

Two-Day Workshop for Extension Workers

Role of Extension Workers and their Advisory Services in Linking Smallholder Farmers to Markets in Liberia

Objectives of the module:

On completion of this workshop, the participants (Extension workers) shall be able to:

- Develop linkages that improve food and nutrition security and livelihoods.
- Develop intervention packages to help link smallholder farmers to markets
- Identify and recognize the various types of markets and farmer segments within the target areas
- Identify the factors that affect market access and farmers' prospects, such as location, farm size, water resources, and access to roads and transport
- Determine the approaches that targets farmer groups or individual farmers

Market Linkage Approaches:

There are many approaches and interventions to select from, depending on the needs of individual farmers or farmer groups. This section briefly describes specific approaches and interventions.

1. Investment in value chains:

A systematic process is applied to improve market linkage for farmers, including building relationships between groups of organized farmers selling to known trading partners and establishing consistent sales. The structure and level of investments may vary, but the process generally follows these basic steps:

1. Organize extension staff and meet the community (farmers).
2. Identify products that are in demand and the number of farmers interested in supplying those goods.

3. Build relationships with buyers in formal markets to keep up to date with accurate information on market requirements, current demand, available services, and options for trading mechanisms.
4. Collect production, marketing and finance information for a business plan.
5. Write a group business plan and prepare farmer implementation schedules and begin marketing the produce as a group.
6. Review the agro-enterprise performance of the group to improve and scale up the process.

2. Contract farming:

Contract farming provides smallholders with a direct sales agreement for a specific product and a target market. The agreement is usually based on specifications such as price, quality standards and sales volumes. Contracting is generally supported by an intermediary firm that secures the market and then sources smallholder produce to aggregate supply volumes, as well as controlling quality. These firms often support financing and technology and help to reduce risks for smallholders. Contracting allows farmers to access a more consistent market, though they often receive prices slightly below prevailing market prices. The disadvantage of contract farming is that smallholder inclusion may be limited to the start-up phase, after which larger, more competitive farmers fill the market.

3. The involvement of diverse extension services:

New institutional arrangements are needed so that different service providers can meet the needs of different farming sectors. Diversifying service delivery will require representation from government field agents; field agents from international and local NGOs; private sector field agents; community volunteers; private sector ICT-based service providers; and business-focused farmer organizations. If these players work together within a business framework, placing greater emphasis on the business process; it is easy to create competitive options for farmers. Each one of these agencies can play a greater role or serve as liaison between a farmer or group of farmers and buyers, making the market linkage establishment more feasible.

However, there are two major challenges that need to be met to make these new arrangements work.

- a. The efforts and investments of government ministries must be harmonized and coordinated with those of larger external agencies, both public and private. Improved planning and investment processes will help focus resources more effectively while helping to remove inefficiencies in the agricultural system.
- b. Extension services would benefit from being better informed about the needs of farmers within specific value chains, but they are limited by the use of antiquated systems for gathering, analyzing and communicating information. Many governments remain reluctant to share certain data, with agriculture and food security sensitive areas, while donors might be more interested in investing in extension services if they had better information on the targeting of resources and the impact of the services. The use of ICT is a critical building block in the upgrading of national extension services.

4. Reform/transformation in the extension services for farmers:

Extension services managers and field agents must shift from a focus on production to a broader set of skills, with a greater focus on marketing, business and financial services. While the larger NGO agricultural projects have adopted a more business-oriented approach, the government research and extension agencies have been slower to reform. Extension services must hire and retain staff with expertise in community-based, participatory learning methods. Extension agents will have to unlearn “one size fits all” methods and learn to work with the differing needs of farmers and their organizations, to help them invest in appropriate business opportunities. The challenge is to introduce a business culture to the other extension systems and to accelerate the use of business-oriented training for the range of farmers.

At the same time, smallholder farmers must become adept in basic business methods such as assessing market opportunities, developing business plans, and negotiating with value chain partners. Farmer groups also need support to develop group management, financial (starting with internal savings and lending) and marketing skills, as well as innovation skills for accessing new technology and sustainable production and natural resource management skills (Ashby et al., 2011).

5. Supporting farmer organizations for collective marketing:

This is intended for improving their management skills, extension service providers must help smallholder farmers become organized, upgrade their financial and business skills

so that they can gain from economies of scale through demand driven collective marketing. The goal is to create farmer organizations that support durable trading relationships. Different types of farmer organizations have been tested and implemented by various extension services.

a. Savings and Loans groups

For the most vulnerable farmers, before linking them to the markets, it is good idea to recommend the intervention of NGOs to begin to organize these farmers into savings groups first, so that they can learn basic financial literacy before they progress into production and marketing groups.

b. Producer groups:

The most traditional level of farmer organization for all extension efforts has been to bring farmers together to test new production systems. This is effective if markets are not a challenge, but in most cases, farmers face major business constraints in addition to production challenges. Therefore, organizing or forming farmers in groups is another feasible to achieve the establishment of market linkages.

c. Collective marketing groups:

At the most basic level, extension workers can help organize farmers into groups where they can learn new technologies and produce a specific level of surplus for sale. Organized groups have more negotiating power at the time of sale through collective marketing. When farmers start to associate beyond the primary group, it is important to have a transparent system for group representation and timely feedback to members. As the number of associated groups grows, effective and transparent management becomes more challenging. Notwithstanding, most institutional buyers prefer bulk purchase and can be achieve through this kind of marketing groups.

d. Cooperatives:

Cooperatives are typically formed from associating producer groups. Ideally these organizations can aggregate more produce, can provide farmers with more services, and through these efforts, build their ability to develop long-term trading relations in specific value chains. These relationships can be further strengthened through market linkage mechanisms such as certification schemes. Despite the many benefits of association, past efforts to support cooperatives have faced major issues as follow;

corruption, extortion, inept management and political manipulation, leading many farmers to abandon them. When the role of governments declined, or where its role has been reformulated, to favor farmer ownership, more farmers will begin returning to these modern cooperative farmer led organizations, to support their marketing opportunities.

Methodologies:

In order to develop strong and reliable market linkages between buyers and smallholder farmers, farmers should be guided to select the right products and markets to meet their needs. There are three basic types.

1. Informal markets:

These are markets where goods are sold informally, through transactions at the farm gate, roadside sales, village and rural assembly markets, and urban wholesale and retail markets. Prices are typically based on a combination of supply and demand, trader cartels and customer loyalties.

It has few regulations and often no taxation; these markets are the most accessible to smallholder farmers, no grades and standards. These informal markets therefore attract the bulk of smallholder farmers' produce, from high volume, low value grain, higher value fruits, vegetables and meat products. However, they are often controlled by cartels of traders who limit competition, enforce arbitrary stall fees, and make choices that favor their allies and relatives.

2. Formal markets:

Formal markets are, by definition, more regulated and transactions are based on defined legal frameworks. Farmers must meet specific quality standards and apply best practices for the production and handling of goods (and firms may require traceability of lots). Formal buyers require regular, high volumes, so smallholders have to be well organized. This market can link farmers to a consistent source of income, but in

exchange for longer term buying arrangements and other benefits, prices may be below those in informal markets.

3. Formal public markets:

These are organized by governments and the food aid sector, who offer standardized contractual buying arrangements for agricultural goods, with specific conditions. For example, the U.S. Government buys surplus stocks from domestic farmers and ships these goods to countries where famine relief is needed. To complement shipments of food aid, the United Nations World Food Programme (WFP), the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) invest in local and regional procurement tenders, which enable the purchase of surplus crops from other areas of a country, or neighboring countries, to support food deficit areas, for food aid. This practice is growing in East Africa, the Sahel and parts of Southern Africa. Governments also buy food products for their schools, military, police, prisons and hospitals from these markets. There is a growing interest in sourcing some of this food directly from smallholder farmers.

The second step is to assess the farmers' assets and match them to the appropriate markets.

Farmers vary widely in their assets, natural resource base, farm size, expertise, technology use, access to markets and agricultural services, level of organization and their products. Linking to formal markets should not be the primary objective for all smallholder farmers – trying to link the most vulnerable farmers to the highest value or most dynamic markets would be a mistake. Most smallholders, especially those living in remote rural areas, are unlikely to be able to link to formal markets, and many struggle to link consistently to local informal markets.

Extension and advisory providers designing and investing in market linkage projects must determine the best entry points for different types of farmers and communities of farmers, corresponding to their interests and circumstances. Projects should focus on linkages that improve food and nutrition security and livelihoods. To develop

intervention packages to help link smallholder farmers to markets, extension workers must:

- understand and recognize the various types of markets and farmer segments within the target area;
- understand the factors that affect market access and farmers' prospects, such as location, farm size, water resources, and access to roads and transport;
- determine whether to use an approach that targets farmer groups or individual farmers;
- consider farmers' goals and aspirations, as well as characteristics such as age, gender and skills;
- consider local political stability, food security, wealth, and environmental status;
- assess market demand, local production conditions, the business environment (maturity of the local private sector), interests of traders to work with organized smallholders;
- help smallholders to decide which products to invest in and which markets to target;
- Find effective approach for each farmer or group of farmers.

Another important factor to consider in the linkage establishment is the land holding size.

There is a clear division in the potential for commercialization based on land size. As such, segmented intervention programs should be designed for farmers with larger and smaller land holdings.

Land-constrained farmers:

These farmers rarely have enough surplus produce to sell in the marketplace – often having to buy staple crops – and tend to be less organized and less educated than farmers with larger holdings. The commercial prospects for these farmers are limited. They require diversified business plans (including non-farm options), which may involve linking to combinations of formal and informal markets.

In this case, it is appropriate to create farmer groups to learn new skills and gain from collective marketing for bulk sales, or provide basic literacy and financial education to improve their money management. If income stability and consistency can be improved, this will enable more of these farmers to educate their children, giving them better prospects for off-farm employment in the future. Even though progress might be slow, but it increases and improves market linkage.

Farmers with more land and labor assets:

Formal markets offer the best returns for smallholders with somewhat larger landholdings (more than 3 or 4 hectares of land). Their prospects can improve quickly when they have access to more stable markets and improved technologies, which allow them to expand production and productivity. With the right support, they can go well beyond reducing hunger to achieve stable income gains and increase surpluses and bulk sales of key staple and cash crops.

These farmers require an aggressive technology adoption to link them to higher volume and higher return market opportunities. They also need support to expand their area of production and raise productivity and quality. When these farmers are able to benefit from economies of scale, they can focus on more extensive crops, allowing them to raise their incomes through greater specialization in value chains, with the support of programs aimed at improving their business capacity.

Groups of farmers can also be helped to manage their assets and business more effectively, and linked to business services, to become consistent net sellers. Key interventions such as providing support for financial and business planning and reinvestment in farm enterprises, and using new technologies to raise on-farm productivity are required. It may take three to five years to progress to stable market linkages, when these farmers are linked to growth markets.

Reference: MEAS Brief titled: Linking smallholder farmers to markets and the implications for extension and advisory services