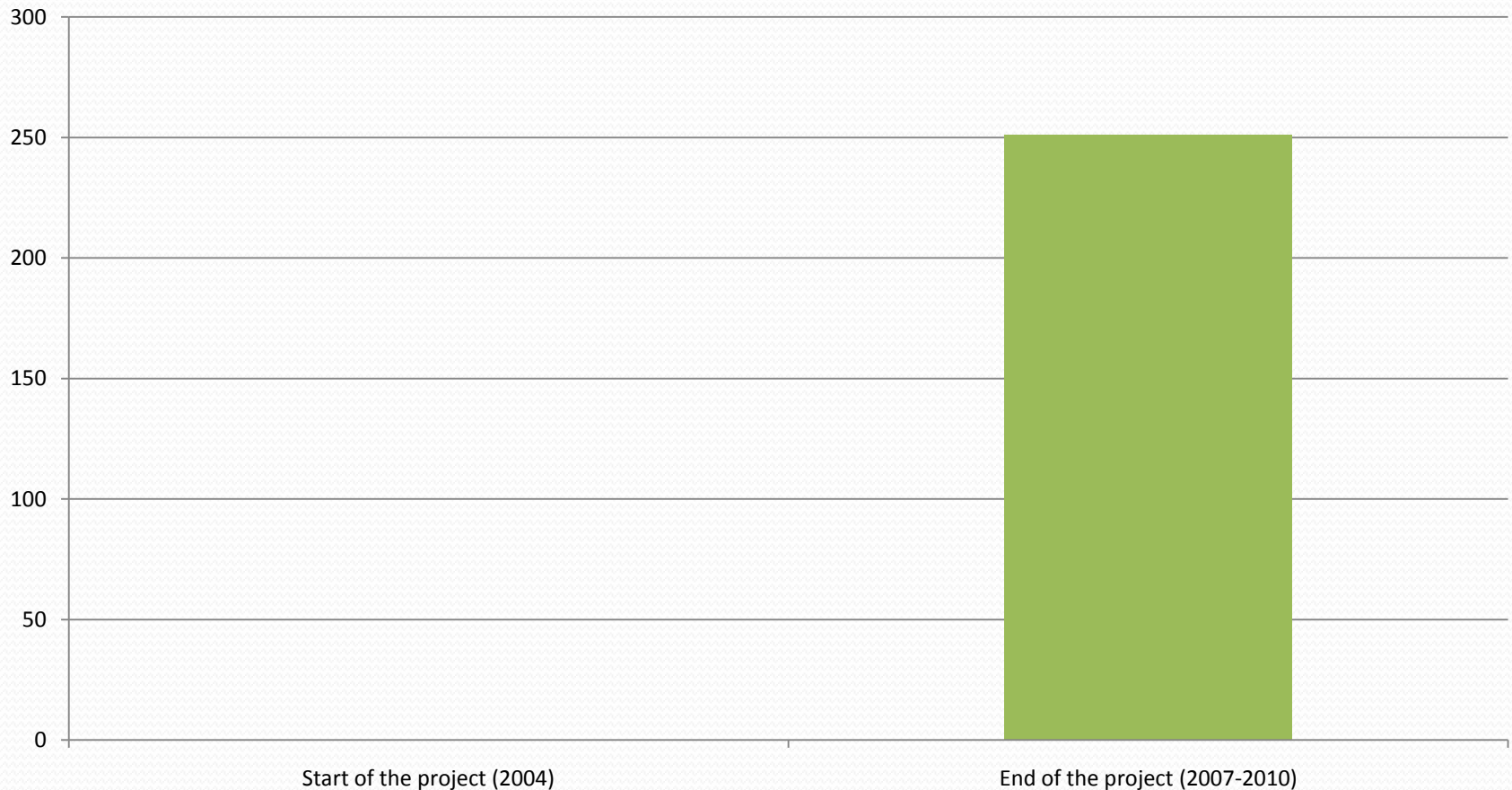
# Expected Results vs. Effective Results (2007)



# Project Impact - Direct beneficiaries (smallholders)



# Project Impact - Impact on Income (USD Million)



# Concluding Remarks

- Some major obstacles need to be overcome to promote the effective participation of SH in the VC.
- From a strategic point of view, the effective involvement of smallholders in the production and trade of tropical fruits would amplify the development benefits to a greater number of people and in the process enhance their food security.
- In addition, evidence supports the fact that the contribution of the TF sub-sector to generating income and enhancing food security of smallholders underpin their importance to producing countries, 90 percent of which are developing countries and many are food insecure.

# Concluding Remarks – Contd.

- Market forecasts by the Secretariat suggest that ample opportunities exist;
- Major challenges for future market growth appear to be associated with a coordinated approach to managing the field-to-market-supply chain;
- However, a common occurrence in agriculture value chains is that, as the value chains become more structured, smallholder participation is significantly reduced;
- The markets for tropical fruit have evolved - with increasing maturity, price premiums based on novelty have been replaced by premiums based on quality.

# Concluding Remarks – Contd.

- The importance of quality in an increasingly crowded international fruit market has led several multinationals to establish orchards with the necessary post harvest infrastructure to produce and pack fruit for specific export markets.
- In spite of the significant progress made to ensure a greater share of the margin for smallholders, restricted market access, the lack of infrastructures, resource limitation and institutional support are some reasons that smallholders have not been fully integrated in the value chain.



# Concluding Remarks – Contd.

- Hence, strategies must be put in place with enabling policies to fully integrate smallholders in the value chain. E.g.. Strategies could include:
  - Organizing smallholders into legal entities such as farmer organizations or cooperatives. These entities would ensure that smallholder members received:
    - the technology to produce efficiently, and increase their productivity by obtaining inputs collectively and reducing their unit cost of production,
    - improve quality assurance through appropriate extension and grading,
    - achieve economies of scale in the marketing of their produce as well as improve their bargaining power viz. traders along the value chain.

# Concluding Remarks – Contd.

- However, because of intense competition in the fruit trade, and higher price elasticity of tropical fruits in some developed markets, increases in prices could result in tropical fruits being substituted by other fruits;
- Governments should also promote policies that encourage cooperatives, empower small holders at both the production and processing stages;
- Access to credit. This is a major limitation that could be overcome through enabling policies that would encourage lending institutions to provide appropriate finance - again, effectively to SHs through cooperatives;

# Concluding Remarks – Contd.

- Infrastructure development to facilitate marketing of quality fruit through appropriate post harvest infrastructure - processing and storage facilities and roads to transport fruit to market;
- An appropriate regulatory framework and compliance mechanism, including harmonization of these to rationalize certification issues and reduce cost of compliance; and
- Assistance in strengthening risk management.

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