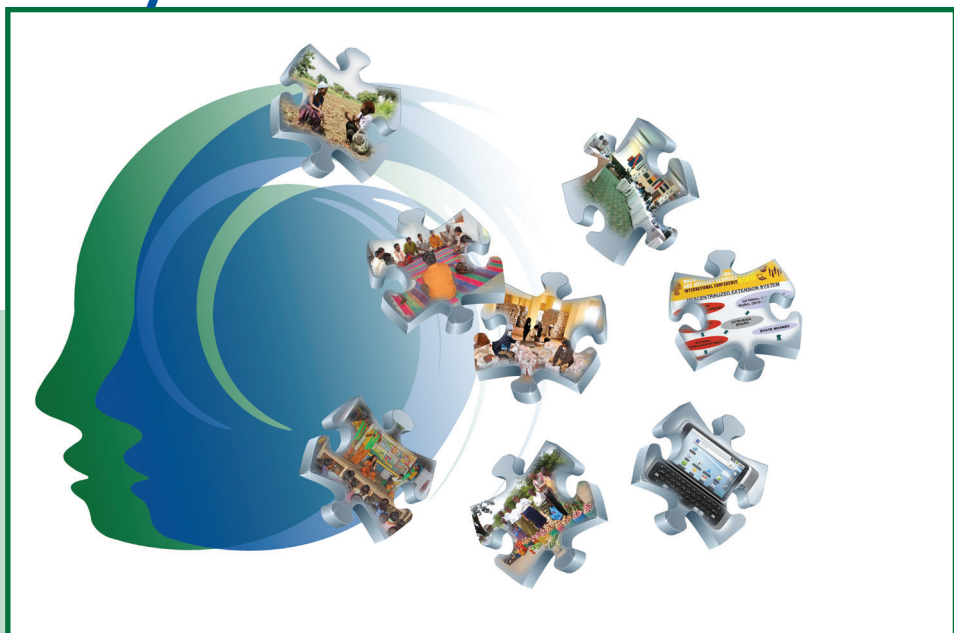



Module 10: The Role of Extension in Supporting Value Chains Part 1, Theory



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Module 10: The Role of Extension in Supporting Value Chains Part 1, Theory

Pre-assessment

After reading through the module overview and introduction, complete the following pre-assessment in order to determine how comfortable you are with the topic of extension. You will be asked to complete a post-assessment after you have worked through the learning content.

	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

Answer: Learner's own 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 that are 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 that is 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 really need, at high prices.
- c) Advertising a product, in order 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 amount of produce that people can afford to buy.
- c) Everything that traders want to have in their stores.
- d) The quantity of products that will be harvested in a season.

- 2.4. Which of the following factors may affect 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.

Answer:

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

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

Answer: Any five of the following characteristics:

Informal markets:

- *Support all types of products produced by smallholders, including the high volume, lower value grain and pulse crops, as well as 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; and*
- *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)

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	
b) A collection of internationally recognised standards, codes of practice, guidelines and other recommendations relating to foods, food production, and food safety	
c) Market types that involve goods produced in one location or country being sold and consumed in another country	

d) Markets where consumers and small businesses (such as restaurants and street-food vendors) buy their daily or weekly supplies of food	
e) Markets that dominate the agricultural trade and lives of most smallholder farmers in emerging economies	

Answer:

<i>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</i>	<i>Formal markets</i>
<i>b) A collection of internationally recognised standards, codes of practice, guidelines and other recommendations relating to foods, food production, and food safety</i>	<i>Codex Alimentarius</i>
<i>c) Market types that involve goods produced in one location or country being sold and consumed in another country</i>	<i>Export markets</i>
<i>d) Markets where consumers and small businesses (such as restaurants and street-food vendors) buy their daily or weekly supplies of food</i>	<i>Informal retail markets</i>
<i>e) Markets that dominate the agricultural trade and lives of most smallholder farmers in emerging economies</i>	<i>Informal markets</i>

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, who enable value chain actors to trade efficiently, and*
 - *Level 3: the regulatory agencies who 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

Answer:

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 more usually they 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 involved.

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; and*
 - *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 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; and*
- *Price premiums: the prices offered for specific grades or standards of produce, or for 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; and*
- *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, which may enable farmers to increase their productivity or reduce their costs; and

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 the way in which 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 produce 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; and*
- *If problems do 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 the way in which each of the following actors are 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 in the following segments:

- *Rural World 1: farmers who are globally competitive, 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; and*
- *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, but in most countries, they have become insufficiently resourced to meet demands of extension services.

However, the significant increase in farmer numbers has not been met with a corresponding increase in government field agents and, 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 system of assembly and service provision. 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.

In order 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; and*
- *Private sector service providers.*

Total: 18 marks

Summative assessment: Unit 1

Theoretical assessment

Answer the following questions in your own words.

1. Briefly explain the concept of agricultural marketing and indicate the way in which 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, which are known as the marketing mix: product, price, place (distribution) and promotion; and*
- *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 consumer, who buys the product. In this way, agricultural marketing includes activities such:

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

In industrial countries, many farmers plant a crop only after they have found a buyer, agreed on the terms of sale, and completed 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; and*
- *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 amount of the product that customers are willing and able to buy, which partly depend 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:

- *The markets are often ruled by local authorities 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; and*
- *The lack of a business outlook from the informal markets management, limits their attractiveness for investment and growth.*

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

Answer: Any six of the following features:

Formal markets:

- *Do not always offer higher prices compared with 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; and*
 - *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; and*
- *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, where they set aside land to show the benefits of new varieties, 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; and*
- *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: Market linkage methods

Session 2.1: Changing rural communities and marketing strategies

Activity 2.1 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 do help farmers to 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 it 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; and*
- *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 use feed, provided by the integrator, to raise the animals. The contract dictates:

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

Total: 16 marks

Session 2.2: Value chains and market linkage

Activity 2.2 The value chain 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, so that they can 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;*
- Postharvest 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 produce such as:*
 - *Aggregation / bulking of goods after harvest;*
 - *Grading;*
 - *Packaging; and*
 - *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 that are 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 types of business environments and a diverse set of 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 2

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 surplus produce of mixed quality to their nearest buyer, immediately after harvest. These farmers typically sell from their farm gate to local farmers or to 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 type of 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; and*
- *Changing the procurement policies, communications, strategy and culture of the lead firm, where necessary, to support the new trading relationships and maximise 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 their attention on helping farmers to 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 a 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 over supply local markets, which results in low market prices.

A second phase of projects helped farmers to 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 that were provided by the project staff, they rapidly slide back to their former low levels of production and sales.

In order to improve the sustainability of development projects and to 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 efforts 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 3: Analysing markets and value chains

Session 3.1: Defining the type, scale and level of the market analysis

Activity 3.1 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, in order to determine the attractiveness of the market in a particular industry and to 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
<i>Sector analysis</i>	<i>Broadest level of analysis; Focuses on the cereal sector at a national level.</i>
<i>Sub-sector analysis</i>	<i>Focuses on one or a cluster of cereals from a sector, e.g. maize; Typically national level.</i>
<i>Territorial analysis</i>	<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>

Level	Type of analysis
<i>Value chain</i>	<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>
<i>Community market</i>	<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; and*
- *Services.*

Total: 25 marks

Session 3.2: Extension toolkits for value chain development

Activity 3.2 Individual activity: Extension toolkits for value chain development

Answer the following questions in your own words.

1. Access the Microlinks website via the following link:

[https://www.microlinks.org/.](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; and
- 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 in order 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 to manage their resources.

3. Briefly explain the way in which 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; and*
- *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; and*
- *Evaluate the effects of these changes on smallholder farmers and on the business itself.*

Total: 20 marks

Summative assessment: Unit 3

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:

- *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; and*
- *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; and*
- *LINK method.*

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

Answer:

Value Links, which was developed by GIZ, 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 in which 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 use by 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

Answer the following questions after you worked through the learning content.

	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

Answer: Learner's own answer.