



Food and Agriculture
Organization of the
United Nations

Making extension and advisory services market-oriented

©FAO/Noz In Kalandarov

Why should extension and advisory services be “market-oriented”?

Food production and consumption patterns have changed significantly in recent decades. Increased incomes have triggered demand for higher-value food products, while urbanization has led to the expansion of retailing. In the meantime, food supply chains have become ever more integrated and globalized. This has imposed additional constraints on the majority of small-scale and semi-subsistence farmers. The required shift from subsistence farming to more commercially-oriented farming is a slow process and often hampered by weak management and business skills, limited ability to manage risks, the quality, quantity and timing of production, poorly organized producers, lack of capital, poorly developed markets, and the high costs of intermediaries and transactions.

To overcome these challenges, rural producers need support. Pluralism in extension and advisory services (EAS) can facilitate a broader range of services, and play a role in facilitating market linkages, developing the necessary skills, coaching on business and marketing, organizing producers, and brokering relations, as well as fostering agri-entrepreneurship both on-farm and along the agricultural value chain.

Market oriented EAS: supporting producers to “produce to sell” through sustainable market integration!

What does market-oriented extension and advisory services mean in practice?

Market-oriented EAS support rural producers in accessing local, national and international markets and sustainably improving their income and livelihoods, while contributing to overall food security and poverty reduction. This entails:

- Implementing policies, regulatory frameworks, institutional support systems and effective governance to ensure transparency, rules and standards (e.g. food safety), coordination and monitoring, as well as preventing market distortion while managing market-related risks.
- Supporting producers in all aspects of commercialization, from production to marketing through better integration of value chains using a food systems approach.
- Making complementary services available to assist farmers to manage their farms, develop their agro-enterprises, link to input and output markets, and deal with risks. These may include facilitating access to knowledge and information, credit and finance, inputs and technologies, organizational and business development, and post-harvest, value adding and market support.

Making it happen

There is no prescribed order for the actions recommended, as they are often interdependent and simultaneous. Priorities may vary depending on the local context i.e. existing challenges regarding the institutional landscape and functioning of markets.

Developing the capacities of extension and advisory services providers and producers

EAS providers usually lack the capacity to provide market-oriented EAS. Similarly, rural producers lack the capacity to benefit from markets, manage their farms as a business, produce for the market and negotiate with intermediaries. Capacity development is thus needed on both supply and demand side of EASs, to:

- Organize producers: organized producers have increased bargaining power, can reduce transaction costs through bulk input purchases or transport arrangements, articulate their demands and advocate for their needs. Strengthening producer organizations (POs) is a crucial function of EAS. POs and cooperatives often become key players in providing services and connecting to markets.
- Organize and coordinate service providers through multi-stakeholder platforms: collective efforts among multiple EAS actors are crucial in effectively providing market-oriented services. However, EAS providers often work in isolation and are unaware of non-traditional actors providing relevant services: e.g. micro-credit institutes or market actors.
- Investment in skills development for diverse service providers and producers is fundamental. The needs range widely from technical know-how, Information and Communication Technologies (ICT), marketing and business skills, financial literacy, certification schemes, traceability, food safety etc. to networking, negotiation and conflict management. The latter is very important to overcome trust issues common among different actors (e.g. smallholders and intermediaries).
- Monitor, evaluate and learn (MEL): few of the good practices and lessons learned on market-oriented EAS have been captured and shared. A system-wide mechanism must be created to facilitate not only monitoring and evaluation (M&E) but also learning and experience exchange.



Pre-conditions for success

However, while a strategy to strengthen EAS needs to be context-specific, some **pre-conditions** need to be in place to facilitate transition towards market-oriented EAS. This includes a macro-level enabling environment which goes beyond the agricultural sector (trade policies, price stabilizer, tax, subsidies etc.).

Infrastructure related to transport, storage, processing, ICTs, etc.

Existence of credit and micro-credit schemes

Existence of functioning institutions and markets



Example

Empowerment thru Creative Integration (ECI) in Pakistan provided training of trainers and mentorship to local agri-entrepreneurs on market linkages and business-related topics. Common Facilitation Units were established at district level as a business, training and service hub and service providers were paid on a commission basis based on the volume of sales brokered. This model had a localized impact of public and private partnership and enabled smallholder producers to access markets.

Creating an enabling environment for agribusiness and market orientation

An enabling environment for integration of smallholders producers into markets goes far beyond EAS. A much broader context needs to be considered, including policies, market development and emerging trends, changing consumer preferences and investments. Policy framework and institutional arrangements greatly influence service provision to rural producers, and key factors to consider include:

- Changing the orientation of services and integrating market dimension systemically and at different levels. This might entail reforming existing EAS systems and engaging with different actors, rather than adjusting parts of the current system.
- Facilitating innovation processes through multi-stakeholder platforms, with EAS providers as brokers. Innovation is not only about new technologies but also processes, business models, forms of collaboration and organization to access markets and other services.
- Introducing smart policies as well as legal and regulatory frameworks designed to facilitate market orientation with clear support mechanisms for smallholders (e.g. taxes, subsidies, access to credit, strengthening POs and collective action).
- Improving the business environment: incentivizing enterprise formalization and simplifying registration procedures for micro, small and medium enterprises both on the producers' and providers' side and increasing efficiency through digitalization.
- Investing smartly: public investment is key to creating incentives for non-state actors and initiating steps towards pluralistic market-oriented business models. Evidence-based decisions need to be made on how and where to invest without distorting the markets with unsustainable subsidies.
- Creating incentives for private investments and partnerships. This may be in the form of advice embedded in services, bundled services, contract farming, public-private partnerships etc. Regulatory frameworks must facilitate these arrangements but ensure that no one is left behind.
- Incentivizing private providers to broaden their client base and service the poor and more vulnerable. Mechanisms are needed to ensure that the small and poor producers who are unable to pay for private services are covered by other providers and/or targeted programmes. The public sector must provide a regulatory and quality assurance function, as well as ensuring services related to public goods and to the needs of the poor.
- Rethinking the role of public EAS providers – going beyond farm production – advocating and strengthening EAS for market oriented services, by providing credible guidance to make changes, linking it with relevant support services and information (e.g. micro finance, market and price info, legal services). Establish mechanisms to work effectively with private sector cooperatives and POs, and integrate smallholders into markets in a sustainable way.



Remember!

- > Market-oriented EAS require safeguards to prevent partial advice, conflicting messages and possible negative impacts such as price volatility or the use of environmentally unsustainable practices (like intensive use of pesticides). This can happen if producers are driven to follow short-term market trends and start to neglect long-term food security and environmental sustainability.
- > Public market-oriented EAS should become facilitators of information and brokers of linkages, neutral arbitrators with a regulatory role. It is important that public extension does not disperse its resources to compete with private and other non-public service providers.
- > Private investment also includes payment for EAS from private consultants, through PO membership fees, and advice embedded in the transaction of goods (e.g. fertilizers, machinery) or bundled with other services (e.g. credit and finance). While some, including smallholders, might be willing to pay for quality advice, this should not be overestimated. Even if clients' participation in costs is an important funding source of EAS, access to services by the poor needs to be ensured, e.g. through vouchers, targeted support to small-scale farmer groups and strengthening POs in service provision.



Example

In 2017 in Uganda, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) launched the *Guidelines, Standards, Code of Ethics and Process for Registration and Accreditation of Extension Service Providers*. It makes 'market-oriented EAS based on local, regional and international market demands' explicit, as well as MAAIF's role to 'promote agribusiness services, enterprise development and agricultural value chain development in close collaboration with the private sector'.

Making services more market-oriented

Market-oriented farming and services means actors working together to increase productivity and profitability by managing farming as a business, linking to markets and acting collectively. This entails:

- Differentiating strategies and services among target groups to foster agri-entrepreneurship and improve access to local, domestic and international markets, and match producers with markets. Explore options such as niche markets, local markets, public purchase for aid or schools, outgrowing etc. that are inclusive to youth, women and other disadvantaged groups.
- Providing bundled services: market-oriented EAS requires diverse services to simultaneously generate timely information on market, price, weather, finance and other services needed along the value chain. Business service centres, community-run kiosks, farmer business schools, value chain platforms, association of providers, POs and cooperatives can be very helpful.
- Using ICT to provide timely and accurate information. New technologies such as blockchains can also improve transparency and traceability along value chains. However, ICT and digital services need to be affordable and accessible for the poor and those in remote locations, and relevant to their needs. Investment in developing the capacities of producers as well as service providers and bridging digital and literacy gaps is critical to making this a success.
- Reducing risks for producers: smallholders are often perceived as risk-averse because of their extremely vulnerable position, leaving them more exposed in the context of fluctuations and volatility of market prices. EAS providers could help them manage these risks and take advantage of new opportunities (e.g. by organizing them, providing timely weather and price information, providing skills for risk assessment and planning, linking to risk reduction and insurance schemes).
- Produce to sell: Market visits and fairs facilitate partnerships between producers and market actors and to understand better market demands, quality and contractual requirements.

Useful resources

Blum, M.L., Cofini, F. & Sulaiman, R.V. 2020. *Agricultural extension in transition worldwide: Policies and strategies for reform*. Rome.

Chipeta, S., Christoplos, I. & Katz, E. 2008. *Common Framework on Market-oriented Agricultural Advisory Services*. Neuchatel Group.

FAO. 2017. *Pluralistic Service Systems Market-oriented services for reducing rural poverty. Conceptual Framework*.

FAO. 2018. *Sustainable Food Value Chains Knowledge Platform; Developing Gender-Sensitive Value Chains. Guidelines for Practitioners*.

Kahan, D. 2011. *Market-oriented advisory services in Asia - a review and lessons learned*. FAO.



Some rights reserved. This work is available under a CC BY-NC-SA 3.0 IGO licence



Remember!

- > Policy-makers and investors (and the majority of service providers) often concentrate on producers with commercial potential and capacity. This may marginalize the poor and increase inequality, as formal market requirements may crowd out smallholders.
- > Women have more difficulty accessing services and markets. Market-related activities and cash crops are often male-dominated and women can be deprived of guidance. Public sector extension thus needs to ensure relevant support for women not only in food production for domestic consumption, but also in commercial activities and participation in POs and cooperatives.



Example

In Malawi, the **FAO project**, funded by the Government of Flanders on **marketing capacity building for smallholder farmers** uses farmer field schools (FFS) and Farm Business School (FBS), with tailored modules and hands-on coaching to build the capacity of smallholder farmers and POs. FFS Networks play a critical role in providing post-harvest and marketing services such as bulking, grading, bagging, storage, value addition, market information and interface with potential players in the value chain. The key game changers are the annual market symposia which bring together farmers, POs and other value chain players to acquire deeper understanding of the market, its actors, timing of demands, quality standards, transaction costs and contractual arrangements for more predictable and sustainable business ventures. The resulting trust has helped partnerships evolve organically, with significant volume of commodities traded, generating income for the community and leading to an improvement in livelihoods.

This brief was prepared by **FAO's Research and Extension Unit** and **Inclusive Rural Transformation and Gender Equity Division**, with contributions from **David Kahan** and **James Okoth** (FAO Malawi).

Contacts

Research and Extension Unit
OINR-Chief@fao.org
www.fao.org/research-and-extension

Food and Agriculture Organization of the United Nations
Rome, Italy