

Strengthening business linkages: value chain development

The Proposition

Farmers will benefit from initiatives to strengthen business linkages in agricultural value chains only if the value chains are competitive. Therefore, governments and NGOs must not look at value chains exclusively from the perspective of the farmer.

Rationale and recommended response

During the past five years, many business linkage and value chain programmes have been launched by governments, international agencies, and NGOs. The main purpose of most of these programmes has been to assist small-scale farmers to participate in the changing agricultural markets. Interventions have focused mainly on improving the managerial and technical capabilities of farmers and their organizations, increasing farm-level value addition and facilitating dialogue between farmers and other value chain stakeholders. Relatively less attention has been given to strengthening linkages among small and large businesses, or to other interventions that might improve overall competitiveness of the value chains. As a consequence of public sector preoccupation with farmers' problems, business linkage and value chain programs have not in many cases helped to ensure the sustainability and viability of the value chains.

Agribusiness managers and entrepreneurs have also been increasing the attention that they give to strengthening value chains. These managers and entrepreneurs generally understand market realities and chain requirements for being competitive, and focus their efforts on strengthening linkages throughout the value chain, upgrading technologies, improving trust, and reducing risks. Nevertheless, value chain development cannot in all cases be left to the private sector. Because agribusiness firms often face high costs and risks when setting up linkages with smaller scale farmers, these firms have a market incentive to work with larger farmers and to reduce the value addition passed back to farmers.

Public policy should be to increase farmers' benefits from stronger business linkages and value chains while also reinforcing the sustainability and viability of value chains. The public sector, international agencies, and NGOs can help achieve "win-win" outcomes from private and public

initiatives to strengthen business linkages and value chains by (i) assisting farmers to meet the "specificity requirements" of the business linkage, (ii) building the flexibility of farmers to respond to business opportunities in other (related) value chains (iii) absorbing some of the transaction costs and risks faced by agribusiness firms in building the business linkage with smallholders, and (iv) resolving policy-related constraints on business linkages and value chain competitiveness faced by all chain stakeholders.

Focus of the debate

- 1 Is too much attention being given to farmers' needs and priorities rather than to meeting the competitive challenges confronting agribusiness value chains?
- 2 When building linkages, what do private sector firms do that is different from what the public sector, international agencies and non-profit organizations do?
- 3 What is the role of the public sector and non-profit organizations in building linkages?
- 4 How might the public sector better cooperate with the private sector to build necessary linkages and competitive value chains?
- 5 What is the best way to build linkages without undermining markets and commercial viability?
- 6 Should public sector support include subsidies or other financial incentives for the private sector?



Photo: ©FAO/L. Dematteis

Roundtable Proposition 4

Simon Winter is TechnoServe's Senior Vice President of Development responsible for leading and managing strategy for expanding its geographic impact. He is also responsible for new programs and for ensuring consistency of strategic vision between country, division, and corporate strategies while leading the new business process for public, corporate, individual and foundation fundraising and strategic partnerships. Previously he was VP and African TechnoServe's Regional Director Africa that helps entrepreneurs build rural based businesses. Mr Simon has worked as a management consultant with McKinsey and Company in their Johannesburg office and co-led the firm's international development practice and has worked in the public sector in Botswana, as a development consultant in Southern Africa, and in banking in the UK, Cote d'Ivoire and Australia. Mr. Simon holds a PhD in development economics.



Sylvia Blanchet is the co-founder of ForesTrade Inc, Brattleboro, a wholesale organic spice and Fair Trade coffee company that has been a pioneer in merging for-profit business with sustainable development. The company is the world's largest supplier of organic spices and provides 10% of the Fair Trade coffee into the U.S. It received the prestigious World Business Summit Award for Sustainable Business Partnerships in 2002 at the Johannesburg World Summit. She is a member of the Social Venture Network and serves on the Board of the Vermont Businesses for Social Responsibility and the American Spice Trade Association. A particular interest for her is how a business can support sustainable development through its supply chain management. She has been involved in the field of organic agriculture and sustainable development for 30 years and a business owner for 10 years.



Jorge Brenes Abdalah is Executive Director of the Nicaraguan Producers and Exporters Association, (APEN). This institution is the leading voice and institution for agribusiness in the country, especially for rural small and medium companies. APEN has a particular specialization in providing cold storage and transportation services to their members in order to guarantee the quality of produces and to facilitate international trade. The APEN projects that Mr. Brenes manages all use a value chain perspective. Handcrafts, furniture, processed food, beef and vegetables are the main sectors where APEN is working. Brenes has strengthened or developed relationships for cooperation with the InterAmerican Development Bank, USAID, Denmark, United Kingdom, Netherlands, Taiwan and Japan. Mr Brenes has a Master's degree in Agricultural Economics and Agribusiness and has accumulated significant experience with multinational companies in dairy plants, rice and fruits processing, and international marketing.



Likando Mukumbuta is an agricultural economist with over 19 years working experience in policy analysis, project management, small holder commercialization and investment financing. Currently Mr. Mukumbuta is CEO of the Zambia Agribusiness Technical Assistance Centre (ZATAC) Limited. Recently his work has involved designing and implementing smallholder commercialization programmes as well as hands on market development and market linkages work, especially for high value agricultural commodities. He is also involved in the implementation of an investment fund, involving the appraisal, approval and backstopping of agribusiness investment projects. Prior to ZATAC, Mr. Mukumbuta worked as Program Economist for the USAID/Zambia Mission for five years, with sustained recognition for outstanding performance by USAID.



Moderator: Doyle Baker is Chief of FAO's Agricultural Management, Marketing and Finance Service. This Service conducts appraisals, develops guidelines and provides advisory support relating to agribusiness, farm management, agricultural marketing and rural finance. His current interests include farm commercialization, policies and institutions to support agribusiness and agro-industries development, and public-private cooperation in agricultural value chain projects. Prior to joining FAO in 1997, he spent 15 years in Africa conducting on-farm research and managing research programs including at the International Institute of Tropical Agriculture. He has a PhD in agricultural economics from Michigan State University.

