Section 2

Preparing the Groundwork

Starting new projects is a crucial time, as this is when decisions are made about where to work, who to work with, and what types of interventions will take place. When incorporating an agroenterprise approach issues that should be addressed include:

- Defining the geographical area of intervention.
- Framing the project duration.
- Reviewing in-house staffing.
- Review the budget.
- Sound out key partners.
- Gain greater insight into your client capacities, assets, and their communities.
- Clarify targeting decisions (i.e., project focus on specific sectors, client types).

Setting Goals and a Philosophy for Community Engagement

The lead agency should develop a clear understanding of what they want to achieve in terms of client types, investment areas, levels of individual/family income gain, scale of intervention and expected outcomes when using agroenterprise. Full details do not have to be fully crafted as changes are likely when reformulating ideas with partners. From a CIAT perspective, one of the major goals is to "empower local communities with the ability to identify market opportunities and develop new agroenterprises using their own skills and resources". To achieve this goal, participatory tools are used as a means to co-innovation and learning is implemented through learning-by-doing. This goal, however, needs to be tempered with a practical return or level of impact based on the investment costs of the project.

Rapid Reconnaissance Survey for Planning

As part of the initial planning, the lead organization should undertake a rapid reconnaissance survey of the area in which they intend to work. This information will provide a better understanding of where to start activities and who could be useful partners. When a geographic area has been defined, the survey should gather general information on the following areas, as outlined in the livelihood framework:

- ***Social context:*** History, climate, population, social groupings.
- ***Natural resources:*** Basic understanding of soils, climate, product specialization,

- ***Local productive resources:*** Transport system, market infrastructure,
- ***Partner social capital:*** Gain an overview of other institutions and development agencies working in your area, what they do, find out if they share any common values and if they are interested in participating in the market oriented work. Evaluate level of social networking, farmer groups, and associations.
- ***Business assets:*** Interview leading traders, processors, and service providers to gain a basic understanding of the major goods, products and services traded in the area, major challenges and opportunities as viewed from the private sector.

This information will be used to identify like-minded partners, to initiate a "working group", define criteria for selection of enterprise groups (i.e., farmer groups who will develop new businesses), and to select a defined area for interventions.

Applying the Agroenterprise Approach

The entry point for the area-based approach is flexible, depending on factors such as:

1. In-house marketing capacity.
2. Partners skills involved in the process.
3. The skills and asset base of the clients.
4. Local political conditions and infrastructure.
5. The level of participation to be used in the process.
6. *A priori* decisions on client/beneficiary profiles.
7. Investment processes.
8. Duration of the exercise.

Evaluating in-house marketing capacity

For the lead organization in this process, the first issue to consider is the level of in-house capacity and competence to lead a marketing program that includes partners and farmer group organization. If skills exist, start working through the agroenterprise approach as indicated in the generic process outlined in Figure 2.

If however, your organization or immediate partners are doing this type of work for the first time, they may benefit from testing the method via a pilot project before going to scale. Pilot projects enable the team to learn the basics of the enterprise process and field staff to gain confidence in applying/adapting the methods to local conditions. This experience will put participating organizations in a better position to train others, using their local experience.

Engaging Partners in the Process

Agroenterprise development is a complex task that involves working with actors within a market chain and linking to business services that support the market chain (Figure 4). To link activities with multiple actors requires many skills and it is unusual to find all of the necessary technical, social, business, and analytical skills within one organization. Therefore success in agroenterprise generally requires that organizations find like-minded partners from the public and the private sector to support the process at specific points. Partners are also essential when it comes to scaling up activities.

The main categories of partners required to facilitate agroenterprise development include: (i) service providers typically NGOs or extension workers form the public or private sector; (ii) farmer groups and associations; (iii) market chain actors; and (iv) business support services.

Roles of the Partners

To achieve tangible impact, it is recommended that the lead organization operates at a more strategic level, by facilitating partners through a "working group". This will enable the lead organization to focus on capacity building and learning how best to adapt the methods to local conditions, with partners. Local partners will focus their attention at the farm level, where we want impact to occur. There are additional specific *guides* to assist in more detailed processes; see support *guides* in this series including Collective Marketing and Market Facilitator's guide (see Preface).

To implement the process, there are four main types of organizational players in the agroenterprise approach:

- Management team.
- Working group.
- Farmer groups and associations.
- Buyers.

An example of the type of network that is envisaged for this process is outlined in Figure 5; however, partnerships should be considered in a flexible manner. Work with partners that want to be together.

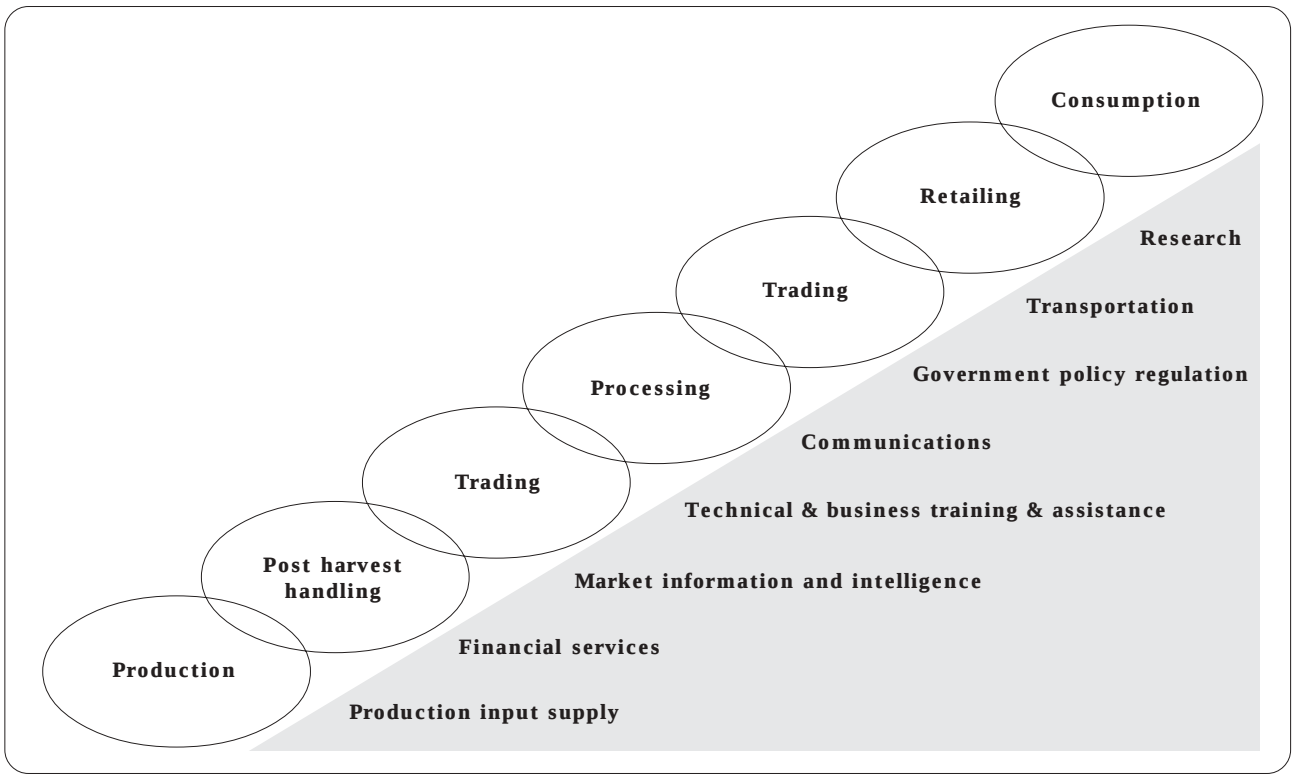


Figure 4. Market chain actors and services.

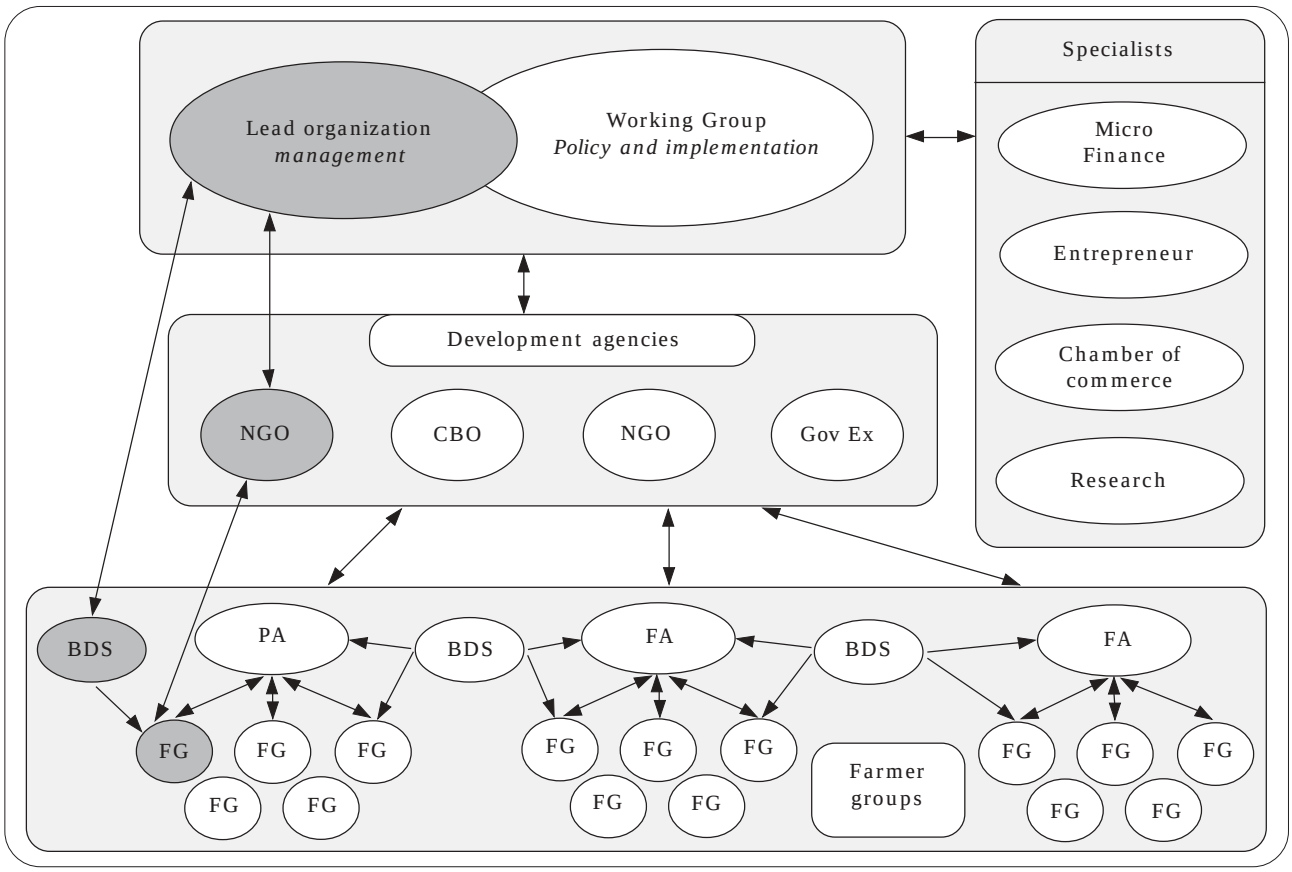


Figure 5. Partnerships and links in the agroenterprise approach.

FG = farmer groups; FA = farmer associations; BDS = business development service providers; NGO = nongovernmental organization; PA = partner agencies; CBO = community-based organization; Gov Ex = extension; Working group = consortium of partners.

Management team

This team is charged with the overall project design and monitoring and follow-up on project implementation. This agency will be from the development or research sector and their role is to provide overall direction. In some cases, the management team may include a partnership between a research and development agency. This is often how CIAT works with partners. The management team is responsible for:

- Selecting an area.
- Initiating a working group.
- Establishing criteria for selection of client groups.
- Decisions on skills training, levels of inputs.
- Scale of investments.
- Duration of project implementation.
- Scaling up approaches.
- Entry and exit strategies.

Working group

The role of the "working group" is to provide a focal point where representatives of interested partners can convene to design and implement an agroenterprise work plan. The group's role is to promote improved working relations between service providers, local government, smallholder producers, and traders that operate within a defined area. The agroenterprise working group will be responsible for making decisions on the rules of engagement and the goal of the consortium. At an operational level, the working group will provide technical oversight, training, dialogue with partners, monitoring and evaluation, and a means for managing field activities. This group will also develop core members for scaling up in the future. Tasks for this group are to:

(i) Timetable events, and maintain a focus on the goals.
(ii) Ensure that results are generated, that they are meaningful.
(iii) Provide support to inter organizational or group processes.

The working group will set out as a loose association of partners with a common or shared interest in improving their marketing skills and commercialization of identified products. During the agroenterprise process, it is anticipated that membership will change according to levels of activity. Some members will fall out due to loss of interest, lack of resources or a change in focus. Other members will enter into the working group as the process gains tangible results and some specialists may be co-opted into the group. Some more specialized members and private sector partners may be more interested to play an active role once market chains are in operation.

Farmer groups and associations

Farmer groups are often the target clients/beneficiaries of an agricultural intervention process. However, in market-led interventions, beneficiaries should also include traders, processors or local entrepreneurs. In the case of farmers, the enterprise process generally works with organized farmer groups. These farmer groups will provide representatives to serve on the working group or be included in a market survey team.

The farmer group(s) will learn new marketing skills from the service providers (NGOs) as they design and implement agroenterprise projects in selected market chains. The type of groups chosen for agroenterprise development is an important decision. Methods described in this *guide*, and in complementary guides, will assist partners to make decisions on how to engage farmer groups in an enterprise process. How producer groups are organized is important as farmer groups are the basic unit of change at the production level. If farmer groups are poorly organized, or simply follow the instructions of service providers, rather than learning new skills in marketing, the enterprise process is likely to be unsustainable.

If farmers within the defined project area are not organized, then the service provider will be required to develop some form of farmer marketing groups. These groups may be formal organizations that are maintained throughout the year or may be informal groups that only come together for collective marketing purposes, i.e., produce in larger quantities (truck load) for distribution/sale. CIAT has developed a guide on this aspect. For more information see "Guide to Collective Marketing for Smallholder Producers" (www.ciat.cgiar.org/agroempresas/pdf/guide_collective_marketing.pdf).

The information shown in Figure 6 indicates one type of evolutionary process for farmer groups as they become more organized and supply larger markets. In poor, marginalized areas, it is not uncommon to find that farmers are essentially working as individuals. The role

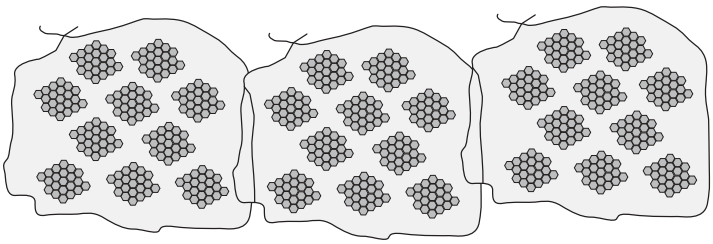
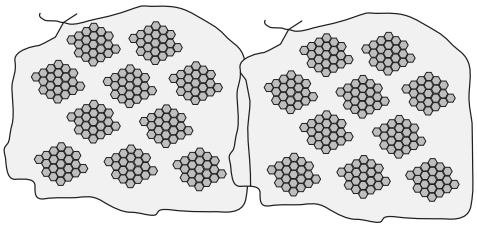
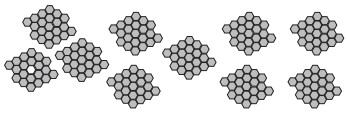
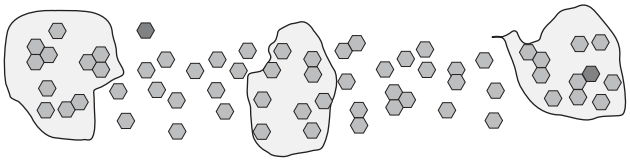
Timeframe	Levels of farmer group organization and association	Service provider roles
This level is less common and depends on market type 1-5 years	 **Level 3.** Formation of an associated company	**Stage 4.** Service providers assists associations to link and provide specialized services to members
2-5 years	 **Level 2.** Farmer marketing groups cluster into associations	**Stage 3.** Service providers assist groups to associate to supply larger markets and provide more internal services to their members
2-5 years	 **Level 1.** Formation of farmer marketing groups	**Stage 2.** Service providers assist farmer groups to consolidate collective marketing
2-5 years	 **Level 0.** Individual farmers begin process of organizing and working together	**Stage 1.** Service providers start to organize farmers into loosely associated groups for market linkage and more competitive production

Figure 6. Evolution of farmer groups with indicative years at levels.

of the service provider in this case will be to bring farmers together into more organized groups. The shift from level 0 to level 1 requires time but can pay considerable benefits in terms of farmers being able to learn new ideas more quickly in a group and also being able to bulk produce for the market.

As farmer groups mature they become more stable units that are able to supply a more consistent product to the market. The first level of farmer organization is often recognized as farmers working within a group but not linked to other farmer groups. The second order of organization, which is often termed an association or cooperative, brings together several farmer groups. This has several advantages in terms of being able to provide members with more specialized services for both input and output markets and financial services. In some cases, farmer associations can themselves start to cluster and there are models whereby a company is established to assist the farmer organizations to supply larger or higher value markets.

Problems with farmer groups: One of the obvious and much repeated problems with farmer groups as they become more organized is that the costs in terms of time, money, and relationship building can outweigh the benefits. Whilst it is intuitive to think that the more organized the better for farmers, this is not always the case. Farmer groups can suffer from poor financial management, poor marketing decisions, political abuse, and other problems. Therefore the service provider should seek to develop an appropriate

structure to meet the needs of the situation and aim for light and flexible rather than large and complicated.

Buyers

Whilst, considerable attention is generally given to producer groups, the agroenterprise approach is designed to operate at a market chain level. Therefore working with buyers, such as traders, processors, and retailers is also a vital part of the market linkage process.

At the local level, this means that the leading organization should invest in strengthening relationships between the producer groups and people to whom they sell their produce, rather than attempting to "avoid the middleman". Working with traders will assist in producing products of the quality and type for which buyers are willing to pay a premium and also provides opportunities for developing collective marketing strategies, by selling bulked produce to known buyers. Traders are also one of the most effective private sector service providers for resource-poor smallholder farmers, especially those linking in remote areas and so these linkages should be fostered so as to facilitate greater sustainability of interventions.

More recently, the rise in the power of supermarkets has changed opportunities for many smallholder producers, particularly in the higher value, or niche products. In view of the market share enjoyed by supermarkets, some development specialists believe that far greater emphasis should be given to working with corporate buyers so that smallholders can be integrated into their buying systems.

Building In-house Agroenterprise Capacity through Pilot Testing

Pilot testing of the agroenterprise approach will involve a limited number of partners and typically focus on a short duration product to accelerate learning. The use of an off-season crop provides an opportunity to work with a partner agency and a farmer's group at a limited level. In Figure 5, the partners with a shaded background indicate a potential pilot project arrangement. A checklist for undertaking a pilot process is outlined in Appendix 1.

The importance of local context

CIAT is currently testing the agroenterprise method with partners from 30 countries in three continents. Our findings show whilst the basic economic principles apply in all locations, there are major differences in how the approach is applied. In addition to the differences caused by physical, factors such as climate, soils, and topography, other critical factors include political systems and their associated marketing environment, land tenure systems, financial markets, market access as affected by infrastructure and communications, marginalization caused by remoteness from market centers, gender, ethnicity, and power relations within market chains. Other factors include degree of farmer organization and relations with larger agricultural operators.

Consequently, the agroenterprise process needs to be used in a flexible manner, taking into account previous history and current opportunities. Our belief is, however, that marketing principles are robust and even under difficult economic conditions farmers are keen to find new ways of increasing their income. Given this background, we would like to stress the need to be aware that within any rural community there are many social classes, each with a particular asset base, level of organization, and agroenterprise capacity. The information in Table 1 shows the different types of client group that service providers are likely to encounter. These groups will have different types of agroenterprise strategies that are most appropriate for their level of development.

Entry points for agroenterprise engagement

Starting out: The simplest entry point when working with farmers in market chains is to find ways to improve sales of existing products. This approach is most useful for those with limited marketing capacity. Using this approach is also encouraged as a pilot, to test the enterprise approach so that both the market facilitator and the farmer group get a better understanding of how the process works, prior to going to scale.

Diversification: For farmer groups that are already organized and interested in investigating new product ideas, the starting point in the area-based approach to agroenterprise should be a study of market opportunities identification (MOI) (Guide 3). It is anticipated that organized farmers already have competence in growing basic food security crops for the market and are seeking new, typically higher value options. The MOI will provide a list of new opportunities to investigate in more detail.

Table 1. Evolutionary stages of smallholder farmers and their agroenterprises.

Stage	Characteristics	Preconditions to enterprise development	Enterprise emphasis
1. Subsistence	Individual farmers producing predominantly for their own consumption, selling small surpluses to local markets. Precarious to nonexistent access to services and no use of purchased inputs. Low asset accumulation, most vulnerable.	This type of community may require specialist intervention that can be considered as pre-enterprise oriented. Many agencies supply such communities with support processes such as re-stocking assets, after a social/natural shock. This may include provision of • Food aid. • Seeds, tools, livestock, inputs. • Conflict resolution. • Safety net clauses and interventions.	Focus on organization of farmers into groups to build socail capital, trust and simple business skills in order to lay the foundations for increased competitiveness. For enterprise development, start with existing products that show high market demand, value, and are produced by the majority of farmers. Service providers to develop their skills andunderstanding of the marketplace and its opportunities. Identify and support market facilitation.
2. Early stage	Small scale rural enterprises with low levels of value addition and weak business orientation, poor levels of cohesion. Access to services is incomplete and irregular, limiting enterprise growth prospects.	Communities at this stage are well positioned to benefit from enterprise oriented interest groups, i.e., coordination of agencies that have a common interest in market oriented processes. Service providers should review their competence and staff profiles to ensure quality of providing marketing services provided.	Focus on group dynamics and developing business skills of the group. Level of market engagement will assist in selection of existing or identifying new market opportunities. Record keeping, to lay the foundation for future financial accreditation and suitability for investment from micro finance, should be introduced. Other group skills such leadership, group roles and how to run meetings should be strengthened. Groups should recruit or train a “market facilitator”. Seek enterprises that are more profitable for the target group.
3. Developing	Commercially oriented enterprises with higher levels of social cohesion that have incorporated value adding handling and/or transformation processes, and product diversification. Selling into local, regional and national markets. Have access to appropriate services that permit enterprise growth.	These groups will require specialist support in areas of enterprise development. Service providers and their interest group members should develop strategies that bring specific skills to bear. This may include aspects such as market information, linkage to micro finances and input supply.	Focus on increasing scale and value addition within the selected subsectors. • Lead groups should seek links to like-minded groups in order to encourage scale and to partner with more specialized service providers to assist in developing new market options and find ways of gaining efficiencies in the supply chain. • Record keeping and business planning should be shared with financial experts and group should seek financial support sought.
4. Mature	Farmer enterprises are fully integrated into supply chains producing products that meet market demands in terms of quality and frequency of supply, both nationally and for export. Are capable of identifying and paying for required business development services.	These groups will require support in areas of business management and are likely to be interested in risk capital ventures that will provide them with progressive edge in the marketplace. Increasing use of ICTs to support enterprise development. Service providers and their interest group members should develop strategies that bring specific skills to bear. This may include marketinformation, finances, input supplies, etc.	Focus on chain champions and issues of governance and equity in the market chain. • Group should link with specialist skills and information service providers, which should be fee based. • Group should focus efforts on to product development issues, including branding, customer relations and broadening product portfolio. • Shift to value chain approaches to consolidate markets.

Selected product: In cases where a product has already been selected for investment, the starting point within the area-based approach will be a market chain study of that product. It is likely, however, that the market facilitator will also need to work on improving the organization of farmer groups and initiating links with other support organizations and service providers.

Contract farming: In some cases higher order market actors, such as processors, wholesale traders or retail outlets, are interested to work with farmer groups on contractual basis to secure supply of a selected product. In this case, the agroenterprise approach does not need to focus on demand or marketing issues, but concentrate on providing a quality product on a competitive basis.

Considerations for Scaling Up

Scale is an issue that the partners need to consider from the outset. Given a successful pilot project, the next stage in a scale process will be for the lead service provider to apply the approach to more farmer groups within the area. The aim of the up scaling process being either to (i) encourage more groups to sell a selected product into an identified market, thus achieving economies of scale or (ii) to empower many groups to diversify into a wider range of products and markets to achieve diversification over a wider area.

Whatever the aim of the scale process, the lead organization should investigate opportunities for networking so that other service providers can apply the methodology more widely. In many cases projects that are successful at the pilot level, fail to achieve scale because too much time is invested in learning lessons with the pilot group and there are insufficient levels of facilitation to push ideas beyond a limited few. Therefore we suggest that an aggressive approach to demonstration, learning, and scaling up is adopted and spread through local partners.

Exit Strategies

As part of the planning stage, the lead organization should also make decisions on how to apply an exit strategy. This can be considered in terms of time, i.e., how long the organization intends to spend with a community/farmer group, on skills training provided to a community, on income gains through agroenterprise development or on other selected criteria. A potential timeframe and structure for an exit strategy is given in Appendix 3.