

## **OUTLINE OF CURRICULUM MATERIAL FOR UNDERGRADUATE STUDENTS AND RURAL SMALLHOLDER FARMERS**

### **Topic: Linking Smallholder Farmers to Markets and the Implications of Extension and Advisory Services**

#### **1. What is a market?**

A market is a place where people sell, buy, and work. This definition clearly shows that producers bring their products to the market place to sell to those people who are in need of these goods. These selling and buying processes also include services rendered by those who create the environment for selling and buying to take place. This latter group of people includes marketing officials like the marketing superintendent, clerks, cleaners, etc.

Selling and buying of goods and services may take place at a well-defined location such as a market hall, roadside stall, or at the place of production (farm gate). On the other hand, selling and buying of goods and services can take place between individuals or groups of people without them seeing each other. This is possible because advancements in technology have made it possible for people to sell and buy online (accessing marketing information through the internet), magazines, or through mobile phones.

Very often the term “Marketing” is confused with “selling”. True, selling is one aspect of marketing, but the latter is not all about selling. Marketing is a big umbrella word covering selling, pricing, transporting, standardizing, promoting, of goods and services to consumers.

#### **2. Identifying buyers**

People everywhere in the world have specific needs to satisfy. Even here in Liberia food needs vary from one region to the other and from tribe to tribe. Smallholder farmers producing crops for sale and needing to make profits on these products should first identify buyers who need their products by assessing their needs. It is important for farmers to produce what the end users are prepared to buy. For example, cassava products are normally in high demand in Nimba and Grand Bass counties of southeastern Liberia, whereas people in northwestern Liberia prefer rice.

#### **3. When should farmers grow crops to make profit?**

Farm enterprise ventures become profitable when farmers know the time (season) in which to produce their crops and supply them to the market. The principles of demand state that when prices are high, producers will supply more to the market, and when prices are low, producers lack the incentive to produce more for market consumption. Crop products are in high demand when they are scarce on the market. In many parts of Liberia, vegetable products command high prices during the dry season. More so, farmers stand to accrued more profits from products not produced by many farmers. Smallholders should therefore conduct assessments of market

segments in the country before deciding to undertake the cultivation of specific crops for specific target groups.

Smallholder farmers in southeastern Liberia, for instance, are generally not engaged in the production of leguminous crops (such as groundnuts and pulses) and spices on a commercial scale, yet consume these products on a large scale.

#### **4. Accessibility of the market**

One of the most significant limiting factors contributing to poor linkages between smallholder farmers and potential buyers in Liberia is lack of farm-to-market roads. Farm products, especially perishable ones, suffer speedy depreciation before reaching to the market. Most often many smallholder farms are inaccessible to formal markets due to bad road conditions, poor communication channels, or even lack of transportation. Post-harvest losses are high, usually depriving farmers of the income they stand to reap from the sales of their products if these conditions were in place.

#### **5. Marketing channels**

There exist many channels through which farmers market their products to people who need them. The following are the most common channels through which farmers meet consumer needs.

##### **i). Informal markets** (No quality standards, legislation, taxes, etc.)

In most developing countries over 80 – 90% of agricultural products are sold informally through transactions at the farm gate, roadside market stalls, or urban wholesale and retail markets. Prices are usually based on a combination of demand and supply, trader cartels, and consumer loyalties. Farmers receive very low prices for their products but in turn don't pay taxes. They do not conform to quality standards or legislation. They however receive ready payments from buyers without transacting through middlemen or unseen buyers. Transport costs are low or entirely negligible.

##### **ii) Formal markets** (Quality standards, legal framework, taxes, organized, best practices for production and handling, etc.)

Formal markets are well organized, and they conform to quality standards. These cater to smallholder farmers who produce quality products with best practices for production and handling. Suppliers to formal markets enter into legal agreements with supermarkets for routine supplies of specific product. Organizations like cooperatives handle products from smallholder farmers and sell them for much more profits than informal markets. These cooperatives link smallholder farmers to well established marketing institutions as a group.

Another form of formal markets are online markets where producers access information from the internet or advertising companies on the need of marketing institutions to acquire certain farm products. Unlike informal markets, producers having transactions with online marketing institutions have no physical contact with the buyers. Every transaction is done based on legal frameworks for the suppliers to supply volumes and qualities of products for more profits.

**iii). Formal Public Markets** (organized by governments, food aid sectors, standardized buying contractual agreements for food deficit areas, schools, hospitals, military, police, prisons, disaster areas, etc.) Farmers should be organized to invest in technology.

These are organized by governments and the food aid sector, who offer standardized contractual buying agreements for agricultural goods, with specific conditions. For example, the United Nations World Food Program (WFP), the United States Agency for International Development (USAID), the United States Department for Agriculture (USDA), invests in local and regional investment tenders, which enables the purchase of surplus crops from other areas of the country or neighboring countries to support food deficit areas for food aid to schools, the military, prisons, hospitals, poor countries, the police, conflict zones, etc. The Liberian Government through its Ministry of Agriculture, with support from USAID, purchased food from local producers some time ago to feed school children. This practice is growing rapidly in East Africa, the Sahel, and southern African countries.

As a key reminder to extension workers, they should work with local farmers to use procurement modalities such as forward contracting, offered by P4P (purchase for peace), as a means of accessing credit to buy inputs.

## **6. Role of Extension and Advisory Services**

- a). Working with farmers to use procurement modalities
- b). Accessing credit to buy inputs
- c). Linking most vulnerable farmers to the highest value or most dynamic markets
- d). Understanding various market factors that affect market access
- e). Targeting individual or group farmers
- f). Farmers goals and aspirations
- g). Local political situation/stability
- h). Assessing market demand
- i). Helping smallholder farmers decide type of crops to invest in

## **7. Differentiated Marketing Prospects and Strategies based on Land Holding Size**

### **a). Farmers with more land and labor assets**

- i) More returns from formal markets to farmers with larger land holdings (3-4 hectares)
- ii) Improves quickly
- iii) Have access to more stable markets and technologies

### **b). Land-constrained farmers**

- i) No surpluses to sell
- ii) Less organized
- iii) Less educated
- iv) Limited commercial prospects
- v) Require diversified business plan

vi) Shifts easily from informal to formal markets and vice versa

**8. Market linkage approaches** (depends on individual or group needs)

**i). Investment in Value Chain**

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

- a). organize support staff and meet the community
- b). Identify products that are in demand and farmers interested in supplying those goods
- c). Build relationships with buyers
- d). Collect production, marketing, and finance information for a business plan).
- e) Write a group business plan and prepare farmer implementation schedules
- f). Market the product as a group
- h). Review the agro-enterprise performance of the group
- i). Review, improve, and scale up the process.

**ii). Contract Farming**

- Providing smallholders with direct sales agreements for a specific product and target group.
- Contracting is based on price, quality standards, and sales volumes.

**iii). Certification Schemes**

- This has been going on over the past 20 years. Groups like Fair Trade, Organic, UTC, and Rain Forest Alliance are in this type of business. Smallholder farmers hoping to gain greater access to finance, inputs, and profits would have to go through certification procedures to achieve this.

**9. New Roles for Extension Service**

Current inefficiencies in agriculture extension are caused by many challenges. These include:

- Lack of investment in government service.
- Uncoordinated and inconsistent support from development contractors and non-governmental organizations (NGO's).
- Provision of private sector extension service is only limited to export or high quality product targeting the more commercial smallholder farmers.

**10. Key Questions**

- Do extension services have the staffing and skills to develop market linkages?
- Do extension services have the tools to reach and support the rapidly growing number of farmers?
- How can private and public sector actors invest in ways that improve market linkage support?

## 11. Conclusion

If extension service should answer the above questions, then the following key points should be

- Finding new operational business models that provide financially viable service delivery.
- Extension service must be more consistent and coordinated and provide greater “added value” to different types of farmers.
- Basic training should be provided to local farmers to cope up with the challenges of agricultural production.

Sources: Modernizing Extension and Advisory Services “Linking Smallholder Farmers to Market and the Implication of Extension and Advisory Services” by *Shaun Ferris, Peter Robbins, Rupert Best, Don Seville, Abbi Buxton, Jefferson Shriver, Emily wei.*

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