

Regoverning Markets

Small-scale producers in modern agrifood markets

Inclusive Business in Agrifood Markets: Evidence and Action

**A report based on proceedings of an
international conference held in Beijing**

March 5–6, 2008

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Compiled by

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DFID Department for International Development

IDRC International Development Research Centre
CRDI Centre de recherches pour le développement international

 Canadian International Development Agency
Agence canadienne de développement international
Canada

 Buitenlandse Zaken
**Ontwikkelings
samenwerking**

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1 | Background to the international conference

Over 130 world leaders from 31 countries, representing farming, policy, agrifood business, research and civil society met in Beijing, People's Republic of China, to assess how modernization of the food system can include and benefit small-scale farmers.

The international conference sought to answer the following questions:

- Can the new food giants, including supermarkets and food companies be partners in the economic growth of rural areas?
- Can small-scale farmers meet the high expectations for food quantity, quality and safety?
- Can policy help to make successful market linkages between business and small-scale farming?

This international conference, which was jointly hosted by the Center for Chinese Agricultural Policy (CCAP), the Office of Agricultural Vertical Integration, Chinese Ministry of Agriculture, and the Regoverning Markets programme, was something of a first. It was the first time that representatives from the public sector, the private sector, farmers' organizations, academia, civil society and the media have met to share evidence and develop ideas for action in this topic. It was a unique opportunity to take advantage of this diversity of perspectives to forge new understandings, ask new questions, begin new partnerships, and craft new answers and courses of action.

Providing insights to the challenges facing small-scale producers in restructured domestic and regional markets, based on evidence rather than anecdote, is a big step towards policies that can anticipate rather than run behind change; if we understand the process, we can design policies to shape the way it develops. The conference thus provided an opportunity for sharing insights, especially between countries at different levels of restructuring, while appreciating that there will be no one silver bullet.

It is not a coincidence that China was the host country for this international conference. China exemplifies well the opportunities and the challenges faced by small-scale producers and businesses in a context of rapid and deep restructuring of agrifood markets.

There were three parts to the conference. On Day 1 the participants visited the Beijing Xinfadi Wholesale Market, one of the world's largest wholesale markets with daily trading in some 2 million tonnes of fruit and vegetables. This was followed by a visit to a modern retail store: the Huixin supermarket of Wu-Mart Stores, Inc, one of China's biggest grocery chains. There was also a question and answer session on produce marketing in China, with Wu-Mart managers, their suppliers, and leaders from national and municipal policy. On Day 2, delegates were presented with global evidence, some of which came from the work of the Regoverning Markets programme. On Day 3, the focus was more on action, with the opportunity to discuss what each stake in agrifood – business, public policy and producers – can do in the future to promote opportunities for small-scale agricultural producers and small- and medium-scale rural entrepreneurs in this demanding new world of dynamic agrifood markets. There were special sessions on India, China and on the former centrally planned economies of Central and Eastern Europe.

The conference was an opportunity to communicate findings from the Regoverning Markets programme, summarized in briefing papers and syntheses of empirical and case study work, but powerfully supplemented with other information from the delegates. It was also an opportunity to test the appropriateness of the programme's findings and to develop a common agenda for business, policy makers, farmers and researchers.

The Regoverning Markets programme represents a global consortium of 15 institutions worldwide, coordinated by the International Institute for Environment and Development (IIED). The consortium carried

out state-of-the-art empirical research, commissioned case studies of innovative practice and conducted policy consultation processes, all of which involved dozens of partners. Over 40 case examples with a global coverage have been documented on connecting small-scale producers with modern markets. Thirty of these case studies, conducted by national institutions including through a competitive grants programme, focused on innovations by chain actors that support greater inclusion of small-scale producers at domestic or regional levels. "Innovation" refers to the actions and policies of private companies, public institutions, farmer organizations or non-governmental organizations that resulted in enhanced market participation of small-scale producers.

This report is built on briefing papers, presentations, posters and discussions (in plenary and working groups) from that conference. It seeks to capture key points and is not intended as an exact or chronological record of the proceedings. The full presentations, posters and records of plenary and working group discussions are available at www.regoverningmarkets.org/global/beijing_conference_2008.html.

2 | Why market inclusion of small-scale farmers?

Agrifood markets are in an unprecedented state of flux, and are generating intense policy debate worldwide. Market liberalization, foreign direct investment, a reduced role for the state and a shift towards market-driven policy, changes in consumer preferences and purchasing power, urbanization and the modernization of food processing and retailing are primary drivers. On a global scale, the conference took place after the point when a 40-year decline in food prices went into reverse, providing a vivid backdrop to the conference. Growing concern about food prices and the rapid increase in oil prices are prompting new questions about agricultural productivity and reliance on trade for domestic food security.

Emerging markets have become increasingly attractive for the major grocery retailers, wholesalers, food manufacturers and food service companies. Domestic markets are undergoing rapid but uneven modernization, with large supermarket chains and branded manufacturers growing alongside the informal market. The international supermarket chain Carrefour reports that two-thirds of its acquisition capital expenditure since 2005 has been spent in emerging markets. In the conference host country, China, supermarkets have increased in number from one in 1990 to over 53,000 today. Similarly in India, another major emerging market, growth is also very rapid. The consumption profile of urban India and rural India is undergoing a significant change where agricultural productivity has not been able to keep pace with the requirements in the economy. The Indian urban population is projected to exceed 500 million by 2025.

In his opening address to the conference, the Vice Minister of Agriculture of the People's Republic of China, **Chaoan Wei**, explained how Chinese agriculture, which has succeeded in generating rapid growth and balancing supply and demand from a huge smallholder base – 240 million farm households, with most holdings less than half a hectare – is now faced with the serious challenge of achieving scale and value-added, to link smallholders to modern markets. Notwithstanding a strong

policy push for support to vertical integration organizations, he called for frank and in-depth discussions on how this can be achieved and secured for the future.



"In the past more than half a century, with the deepening of the market-oriented reform of the world economies, trade liberalization and global economic integration, agrifood markets and supply chain structures have been changing

globally in unprecedented ways. It has now only taken emerging economies ten years to carry out agrifood market restructuring. However, small-scale farms, which support the livelihood of the majority of the poor in the world, are not well prepared for these changes. While the rapid changes in agrifood market chains bring great opportunities for agricultural development, they also raise great challenges for thousands and thousands of small farmers. Without appropriate actions, it is likely that these small farms will be marginalized and excluded from the expansions of both domestic and international markets, which has attracted global attention."

Chaoan Wei, Vice Minister, Ministry of Agriculture, PR China, Opening address

Jiayang Li, Vice President of the Chinese Academy of Sciences, echoed the fact that, although there have been great achievements in rural development since the adoption of the agricultural policy reforms in the late 1970s, not all farmers can participate to the same extent. Thus an important challenge is to improve organization and active participation of small-scale producers in modern markets.

The need for an informed policy was taken up by **Ashraf Hayat**, Additional Secretary at the Ministry of Commerce in Pakistan. He described how his country has undergone policy reform and liberalization over the past 20 years, which had raised concerns that modernization of the food system may have marginalized some parts of the rural economy.



"In the last 15–20 years, we have opened up our markets and liberalized the economy. Concomitant to that is the inevitability of modernization of agricultural food market systems which means that there is the concern about leaving out a

section of the producing population... The development and the integration of the rural communities in Pakistan's economic growth is really key to our national objectives and priorities because for us the two most important objectives of the country are poverty alleviation and social stability. Therefore this conference has direct relevance to our national agenda... We look to learn and to integrate ideas into our national plan."

Ashraf Hayat, Additional Secretary,
Ministry of Commerce, Pakistan

In South Africa, agriculture is faced with the huge challenge of creating 6 million jobs in the next ten years, halving poverty and achieving a 6 per cent economic growth. **Tshililo Ramabulana**, Chief Executive of the National Agricultural Marketing Council, set out the questions confronting countries like South Africa:

- What are the appropriate institutional arrangements to prevent the continued marginalization of small-scale farmers?
- How does one increase farmer capacity and decide who should be selected to benefit from assistance?
- Five million hectares of white-owned agricultural land will have been distributed to 10,000 new agricultural producers by March 2009. How will these new farmers find a market?

- Where in the supply chain do you need to assist players to improve performance?
- How can policy makers be assisted in adopting the best strategies and to utilize their resources in the most efficient way to meet specific goals?

In setting the context for the conference, **Bill Vorley** of IIED, the Regoverning Markets programme manager, pointed participants to the latest 2008 World Development Report (WDR2008). According to this report, 1.5 billion of the world's 1.9 billion rural poor live in "transforming" countries, where agriculture contributes less to growth, yet poverty remains overwhelmingly rural.

In China and India – the two most populous "transforming" countries – between 43 and 60 per cent of the workforce are engaged in agriculture, over 640 million people in all. Even in countries such as Thailand, Turkey and Morocco, 40–50 per cent of the workforce is involved in agriculture, and in Romania and Honduras agriculture still accounts for a third of employment. The development of a modern agrifood market and its restructuring process in a country such as Indonesia, which proceeded rapidly after the liberalization of foreign investment in 1988, may not be matched by local production capacity. Local farmers can lose the opportunity to be a part of the restructured agrifood system.

Another 280 million of the world's 1.9 billion rural poor live in "agriculture-based" countries of which most are in sub-Saharan Africa. In these countries agriculture still contributes significantly to growth, and according to the WDR the key policy challenge is to help agriculture play its role as an engine of growth and poverty reduction. The RuralStruc

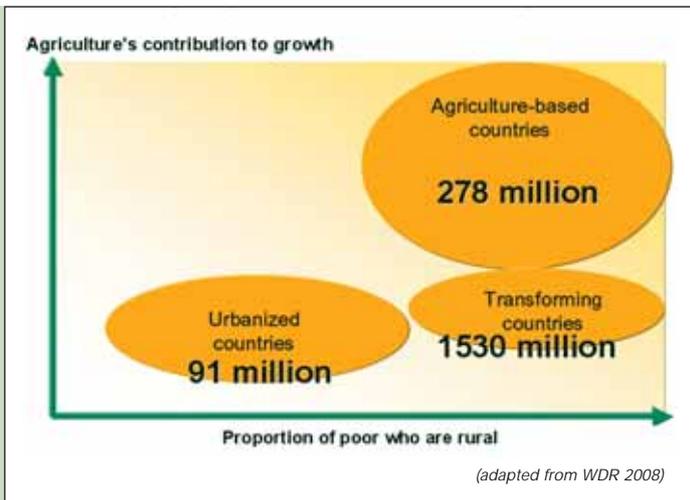


Photo: Matt Logelin



Photo: Planet Retail

Growing side-by-side: traditional and modern fresh produce retail in India



Where are the rural poor? Agriculture's three worlds

The World Development Report 2008 paints a picture of a rising urban-rural income gap in transforming countries, accompanied by unfulfilled expectations which create political tensions. Those political tensions are especially visible in India, but have also bubbled to the surface in recent years in SE Asia and CE Europe. Growth in agriculture and the rural non-farm economy is needed to reduce rural poverty and narrow the urban-rural divide. The WDR2008 calls for action in response to the modernization of procurement systems in integrated, modern supply chains, whereby small-scale producers can share in these growth opportunities. The work of the Regoverning Markets programme responds directly to this challenge.

programme, a multi-donor initiative hosted by the World Bank and represented at the conference, is addressing the stark reality that during the next two decades, in a medium sized sub-Saharan African country, the yearly cohort of young people looking for employment activities will be around 200,000 to 300,000 (15 million for the entire sub-continent) yet the potential for jobs outside agriculture is limited. What happens within the agricultural sector will significantly influence the country's future and the dynamics of regional and international migration.

There are multiple policy challenges in agriculture-based countries in ensuring that agricultural growth and agribusiness can play its part. In Uganda, **Peter Ngategize**, National Coordinator of the Competitiveness and Investment Climate Secretariat of the Ugandan Ministry of Finance, Planning and Economic Development, reported multiple interlinked constraints. At farm level (small farm holdings, low technology base, poor planting and stock material, inadequate farm level handling

facilities); inadequate market standards infrastructure; increasing exports standards requirements; and high cost of borrowing.

Producers and small and medium-sized enterprises (SMEs) also face competition from high quality low price imports, ushered in by structural adjustment and demands of WTO membership. There is a close link between chain modernization and liberalization; supermarket chains, in particular the multinationals, are important importers of foods.

Even in urbanized countries, where the WDR put the figure of urban poor at 91 million, there are still huge challenges from agrifood market restructuring. **Csaba Csáki** of Corvinus University in Hungary described the situation in Central and Eastern Europe, where almost 30 million small farms were created by privatization. Most of these small-scale farmers are new farmers, whose lack of assets is reflected in the limited competitiveness of the region.

The small-scale farmer issue is relevant not only for agriculture but to other sectors of the society which are likewise fragile and risk exclusion as changes occur for which they are not prepared.

Nevertheless, market modernization offers increased economic opportunities for small-scale producers and SMEs, consumers, and other actors in the food chain. New buyers in the countryside are competing for farmers' produce. But there are also risks of domestic businesses being bypassed and of costly market entry requirements which favour the better-resourced. Small-scale producers often have trouble exploiting the new opportunities because of an absence of economies of scale, limited access to critical assets, high transaction costs, and limited negotiating power.

It should come as no surprise that the modernization of the agrifood sector has been accompanied by intense policy debate, especially in India, where local traders – but also farmers – feel a threat to their livelihoods from the growth of modern organized retail. The food industry is assessing its "realm of responsibility" in the supply chain; producer organizations are debating appropriate responses and strategies; governments are devising new forms of market governance to promote private sector investments while ensuring social inclusion; public and private sector organizations are joining forces in novel alliances; and donors are revisiting their

support to agriculture in the context of the Millennium Development Goals (MDGs). If the MDGs are to even be partially met by 2015, then agriculture and SME development in transforming as well as agriculture-based countries must deliver equitable growth. Market modernization and restructuring challenges the expectation of a growth and equity “win-win” derived from agricultural development.

Disproportionate attention has been paid to export markets, despite the far greater importance of the domestic market for the majority of small-scale farmers. Plenty of attention has also been applied to public policy, even though the levers wielded by the state in food and agriculture markets have been steadily weakening. Not enough consideration has been paid to the role of the private sector, especially “downstream” buyers of farm products but also the food processors and retailers as partners in inclusive rural development.

3 | What is inclusive business?

The way in which agrifood business creates and captures value within a market network of producers, suppliers and consumers – in other words its business model – is based on high standards for safety and quality. A number of presenters introduced the trends of competitive dynamics in agrifood markets, driven by a need for quality, as well as a reduction in risks and transaction costs. The supply chain and its coordination is therefore a vitally important source of competitive advantage to food retailers and manufacturers. Suppliers must be ready to provide consistent quantity and continuity of supply, traceability and bookkeeping, sound packaging and bar coding.

Development is not the primary purpose of for-profit business. But the business model has potentially such fundamental implications – both positive and negative – for the position of small-scale farmers and suppliers that the challenge of “inclusive business” is rising up the development agenda. Transferring prevailing business models from urbanized countries, where less than two per cent of the workforce may be engaged in agriculture, to transforming and agriculture-based economies, overlooks the huge differences in the structure of the economies, and thus the challenge that it poses to the business model.

Agrifood investors in these transforming and agriculture-based countries – processors, retailers and intermediaries – need a strategy of involving rural people, including the small-scale farmers, to be partners in national development. The role of business as a partner in development has been actively debated, especially as a result of the World Summit on Sustainable Development (WSSD) in 2002. This has since been taken up by the World Business Council for Sustainable Development (WBCSD) and by a number of UN agencies. But the contemporary Corporate Responsibility agenda, with its emphasis on supplier standards for environment, worker welfare and community relations, has generally been poor at addressing issues of market inclusion of primary producers.

The big question then is how to make inclusive market development work for mainstream business, as well as meeting the MDGs. **Tshililo Ramabulana** reported that South Africa has a low engagement level between agribusiness/retailers and small-scale farmers, because of perceived higher levels of transaction costs incurred by agribusiness when they engage small-scale farmers as suppliers. However **Kushal Pal Singh** of the International Federation of Agricultural Producers (IFAP) warned against bypassing the majority of farmers.



“‘Inclusive business’ is highly appropriate because if private business or the government business in agrifoods could stick to the spirit of inclusivity then all the problems of India and the world at large in poverty alleviation, in rural development, and in sustainable development problems in terms of greenhouse gases will be resolved.

“The definition of inclusiveness according to a farmer is when you have taken care of the legitimate interests of all stakeholders: the farmers, the consumers, your own shareholders in the private company and the society at large. If the agrifood business can bring about harmony and maybe resonance in reconciling these three or four mutually conflicting interests, I think the agrifood business/ private sector would have done a great job...

“Private business should not be seen to be exploitative because India is a viable democracy and even now two thirds of our population is in the rural sector – the farmers. So a private business should not be seen to be exploitive in their own interests because if they want to have a long term business success they should be seen as genuine friends of the people and of the society. If farmers agitate against you no government can afford to ignore their protest and the rough and tumble of Indian politics at the ground level ...come into play to the mutual destruction of all players.”

Kushal Pal Singh, Vice President, National Institute of Agriculture, India and Asia Representative of the International Federation of Agricultural Producers (IFAP)

The business case for corporate engagement in rural development described by Kushal Singh is primarily one of community goodwill. His implication was that the political importance of supporting national development goals cannot be understated within the context of a company's "licence to operate", and not just the debates such as those currently raging around liberalization of retail FDI in India, or in the quest for black economic empowerment in South Africa. A policy backlash against organized domestic or foreign-owned retail is possible anywhere, and can translate into restrictive legislation.

Yet there are other parts to the business case for working with small-scale producers, as presented by **Felicity Proctor**, consultant to IIED. First, small-scale producers can have a comparative advantage in terms of quality, innovation, costs and farm management for certain products. This is the case where there is a scarcity of alternative suppliers either due to the characteristics of the product (seasonality, labour requirements, locality), a shortage of land for large-scale domestic or own-business production, or a lack of a medium-large scale supply base (for example the dairy sector in India or Poland). Where demand is called for in more remote areas away from main distribution channels, then there can be an even stronger business case for linking with small-scale producers and SMEs.

Securing supply is especially important in the current tightness in global supply which is shifting the market from a buyer's to a seller's market. Retail buyers and processors may also seek to work around markets where large traders have a hold. This was the situation in Pakistan where a milk processor, Haleeb Foods Limited, worked around the large and well established milk traders and secured a small farmer supply base.

Small-scale producers are themselves a new business opportunity. In India, now that retailers can buy direct from farmers rather than operate through the government-controlled Agricultural Produce Marketing Committee (APMC) markets, new models of rural retail are emerging – such as the Hariyali Kisaan Bazaar which combines a "bottom of the pyramid" approach to both the input and output sides of the farm-to-consumer value chain. This is an extension of the approach advocated by Prahalad and Hart (2002)¹ which argues that corporations can make considerable profits by designing new business models and products to target the 4 billion poorest people who make up the base of the economic pyramid.

Small-scale and artisanal producers are also sources of produce for niche markets for alternative trade.

1 Prahalad C.K. and Stuart L. Hart (2002). "The Fortune at the Bottom of the Pyramid". *Strategy and Business*, Vol. 26 pp54–67.

4 | Is there evidence of small-scale farmers being excluded from modern markets?

Restructuring and modernization come with requirements for quality, quantity, consistency, and traceability. The large fixed cost element should favour farmers with assets and capacities to access the necessary finance, information, and technology. Is this true? What determines whether farmers are included or excluded from markets in restructured markets? What are the effects of participation in modern markets on incomes and farm technology? Detailed country studies within the Regoverning Markets programme generated evidence from nine chains in eight countries undertaken by national research institutions:

- China, Indonesia, South Africa and Turkey – vegetables
- India and Poland – dairy
- Mexico – strawberry, fresh and processed
- Zambia – red meat and poultry

Cross-cutting analysis of these country studies was presented by **Tom Reardon** of Michigan State University. This analysis shows that, while market structure is changing fast, substantial restructuring downstream at the retail level is not always matched by upstream (farm-level) restructuring. There is uneven restructuring midstream of the chain. Overall land distribution, and the presence of non-land assets (such as irrigation for vegetable producers, or cooling

tanks for dairy farms) are factors that can make a huge difference in whether modernization of food retail and processing leads to a big impact in the countryside.

In countries with a dualistic farm structure such as South Africa and Zambia, buyers seek out large suppliers and also seek out areas that are already favoured by agribusiness, for example those already engaged in export production. Where supply is dominated by small farms, then buyers show more willingness to include them.

In vegetable production in China, land structure is dominated by small farms with little variation in non-land assets among the farmers. At the same time the wholesale markets are evolving and improving in order to keep trading with supermarkets. **Liangui Huang** of the Office of Agricultural Vertical Integration, Ministry of Agriculture and **Jikun Huang**, Center for Chinese Agricultural Policy, reported that the rapid restructuring of downstream retail markets in China and the gradual evolution of midstream wholesale markets and food processing have yet to penetrate into the realm of changed farm-gate procurement and marketing. Although markets at all levels are competitive, in a small farm dominated system. They foresee great challenges to transform the system into one that is modern, vertically integrated and able to meet the nation's increasing demand for safe, traceable and reliable food.



Photos: Regoverning Markets

Researching the chains in the Regoverning Markets programme: Shandong, China; Limpopo, South Africa, and Bangladesh



"Several key policies flow directly from the findings for inclusion. First exclusion is least where land is most equally distributed over farmers ... so to minimize this exclusion, land policies promoting this equality are needed. Second, to help many

small farmers strategically position themselves for modern channels, policies should promote collective marketing in producer organizations. Third, a key finding was the widespread importance of productive non-land assets for small farms to be included – that threshold investments and thus policies that promote access to these are crucial. Fourth, a key finding is the importance of competitive developed wholesale markets to maximize inclusion of small farms. Fifth, food safety is and will be a challenge in small farmer dominated systems in the midst of restructuring food markets ... policy makers should keep careful watch that regulations to promote these standards are also combined with increasing and assuring the feasibility of the application amongst small farmers."

Tom Reardon, Michigan State University

Scott Rozelle of Stanford University and CCAP stressed the importance of getting the evidence right before designing policies in support of small-scale farmers. Presenting empirical evidence from the Chinese fruit and vegetable sector, Scott Rozelle further elaborated on the system still dominated by small-scale farms, 15 years into the retail revolution, with little or no sign of exclusion in the countryside. Brokering and wholesale in the fruit and vegetable markets is however a dynamic trade that connects 50 million small-scale farmers with both traditional and modern markets via some five million small-scale traders.

There is also evidence that horticultural crops are being increasingly grown by poor farmers in relatively remote communities. The vast majority of this latter group of farmers are neither organized nor vertically integrated into the market. Supermarkets do not procure directly because of this lack of marketing organization in the countryside and because the wholesale markets have to date been dynamic in responding to supermarkets' demands.

This highly competitive market works well for consumers in terms of price, but Scott Rozelle also noted that it cannot necessarily respond to demands for safer food. How can China fully make the transfer to an integrated system with safer, more reliable food without losing the inherently pro-poor characteristics of the Chinese market? What is needed are catalysts for farmers to organize, with better access to capital and the ability to access more of the supply chain, both to gain better returns to marketing and to meet future requirements.



Photo: Scott Rozelle

"Fifty million farmers all individuals, selling to five million traders and almost all on their own, one farmer versus millions around them. ... [fruit and vegetables] used to be produced near the city are now produced further and further away... This used to be done by rich farmers who are moving away, now replaced by poorer and remote farmers... We interviewed thousands of farmers, not one farmer had credit from their supplier... Prices were determined by contracts zero times... everything is done on a spot market basis. So the question is... is it good or bad for poor small farmers? Is it good or bad for consumers and what can policy makers do?"

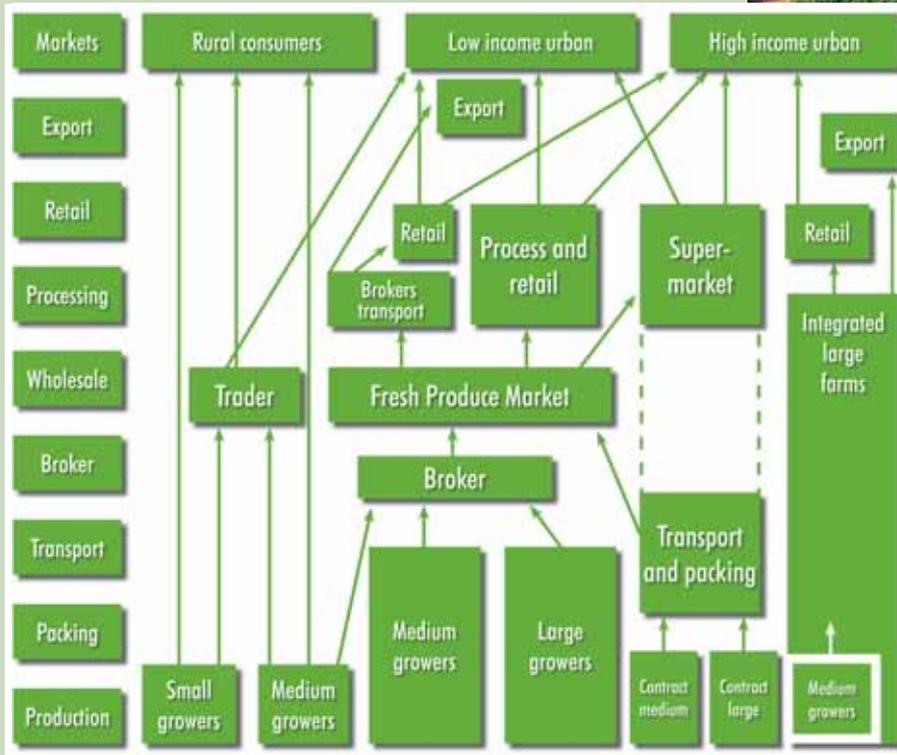
Scott Rozelle, Stanford University,
USA and CCAP, Beijing

In contrast to China, most small-scale tomato farmers in the dualistic farm structure of South Africa supply the informal markets and fresh produce markets, which are reasonably lucrative. A poster by **Andre Louw**, **Davison Chikuzunga** and **Leah Ndanga** of the University of Pretoria showed how more than 80 per cent of small-scale tomato farmers sell their produce to hawkers (informal traders) and

less than 20 per cent supply to formal markets which include agriprocessors or supermarkets. Location, education, farm size, access to greenhouses, collective action, and marketing strategies determine smallholder farmers' market channel choices. Thus, to date, the supermarkets in South Africa are mostly supplied by large-scale farmers.



Photo: Davison Chikazunga



Poster:
Smallholder farmers' participation in restructuring food markets: the case of the tomato subsector in South Africa (Andre Louw, Davison Chikuzunga and Leah Ndanga)

5 | What makes for successful linkages between small-scale farmers and emerging modern markets?

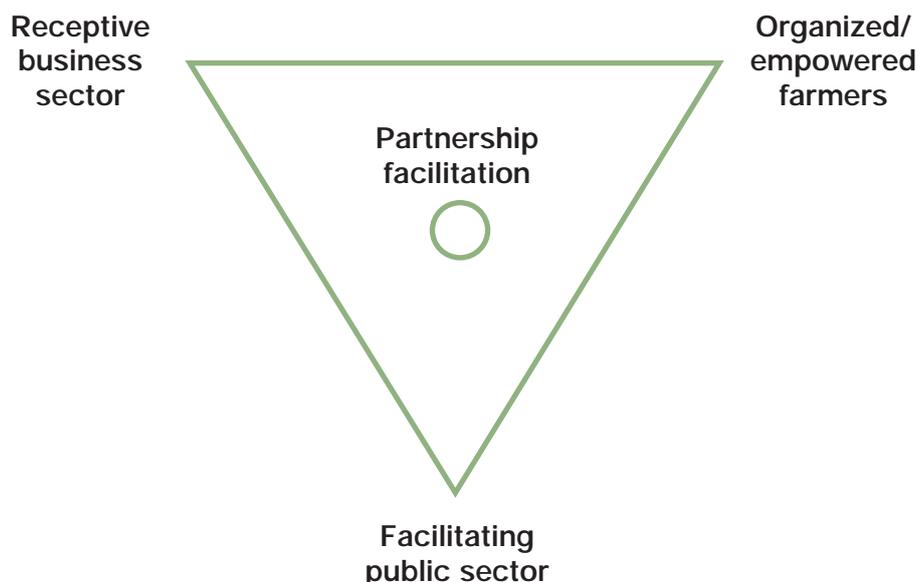
Lucian Peppelenbos from the Royal Tropical Institute (KIT) in the Netherlands outlined some evidence from the Regoverning Markets programme of the key success factors in linking small-scale farmers with emerging markets. This begins with the need for some kind of internal or external driver sometimes including political or social pressures.

The key success factors are: farmers who are trained, organized, empowered to deliver quantity and quality in a consistent and cost efficient way; a public sector with a conducive business environment including infrastructure, contract enforcement mechanisms, financial intermediation; and a receptive business sector. In between these different sectors there needs to be partnership facilitation. This does not always have to be a third party; it can be a chain champion but there needs to be somebody in or outside the value chain who

facilitates and bridges the worlds of farmers and of business. All these elements need to be present. If some of these elements are missing then the business case will hit an early growth limit, and the sustainability of the market linkage may be jeopardized.

Each of these success factors was discussed in detail in dedicated conference sessions.

Lucian Peppelenbos felt that the field of market linkages is in its infancy and that there are few proven approaches or models and still a lot of work to be done. That said, there are many valuable innovations taking place at the interface of profit and not-for-profit sectors. What is needed are smart public policies to make use of these innovations, and to upscale and replicate them. Also required is a financial sector that takes advantage of these opportunities.



6 | What is the role of the private sector?

The conference presentations by business leaders and the agribusiness working group had a common theme of “new business models”, which are emerging to bring agribusinesses into partnerships with small-scale producers.

New business models

Many agribusiness speakers commented on the high distribution costs of servicing small-scale farmers in rural areas. The big challenge is the fragmented supply base and how to organize production in units that can sensibly be dealt with on a commercial basis.

For retailers, contract farming has some features that can solve current problems, such as how small-scale farmers can deliver sufficient quantity and meet standards for food safety and quality. But there are still some shortcomings to deal with, including how to get more economic benefits to farmers. Other conference participants spoke of the need for contracts to be negotiated properly and collectively including with transparency in margins along the value chain, the need to find ways to ensure that farmers benefit from rising market prices and to help farmers to manage market risks. Contract farming does not remove the need for producer organizations and market intermediaries.

Sanjeev Asthana, President and Chief Executive of Reliance Retail Ltd., felt that given the fundamental tenets of contract farming, it is virtually impossible to undertake direct contracting with individual small-scale farmers due to the constraints in legal enforcement of contracts between individual farmers and a firm. The solution lies in contracting with farmer cooperatives or other business entities such as intermediaries that represent farmers. The need for some form of intermediary between the large agribusiness and the small-scale farmer is seen as critical to minimize the unevenness of the relationship. There is a need for business and product traceability within such new business entities.

The share of contract agriculture within Chinese agriculture is still very small. In the question and answer session on produce marketing in China after the conference field trip, **Tao Huai**, Senior Purchasing Manager of Wu-Mart Stores, spoke of the benefits as well as high costs and risks of forging direct relationships between producers and supermarkets.

Anton van Gorp, General Manager of CTA Makro Commercial Co. Ltd in China, reported that the biggest success in supply chain coordination in China has been in milk and meat, where large production companies have been established. Because retail in China is very competitive and barely profitable, and because of weak consumer demand for top class produce, no company will commit the time and costs to integrating backwards, which is extremely expensive. He felt the only chance for success was if farms can increase farm size to at least 20 ha, coupled with investment and training. He echoed the finding that it is physically and organizationally impossible to deal with individual small-scale farmers because of the transaction costs including costs of invoicing, logistics and quality checks. Small-scale farmers are not able to fulfill the required needs of the major retailers. The limited power of supervision authorities on standards and quality means that delivered products do not adhere to standards and required quality.

With regard to business support for farmers, there is a competitive issue to also be considered. If a retailer invests in supporting small-scale farmers and consolidating a supply chain, how can it ensure that competitors are not profiting from it?

Instead of building its own support services, agribusiness can better use collection centres or other intermediaries, which act as platforms and can also provide an anchor to specialized service companies for providing integrated farmer support. These intermediaries can be set up both to procure agricultural produce and retail inputs and farm services.



Conference field trip to Huixin Store of Wu-Mart Stores, Inc.



Supply chain representatives take questions from conference participants, following market visits

"Major production-related concerns for Wu-Mart include meeting standards (as producers do not grade and sort), producer storage capacity, and transportation. Intermediaries therefore provide great advantages in bridging production and supermarkets. But Wu-Mart is now developing direct links between large-scale producers and the supermarket. Wu-Mart is trying to take costs out of the supply chain by procuring directly from farmers. Direct relationships between producers and supermarkets have a high risk for both sides, including maintaining a stable supply and maintaining a reputation with consumers for availability, against very large variation in demand. Promotions can increase sales tenfold."

Tao Huai, Senior Purchasing Manager, Wu-Mart Stores, Inc.

In India, new business models are emerging, with large wholesale distribution companies moving into the market. Reliance Retail and Hariyali Kisaan Bazaar, both part of large domestic conglomerates, are developing new business in India's dynamic retail landscape, including the rural areas which have typically been seen as backwaters.

Rajesh Gupta, President of Hariyali Kisaan Bazaar, stated his company's belief that only commercially sustainable business models will be able to create a long-term impact on the rural economy. The private sector should create multiple revenue streams based on transparent and effective participation in input as well as output value chains. The Hariyali model is seen as an example of a commercially sustainable business venture that triggers inclusive growth. Each Hariyali store has a catchment radius of 20–25 km, comprising about 15–20,000 farming families. They aim to provide producers with "urban amenities in rural areas", easy availability of quality products at "city-like" fair prices, and through IT provide commodity prices and commodity futures, as well as ATM access and weather forecasts. On the procurement side, they create linkages between producers and processors, exporters and retailers.

"The whole idea is that you create a new generation of intermediary in the market place, which is built on trust and reliability with two stakeholders – one on the farm side and one on the market side which helps to bridge the gap between the two."

If you can impact on the cycle of low income, low risk and therefore a vicious circle that is moving in the same loop, if you are able to break that, then the integration with the consumer market and the urban market begins to happen and the aspirations and the ambitions of the rural community which are unfulfilled, can be addressed."

Rajesh Gupta, President, Hariyali Kisaan Bazaar, Division of DCM Shriram Consolidated Ltd, India



A Hariyali Kisaan Bazaar store

Photo: Hariyali

Rajesh Gupta reported that in three years Hariyali has been able to reach close to 4 million farmers in one form or another. Given that the farming population is some 128 million farmers, he saw plenty of room for more players, more companies, NGOs and cooperatives to enter the market “so that a larger number of farmers can benefit from this process.”

Sanjeev Asthana of Reliance agreed that some form of intermediary between large agribusiness and the small-scale farmer is critical to minimize the unevenness of the relationship. There was a need for business and product traceability within such new business entities. He described how his company is creating a US\$ 5 billion investment plan – one of the largest in the world – around a retail venture which is being rolled out in multiple formats.

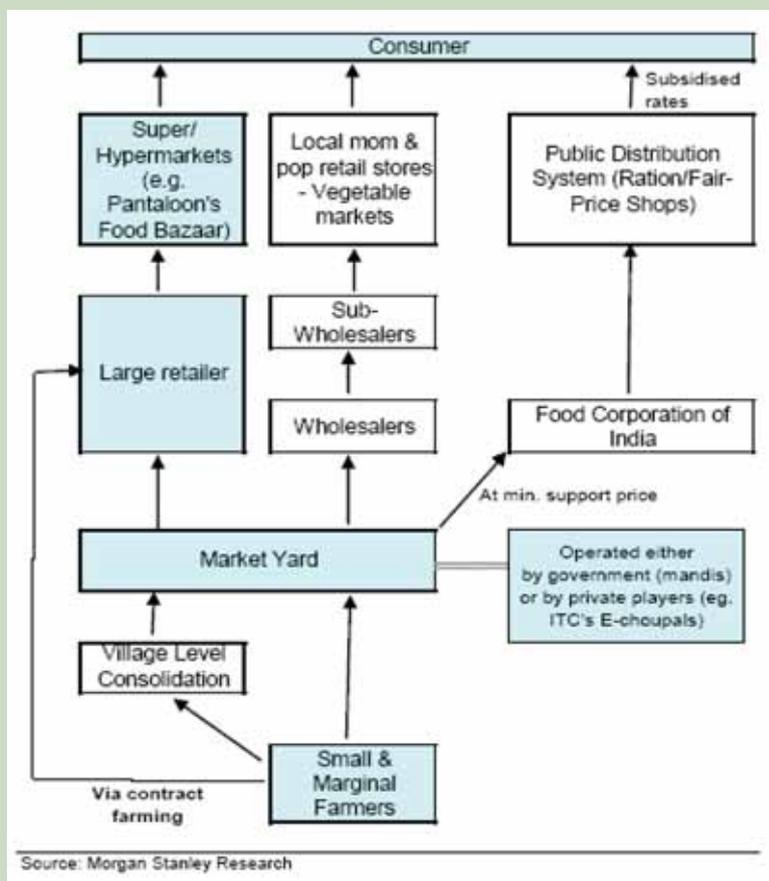
Reliance is also creating a two-way platform where the company buys as well as sells.

These rural business hubs with rural collection centres create a well-invested supply chain including distribution centres as well as processing locations and logistics. Sanjeev Asthana saw this type of action from multiple private companies as “bringing about a very

decisive shift in the way agriculture and the small-scale farmers are dealt with in the country”, characterized by “demand-driven production through direct procurement from farmers via a transparent marketing system”, and with availability of high quality farm inputs and location specific farming advice. The results for retailers are “better quality products at a fair price.”

Sanjeev Asthana also noted that the telecommunications explosion in India has made its telecom services the cheapest in the world, thus users in rural areas are rapidly increasing. This makes possible a diversity of information platforms such as that operated by Reuters through cell phones. This can inform farmers on market prices and weather. It also permits the development of electronic forms of market exchanges, which can have transformational impacts on rural markets.

These new roles of rural retailers in service provision raise a central question in the balance of roles between private and public sector. Are the new rural retailers in India in effect using their own resources to provide services and inputs to fill a gap in public service provision? Does the role of governments and donors in service provision need to be reshaped?



“A new agriculture supply chain is emerging in India removing non-value adding intermediaries, and forming partnership with value adding intermediaries, for technology transfer, streamlining of processes, and maintenance of quality.”

Sanjeev Asthana, President and Chief Executive of Reliance Retail Ltd



Bimandiri, Indonesia

Photo: Thomas Reardon

Bimandiri has changed from a traditional wholesaler to a specialist wholesale supplier of vegetables and fruit, mainly to Carrefour, and is an example of a new generation of intermediary. Bimandiri encourages farmers to cooperate in producer organizations and works with those groups on the basis of agreed quantities and assured quality standards for their retailer client. The growth of these organizations into groups that can run the business activity, including production, packaging and selling, has allowed Bimandiri to move away from a close extension role. They have maintained preferred suppliers lists and they continue to operate a transparent negotiated producer price.

Another new generation of intermediary is exemplified by the Bimandiri company in Indonesia, and was presented in a poster by the Company Director **Achmad Rivani**. There is also a documented Regoverning Markets case study of a similar commercial intermediary in Honduras, with a special programme to include small farmers in their supply schedules for retailers.

A differentiated approach to small-scale suppliers

The conference Working Group on “Agribusiness partnerships for smallholder inclusion” concluded that small-scale farmers should not be seen as an impediment to competitiveness. For emerging farmers to become part of a supply network, there is a need to modify purchasing relationships such as listing fees. There are very different ways of working depending on the intermediary in the supply chain. Even if retailers can commit to preferential conditions, such as payment in advance, there is still a huge need for technical

and business knowledge building. Education is needed to tackle the problem of reliability of the smallholders and is seen as both a public and private sector function.

Supermarkets can implement a differentiated approach to procurement, such as making payment terms more conducive. In Africa, the Kenyan-owned supermarket Uchumi has an adapted procurement policy. **Jonathan Ciano**, Chief Executive of Uchumi, noted that small-scale producers are always ready to replenish at any time and thus allow the retailer to have the best fresh produce, while competitors working with a centralized distribution centre cannot be so responsive.



“You accept that [small-scale farmers] are not doing you a favour, you are not doing them a favour – you are partners in progress. In the final analysis, it pays to support the small players in the agrifood sub-sector – this is what has given us the pace.”

Jonathan Ciano, Chief Executive, Uchumi Supermarkets Ltd, Kenya

Uchumi believe that it pays both for producers (economic growth, sustainable rural development) and the company (freshness of produce) to have direct and just-in-time sourcing.

The methodology of procuring from small-scale farmers is through:

- Directly engaging small farmers/distributors with supermarkets and branches
- Recognizing financial exposures of the small farmers/suppliers through settling at shorter period than market credit periods
- Dedicating specific branches for specific suppliers to manage quality
- Encouraging farmers through site/field visits.

The perspective of a dedicated retail supplier working in Africa was provided by **Johan van Deventer**, Managing Director of Freshmark. Freshmark was established in 1991 as an independent business unit in the Shoprite Group of companies. Within South Africa, they procure from some 800 suppliers and whilst this could be reduced to 100 larger ones, the company has taken a business decision not to reduce its supply base. With the expansion of Shoprite from South Africa into the rest of Africa,

Freshmark is today located in 17 neighbouring countries with some 70,000 employees and an annual turnover of US\$ 6 billion.

Johan van Deventer described the policy constraints facing successful small-scale producers who want to move up to the next market level. These include problems at the intermediary/procurement stage as well as outdated sanitary regulations and duties. A private company alone cannot foster the transformation of the market structure – in this case the fruit and vegetable sector. The poorly developed and limited regional trade reduces the opportunity for farmers to sell residual production to channels alternative to the modern retail. **Gareth Ackerman**, Chair of South Africa-based Pick 'n Pay Stores Ltd., and member of the Board of Directors of the Food Business Forum (CIES), presented experiences of the company in investing in emerging suppliers and their communities.

Another successful supplier company working with small-scale producers is the Hikmah Farms Group. Operations Manager **Wildan Mustofa** described how Hikmahfarm has grown to be a major supplier of seed and fresh potatoes to traditional and modern markets in Indonesia, and has become a trading house for produce of farmer groups. The partnership with small farmers was initiated in 1999 around seed potato production, and was extended in 2003 to some vegetable crops which farmers grow in crop rotation after seed potato, and extended again to some farming families which have home industry scale food processing. The Group has developed processing facilities to use under-grade produce and they sell high quality potatoes to supermarkets. Farmer



Photo: Pick 'n Pay

Emerging farmer supplier to Pick 'n Pay

suppliers can still supply their traditional markets; Hikmahfarm does not demand exclusivity.

Financial services

The Regoverning Markets programmes' empirical research shows the importance of non-land capital assets as major determinants of market access. An obvious policy message is therefore improving access to financial services. The world of financial services and that of market development are still largely separated. This finance gap is a key barrier to small-scale farmer participation in dynamic markets. It is crucially important to bridge that gap, developing innovative financial products that cater to the needs of the small-scale farmer and rural entrepreneur.

Such clients remain underserved by financial institutions, despite increased commercial banking and microfinance investment. There is a "missing middle" of producer organizations and rural SMEs that lack access to financial services and therefore hit critical growth limits in an early stage of their development. SME finance is particularly problematic in rural areas, as rural, including agricultural, finance is considered more risky, and services are fewer,

"Pick 'n Pay is continually investing in the communities around the locations of the stores... To enhance the multiplier effect further the group has committed capital to an enterprise development fund. This fund is providing loaned capital at zero interest to projects that provide goods and services to the group. We're endeavouring to tie one project to each newly converted family store; the store will commit to purchase the goods from the project for as long as they meet the correct quality standards at market related prices. The group further has committed added resources in the form of technical assistance. We believe the secret of the success of these projects is that we've shifted from a supply to a demand relationship with the producer. We try in each project to have a consolidator such as a cooperative to supply the Pick 'n Pay system as well as a qualified agronomist to ensure quality products and production efficiency. This enables small-scale farmers to take advantage of value added opportunities supplying directly into a major retailer."

Gareth Ackerman,
Chair of Pick 'n Pay Stores Ltd.

less convenient, and more costly. The case studies show a need for increased access to working and investment capital to finance the technological, managerial and organizational innovations required for market participation.

The concept of new business models can extend to finance. There is a potential role for agribusiness to work with finance institutions so that purchasing contracts with small farmer organizations can work as collateral. The space within credit structures for innovation in financial instruments which are more conducive to chain-wide development and inclusive business was outlined by **Sahaschai Yaowapankul**, Director of the International Co-operation Division of the Asia-Pacific Rural and Agricultural Credit Association (APRACA), a regional association which promotes cooperation and facilitates mutual exchange of information and expertise in the field of rural finance.

Drawing from the experience and insights of the conference, Sahaschai Yaowapankul noted that quantitative data was collated around sectors, such as agriculture and fisheries. He felt that there was a need for better information on the specificities of client type (such as small- versus large-scale farmers), and on how the bank is (or is not) supporting market linkages within categories and client type. There was felt to be a lack of data on alignment of investment by market type and client and thus new and deeper data sets were called for. There was a willingness to share data with academia to help to better understand who is being reached.

Collective business action

New business models provide a means to deal with the question raised by the conference of how to move from Corporate Responsibility (CR) to a systematic way of doing inclusive business, in situations of intense competition. The conference Working Group "Action to bring agribusiness into partnerships for the inclusion of small-scale producers" called for greater collective action from agribusinesses, such as codes of best practice and contribution to the setting of local standards. Examples of good practice include smallholder-friendly payment practices, modification of listing fees, fair contracts with farmers' organizations; preferential buying of products of farmers' organizations; and reserving a special space in the supermarkets for products of farmers' organizations.

The group proposed that best practices need to be adopted at industry level and be adopted at the different levels within each stage of the supply chain. There will be very different ways of working depending on the interlocutor in the supply chain. Agribusinesses need to encourage suppliers to be equally good at working with and understanding backward chain processes, and to possibly push for legislation to reinforce this. Businesses should also work collectively to give direction to public policy.

Links with knowledge centres, NGOs and other support agencies

Supply-side constraints to the development of the modern agrifood sector give an incentive to the private sector to partner with local knowledge institutions to share resources to develop the sector. Businesses can benefit greatly from linkages with knowledge centres, such as universities, to collaborate on the means to get small-scale suppliers and modern



Photo: Felicity Proctor

Modern grocery retail calls for high and consistent product quality, Indonesia

In September 2007, Padjadjaran University and Carrefour Indonesia signed a memorandum of strategic cooperation, that involves developing a supply chain model involving small-scale suppliers, development of new agricultural products, transfer of know-how, and channelling of products to the Carrefour quality line programme. Carrefour Indonesia has an ambitious plan to expand its business sustainably, with the strong connection and support from local production capacity. Indonesia, with unique tropical fresh products, has strong potential to support the company's international network, specifically the quality line. The main challenge is how to make the collaboration remain interesting to both parties in the long run.

agribusiness interests aligned. An exciting example of a link between agribusiness and knowledge centres was presented by **Ronnie Natawidjaja** of the Center for Agricultural Policy and Agribusiness Studies (CAPAS) at Padjadjaran University in Indonesia.

In addition to embryonic experiences in the private sector becoming a “partner in development”, the Regoverning Markets programme uncovered some valuable innovations at the interface of private sector and support organizations. Support organizations (NGOs) can assist farmers to access credit and access the market, build the institutional capability of farmers’ organizations, and negotiate fair contracts. It was generally agreed that working with small-scale producers and entrepreneurs offer in many cases real business opportunities and such engagement should not be seen as a threat to business practice.

7 | How can producers organize to deal with modern markets?

The conference focused as much attention on the role of producers and their organizations as it had on private sector roles. There is evidence and widespread support in producer organizations for the conclusion that producers need to organize and partner with other chain actors, to meet market requirements and exercise countervailing market power. Working as individuals, with low volumes and dispersed production, puts farmers in a weak negotiating position and limits capacity to upgrade and meet formal market requirements.

Cooperating to compete

Evidence from the Regoverning Markets programme and related research, presented by **Estelle Biénabe**, CIRAD researcher working in the University of Pretoria, shows that despite the potentially huge benefits from cooperation, producer organizations (POs) have a very mixed record of successfully connecting farmer members to modern markets. Efficient marketing POs are rare and of those that are successful many have been instigated by large farmers, by producers and retailers, or by NGOs and other support agencies. There were few examples of successful POs which had been instigated by small-scale producers themselves.

A primary success factor in POs centres around management models that balance member inclusion and group competitiveness. These models usually involve differentiation of membership to cope with the range of land holdings, wealth, education etc. For instance clustering of smaller suppliers around a large well-capitalized farmer, or differentiating between year-round core suppliers and seasonal “top-up” suppliers. Any member differentiation can be a challenge to the cooperative ethos of equality and equity.

There was a lengthy debate on the perceived multiple and often conflicting roles of producer organizations in the face of market restructuring. Issues raised include the welfare role of POs versus economic and productive

engagement. It was felt that the image of the producer organization as a welfare organization should be re-thought. Where farmers seek to cooperate as a business enterprise in a cooperative or farmers’ association, success may depend on a separation of the welfare functions from the marketing functions.

The issue of specialization of production was raised as this was seen as one way that farmers can add value to their produce at the production level. Investing in specialized farming systems increases yields, productivity and farm incomes. However, such specialization can be a risky strategy, because of the increased investment and market price fluctuations, and this should be taken forward ideally within a more integrated market chain.

Market inclusion is not just about market access. Sustained market inclusion is much more difficult, and requires better linkages between consumers and producers. Being responsive to what the market wants may require POs to develop crop-specific production clusters and planned production. Adopting a chain vision, engaging in multi-agent cooperation, and acquiring new business expertise can build trust between agents in the chain.

Much attention is now focusing on a new generation of intermediaries to bridge the worlds of small-scale farming and modern agrifood. Thus another PO success factor is innovative models of intermediation, as alternatives to the more familiar (but often unsuccessful) investment of POs in vertical integration to “cut out the middleman”. The so-called “doubly-specialized intermediary” such as NorminCorp in the Philippines – which is both business-driven and development-motivated – provides both upstream capacity support and downstream client satisfaction.

There is also a documented Regoverning Markets case study of an organization that matches tomato producers in the Himalayan region in the north of India to a national

retailer. They mobilize and train the farmers after having identified the market demand of this retailer. Again, in the Philippines, there is a producer-controlled intermediary company which owns the brand of “healthy” rice, and delivers it to the supermarket under the conditions that the supermarket wants, but they also organize the farmers into supply clusters.



NorminCorp facilities, Mindanao

Photo: Larry Digal

The Normin Corporation (NorminCorp) was set up by the Northern Mindanao Vegetable Producers’ Association, Inc. (NorminVeggies), an association of vegetable farmers in the Southern Philippines. The association saw the need to organize and implement strategies and innovations to access dynamic markets in the Philippines, particularly fast food outlets, supermarkets and vegetable processors.

NorminCorp was established as the marketing arm of the organization and is tasked to facilitate the trading of the vegetables produced by the members. As a market facilitator rather than a trader, NorminCorp charges a transparent service fee for every transaction.

The conference pointed to the many dilemmas faced by these new generation intermediaries. The majority of initiatives are still dependent on donors and NGOs. As long as they are supported by external resources, questions will be raised about their comparative advantage over traditional intermediaries. Are real costs of intermediation being subsidized? Is there an exit strategy that leaves behind a healthy and intact chain?

Another example of a specialized marketing arm is that of the Mórakert Cooperative in Hungary, presented by **Réka Pónyai-Pisurnyi**, Marketing Manager of Mórakert. The cooperative was established in 1995 with 52 original small farmer members, in a country where small farms struggled to deal with privatization and market restructuring. Now, there are more than 750 members and a net sales turnover of EUR 32 million. Specialization is one source of the success of the cooperative. Other success factors are the screening process of potential members, the strict rules to enforce the high quality and appropriate quantity of products, an efficient private contract enforcement mechanism, and the trust between management and members. Mórakert have thus been able to adjust their activity to the opportunities provided by the ever changing retail sector.

The Mórakert example demonstrates that effective POs are not only market facilitators but also service providers, giving support on quality assurance, technical provisions etc. The value of PO service provision was amply demonstrated by **Dingshun Li**, President of the Beijing Aojinda Bee Product Cooperative. He reported that the establishment of the cooperative reformed a situation of a poorly regulated market, whereby beekeepers’ interests could be maintained and their income increased. The cooperative reduced the cost of inputs through group purchasing, helped trade directly with distributors and processing firms to shorten the chain and gain more revenue, implemented processing projects to increase the added value, and organized marketing to enhance competitiveness in modern markets.

From the rural areas of China, **Han Zhenghui** of the Green Association of Nanqu reported how important it is to learn from experiences of farmer organizations in other countries. He is a member of the “Global learning network of producer organizations engaged in restructured national and regional markets” and participated in an international study tour to Chile.

Lobbying for facilitating public policy

A number of conference speakers addressed the need for producer organizations and federations to pay attention to exerting political influence in support of an enabling and equitable legal and policy environment

(infrastructure, land tenure, etc.) for linking POs and modern markets. This can include support to group marketing, support to equitable trading relationships, promotion of increased competition between different contracting firms, appropriate technology generation, technical and business advisory services, and upgrading of traditional retail and wholesale markets.

A strategy of policy influence can extend beyond national boundaries. The Polish research team, as a result of their investigation of the dairy sector, recommended in their poster that farm organizations, dairy associations and other stakeholders of the food chain in Poland should more actively engage in the process of shaping the EU dairy market organization and the WTO negotiations.

In China many cooperatives are established in the country following the decision of the 10th National People's Congress (October 2006) in which a law on farmer cooperatives was adopted. This decision was followed up by Presidential Order 57 of President Hu Jintao (effective July 2007). Funds for vertical integration were dispersed through local government units. While government policy strongly supports the formation of POs and vertical coordination, that support has yet to deliver its full outreach. Even the most successful PO may feel isolated from policy and from global best practice, as articulated by **Han Zhenghui** of the Green Association of Nanqu in Shaanxi Province, China.

Promotion of strong and more equal partnerships with agribusiness

Considering the limited leverage of public policy over agrifood, the conference also remarked that producers should use policy influence on business strategy, in demands for inclusive and pro-poor business models. Agribusiness and producer organizations must try to share views and jointly develop new models.

Ajay Vashee, President of the Southern African Confederation of Agricultural Producers (and since June 08 the President of IFAP) presented experience of how contract farming can work better for small-scale farming. Producer organization is still essential in contract farming, as enforcement of contracts with individuals is



"In future, it is necessary to continue to do a better job in our original work. Second, we should reinforce study, in particular on the experiences of farmer organizations in other countries".

Han Zhenghui, Chair,
Green Association of Nanqu, China

Since its foundation in 2001, the Nanqu Green Association has grown to 1,690 members producing more than 38,500 tons of high quality bagged Red Fuji apples per year, which are sold to medium-large cities, as well as exported to Korea, Vietnam, Russia, Japan and other countries. Through the coordinated services provided by the Association during production, supply and distribution, the production, quality and price have all improved steadily.

The difficulties facing the Association are:

- The lack of operational funds: members are not rich; the government does not provide financial support; all the work done by the Association cadres is provided free of charge.
- The Association lacks experience in modern management.
- There is little external exchange and the Association lacks information from other parts of the country and the world.

not viable. Contract farming is widely used in southern Africa: more than 700,000 smallholder farmers in Malawi, Zambia and Zimbabwe produce cotton through contract farming, and 100 per cent of cotton and tobacco in Mozambique and 60 per cent of tea and sugar in Kenya are produced through the system. Through contract farming, smallholder farmers can access high value markets for their produce, inputs on credit, new technology, and training in farm management. But smallholders bear higher risks compared to the contracting firms. Producer organizations need strengthened capacity to promote strong and more equal partnerships between farmers and contracting firms.

The problems of contracts under conditions of power imbalances were highlighted by **Koronado Apuzen** of the Foundation for Agrarian Reform Cooperatives in Mindanao, Philippines. The beneficiaries of the 1988 Agrarian Reform Law, which transferred ownership of 12,000 hectares of banana plantations to former plantation workers, led to

a situation where the “partnership” of small-scale farmer cooperatives with agribusiness only perpetuated their poverty. The small farmers were poorer as small landholders than before as paid farm workers. Terms of contracts were either too long or indefinite, the produce price was below production cost, and as a result the cooperatives were heavily indebted to the banana corporations. It was only after a strike by four cooperatives that contracts were abrogated and replaced by fair full cost growers’ contracts negotiated with the help of an NGO, which after another struggle were also applied to other small-scale contract growers.

Koronado Apuzen described a model contract involving the highland organic banana project of indigenous people in a remote village outside of Davao City, southern Philippines. The contract involves four parties, namely: the individual small-scale farmers, the farmers’ cooperative, a coop-based trading firm, and an NGO. The individual farmers, who are the members of the cooperative, grow the bananas and sell them to the cooperative. The cooperative manages the project, buys the bananas and sells them to the trading company. The NGO provides the following services to the coop: business lending for farm

development and capital expense, institutional capability building, technical assistance, research and development, input provision, and market linkages.

Articulating national farmers’ organizations with researchers

The capacities of farmers’ organizations to empower their smallholder members in markets, and the enabling policy environment, can be built through bringing farmer organizations and researchers into practical partnerships for collaborative research, learning and reflection. This is the purpose of the Empowering Smallholder Farmers in Markets (ESFIM www.esfim.org) project – a partnership which is coordinated through the International Federation of Agricultural Producers.

A strong delegation from the **International Federation of Agricultural Producers (IFAP)** participated in the conference, reflecting the importance IFAP places on the issue of market restructuring and the position of small-scale farmers. The IFAP delegation concluded that *“It is now important that the conclusions reached as a result of this long-term research are implemented on the ground so that small farmers can benefit from the growth of global markets through the inclusion of small-scale farmers in modern supply chains. In particular:*

- *actions to have a more inclusive **business** model, especially procurement systems which buy from small-scale farmers;*
- *actions to help subsistence **farmers** become small-scale entrepreneurs;*
- *actions by **governments** to give a higher priority to agriculture and programmes to help small-scale farmers organize themselves in the market; and*
- *actions by **researchers** to transform research results into tangible policies and programmes to strengthen the participation of small-scale farmers in markets.”*



IFAP conference delegation

Photo: IFAP

8 | What is the role of governments?

Across the conference and working groups there was a broad appreciation of the role of public policy in building inclusive markets. Governments are faced with very tough challenges of prioritization and resource allocation. And there is deep uncertainty in local and national government about how to intervene in markets and how to inject incentives to bring large companies into contact with small-scale farms. Where primary producers and rural development has been a primary policy target, government focus has traditionally been upstream, in rural poverty eradication rather than driving and accompanying the changing food chain. From a perspective of inclusive markets, it is felt that primary production is not always the best or sole entry point for intervention.

"What is clear is we have to go back to basics. Is there space for government? Is there a policy issue? If yes what is it? And where will the innovation come from? ... We need more of those best practices, we need to share those best practices and find opportunities to inform government of what to do."



Lindiwe Sibanda, CEO of the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN), in summing-up the public policy session

The role of the state in inclusive markets

Speakers including **Loek Boonekamp**, Head, Agricultural Trade and Markets Division of the OECD, addressed the market-enabling role of the state to provide the economic framework (tax system, social safety net), deal with market failures, foster development, and guide adjustment, while being wary of "one-size-fits-all" solutions. Government needs to set the rules of the game, such as cooperative laws, and provide infrastructure and agricultural extension for small-scale farmers.

Lack of basic infrastructure is a dominant problem, as it can make marketing costs so high that final prices are not competitive. There were statistically significant positive impacts of road and market infrastructure on farmer's participation in modern channels in five of the nine Regoverning Markets supported empirical country studies. Land policies also have profound market access implications; exclusion is lowest where land is most equally distributed between farmers. So to minimize exclusion, land policies promoting this equality are needed. The public sector also comes into the research dimension to ensure that small-scale farmers can upgrade technical aspects of production such as seeds, as well as product handling. Credit is crucial to small-scale farmers' inclusion in modern markets and there remains a need to liberalize credit policies for small-scale farmers.

Beyond these roles, conference working groups considered what possibilities there are for governments to have special programmes to incentivize smallholder inclusion by retailers. This is discussed later in this section.

From a producer perspective, **Raul Montemayor**, National Business Manager of the Federation of Free Farmers Cooperatives and IFAP, saw the role of government in markets as providing opportunities, promoting fair play, setting a framework for competitive markets and ensuring a level playing field between domestic and imported products. Levelling the playing field for small-scale farmers means addressing barriers faced by them (risks, monopolies, lack of market choice, intermediaries) as well as the economic shocks (high input costs, climate change, price volatility). Small-scale farmers must be protected from unfair deals, ensuring that competitors do not take advantage of or exclude the small-scale producer through preferred suppliers' requirements or unrealistic contract conditions.

Within an overall framework of "pro-market policies", the Regoverning Markets programme revealed that there is significant room for

"I was intrigued when I heard the term Regoverning Markets and I asked who will govern the market? Now it is clearer. We are not talking of institutions that will control markets and set up rules but more of an interplay of actors, governments, private sector, farmers organizations, change agents who will work this out. But of course government has an important role – the cost of government neglect of agriculture, for example, results in inefficiency in the system and the costs of that are eventually borne by the farmers in terms of low prices."

Raul Montemayor, Federation of Free Farmers Cooperatives and International Federation of Agricultural Producers



more specific "pro-poor policies". **Lucian Peppelenbos** pointed to the following examples reviewed by the programme:

- Promotion of contract farming (India)
- Farmer-controlled phytosanitary law enforcement (Mexico)
- Local public procurement (Bolivia)
- Adaptation of law to the informal sector (Kenya)
- Budget-neutral market regulation (Brazil)
- Tax holidays for coops (China)
- Special status in competition policy (Australia)
- Black empowerment (South Africa).

Understanding drivers of market change

Failure in policy can be due to a poor understanding of the political, social and cultural environment in which small-scale producers operate. Policy intervention impacts on different scale producers in different ways. The first step is to understand the drivers of market change and the reality of small-scale production and to recognize the specificity of small-scale farmers' exclusion from markets.

A poster from the RuralStruc programme (<http://go.worldbank.org/3RRZVRZX90>) described its aims of improving the definition of national priorities and better policy making, looking at the interaction between population growth, economic transition and agriculture absorption capacities. This two-year comparative research programme involving seven countries focuses on understanding the processes of structural change related to the global restructuring of the agrifood markets and their consequences for rural economies. It seeks to identify opportunities, constraints, and risks of impasses related to the demographic and economic transition.

With open markets, shocks are transmitted through the entire system. **Jerzy Wilkin** of the Faculty of Economics, Warsaw University, Poland stated that policies must take into account the likely evolution of the economic environment at the national, regional and international levels. This means that policies must be constructed with an awareness of a liberalized trade environment, as well as other global issues, such as global warming.

The Undersecretary at the Ministry of Agriculture and Rural Affairs, **Vedat Mirmahmutogullari**, outlined one of the constraints facing policymakers in Turkey, namely the lack of information on global trends and drivers and the need to link an analysis of such trends with a coherent rural development strategy. External factors impact on domestic policy development. For example, WTO regulations may mean domestic policies cannot be constructed nor objectives achieved independently. It is important to look beyond the domestic boundaries as to why marginalization is created. Policies may want to prepare actors to be ready to meet new market challenges such as food safety, quality and traceability regulations.

A differentiated policy for small-scale farms

There was broad support across the conference for governments to ensure that the issue of exclusion of small-scale farmers from markets was not left off the agenda. It was noted that this failure of policy occurred for instance in Russia with very negative outcomes for this set of farmers. But at some point governments must balance equity and efficiency, despite the compelling case to support the huge numbers of small- and micro-scale farms. The costs of

inclusion and exclusion must be evaluated in considering policy options.

Evaluation of future scenarios should attempt to include estimates of these costs in order to provide additional insights into the real costs and benefits of the policy options. Case study evidence suggests that inclusion into restructured markets may be unsustainable for the “poorest of the poor”. There is a lack of data to inform resource allocation and thus, for example, the threshold for support. Such thresholds can be a minimum size of farms, but may also include non-land triggers such as completion of training, or membership of a producer organization.

Mohamed Jaouad, Adviser to the Farmer’s Confederation (COMADER) in Morocco reported that Morocco has been opening up its market to new actors. He said there is an urgency to develop the right policies and institutions to help the small-scale producers, or they will be condemned to poverty.

The viability of connecting the smallest and semi-subsistence farmers to modern markets was questioned by a number of speakers, and for these most marginalized groups social safety nets and coherent rural development strategies were presented as the preferred strategy. In the case of Turkey, **Vedat Mirmahmutogullari**, described how policies must account for the fact that some 3 million farms or 65 per cent of the total have less than 5 hectares of land, and 85 per cent less than 10 hectares.

A step in the direction of informed policy making is Uganda’s establishment of a national competitiveness and investment climate strategy, which is an instrument to guide policy development and resource allocation in favour of Uganda’s national competitiveness agenda. **Peter Ngategize**, the National Coordinator of the Competitiveness and Investment Climate Strategy, outlined the attributes of this approach.

First, it provides useful information on Uganda’s competitiveness rating in relation to accessing markets and attracting investments. Second, it highlights Uganda’s productive sectors, given their importance in being the source of exports, jobs and income generation. Third, it provides a framework for harmonizing the objectives of other programmes such as the Plan for Modernization of Agriculture, the Rural Development Strategy, the Agricultural Zoning Programme, and the Prosperity for All Programme. Finally, it recognizes the pivotal

role of the private sector in driving the competitiveness agenda and provides a framework for public private sector partnerships through “clusters” in exploiting the potential of the productive sectors.

In a keynote address, **Csaba Csáki** described the situation in Central and Eastern Europe (CEE), where almost 30 million small farms were created in the region by privatization. Most of these small farmers are new farmers, without proper assets and without knowledge of farming and this is reflected in the limited competitiveness of the region. This has given rise to a strikingly dualistic farm structure. At its most extreme in Slovakia, small farms account for 90 per cent of farm numbers but less than 10 per cent of the sectoral outputs, while at the other end about 1 per cent of the farms give 80 per cent of the output. At the same time, there is huge regional concentration going on in the agriprocessing industry, by both local companies and multinationals. They are restructuring their production, moving products from one country to another. In retail, there is even more dramatic change; in some countries the five leading chains have over 80 per cent of the share of the retail sector.

Processors and retailers are trading with small farms if there is an economic rationale. Where small farms dominate in supply and there are few alternative sources, then there is more willingness to include them. Compare, for example dairy supply in Poland where owners of three or four cows can still sell to the dairy industry, with Hungary where there are a lot of big farmers, and the processors are unwilling to procure from farms of less than 20 cows. This exclusion is not the fault of the companies but when small farms are confronted with such a demanding market, very deliberate policies and strategies are needed by producers, policy makers and business.

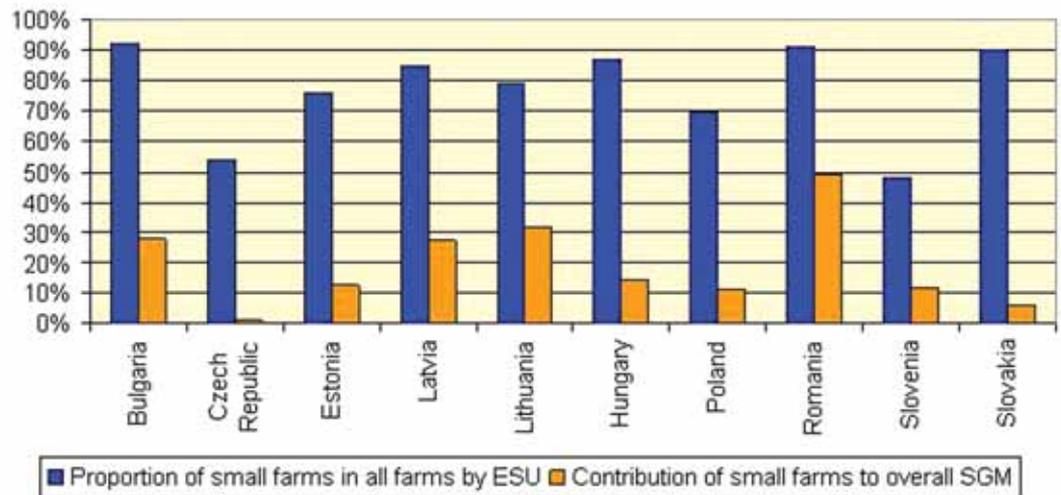
Csaba Csáki particularly urged governments to avoid a “one-size-fits-all” policy intervention. The differences between farm structure and farms in CEE countries, and within CEE, are significant and it is even bigger within the expanded EU compared with that of the EU 15, so the same Common Agricultural Policy (CAP) cannot be of benefit for all. This will be an important issue for the health check of the CAP. Further, Pillar 2 of CAP rules are set up in such a manner that small farms can be excluded.



“What is needed is the removal of policy bias against small farmers. I advocate for differentiated policy towards small and large farms – the notion of one agricultural policy which fits all is a mistake at least in this environment [in Central and Eastern Europe specifically Hungary, Czech Republic, Slovenia]. This is a problem with the CAP [EU Common Agricultural Policy] – this does not fit with the small farmer”

Csaba Csáki, Corvinus University of Budapest, Hungary

Proportion of small farms and their contribution to gross margin in central and eastern Europe²



Maciej Fedak, Senior Specialist of the Ministry of Agriculture and Rural Development in Poland, gave the example of how state policy for dairy has tried on one side to assist in the difficult process of transformation given the specific conditions of small farm dominance, and on the other not to close itself off against free market economy and gradual trade liberalization.

The case of selective protection for a sector for the benefit of long-term involvement of smallholders was used in the case of the Indian dairy sector, which is typically small-scale producer led. **Vijay Sharma**, Chair of the Indian Institute of Management, reported how in the 1950s–70s there was a shortage of milk production. Instead of importing cheap raw material, policy makers invested heavily in processing and marketing in rural areas to bridge the gap between producers and consumers. They created infrastructure and provided input services to support production. Today about 13 million farmers are members of the cooperatives that were set up. This case

illustrated a wider role of government in support of the development and transformation of agribusiness.

There was widespread acknowledgment of problems of domestic policy incoherence, with departments poorly coordinated and government not organized for cross-sectoral linkages and shared best practices. The benefits of multi-sector collaboration were seen in a poster by **Molefe Mokoene**, Chief Executive of the National African Farmers Union, and **Bonani Nyhodo** and **Nkgasha Tema** of the National Agricultural Marketing Council, on the wool sector in South Africa, which along with the rest of agriculture has had a highly dualistic structure. The collaboration involves all key actors covering the livestock improvement, training, finance, local government, infrastructure and animal health sectors. It was reported to have led to a dramatic improvement in production, market access and income. Integration of support services was also a factor in successful access by smallholder farmers in Tanzania and Kenya

² Small farms defined as 0-2 ESU (European Size Unit), based on gross margin rather than physical units of area or labour. Gross margin is Standard Gross Margin (SGM) which measure the value of gross output less variable costs per hectare (in the case of crops) or per animal (in the case of livestock).

to high-value markets for African indigenous vegetables and horticultural products, linked to group formation and adherence to quality demands and grades and standards.

Quality issues represent a considerable risk for small-scale producers being excluded from the market. There was a call for dialogue between businesses and government to properly set up local standards adapted to national situations.

Regulatory reform is also an important target. The administrative burden continues to be one of the challenges that many countries face, with numerous licences being required in some instances before a small-scale farmer can be permitted to trade with supermarkets.

Encourage stronger market linkages

To what extent can public policy encourage stronger market linkages between small-scale farmers and agribusiness? What specific policies encourage the private sector to adopt inclusive policies in an extremely competitive environment? Is there a way to work out the contradiction between systemic inclusive policies and business survival? Are there public policies, besides subsidy policies, that are broader and would permit upscaling, that retailers would want?

The evidence – from across the conference – that innovative business models can make a positive difference in terms of inclusion, points to room for proactive policies to stimulate and support those types of business models which are more inclusive and that are also good business. This is not necessarily an issue of “large” versus “small” retail chains or agri-processors. Private initiatives often remain “islands of success” due in part to an unsupportive policy environment.

Some conference participants stressed that government efforts need to be supplemented not supplanted by the efforts of the private sector, and the government should remain outside of the mechanisms of the market. But there are forms of public policy instruments to drive reform and fund market interventions that tell of a wider role of government in support of the development and transformation of agribusiness and that encourage stronger market linkages, in situations where the private sector is not stepping in.

In China, the establishment of an Office of Agricultural Vertical Integration (OAVIM) within the Ministry of Agriculture is part of a strategy to make China’s agriculture competitive by integrating production, processing and the marketing of agricultural products. **Liangui Huang**, Executive Deputy Director General of OAVIM, reported that the Office seeks to link farmers with enterprises through farmers’ professional associations or cooperatives, and through production and marketing.

The focus of government intervention is broadening from mere farmer support to chain-wide support – via both upstream capacity support and downstream client satisfaction. China reported the establishment of a special agricultural vertical integration fund to support “dragonhead” enterprises. A “dragonhead” company is established by government authorities with both commercial and regional development objectives. It contracts with farmers to procure produce with specific attributes, often providing seed, fertilizer and other inputs, as well as operating loans and technical expertise. The company processes the raw materials and sells them under a brand name often associated with the locality. One such enterprise is Fujian Sunner Development Co. Ltd, which is located in a very poor region of Fujian, without modern industry and very small land holdings averaging less than 0.5 ha. The General Manager, **Yanfeng Chen**, described how the company has grown out of a small chicken operation to one with a turnover of 1.3 billion yuan, supplying restaurant chains and hotels. This case shows how even in isolated areas farmers can mobilize to participate in modern agrifood systems.

Another approach by government is to set up a commercial intermediary, again with a social as well as a commercial remit – “a commercial outfit with a social outcome.” **Azizi bin Meor Ngah**, Chief Executive of the Malaysian Agrifood Corporation, described the MAFC as a policy instrument to spearhead the transformation of the supply chain in Malaysia.

Another parastatal, Punjab Agro Industries Corporation, has a deliberate policy to achieve a less fragmented supply chain, while also underpinning the state’s policy of diversifying out of crops which have big demands on groundwater resources. According to **S. K. Sandhu**, Managing Director of Punjab Agro, a long-term relationship between



"The Malaysian government established the Malaysian Agrifood Corporation in 2006 to stimulate vertical and horizontal coordination and to meet the food safety and traceability requirements of modern food manufacturing, retail and food

service. Without this intervention, it was felt that the modernization of the downstream agrifood sector in Malaysia would continue to be biased towards imports. As a supply chain management company with a primary focus in the middle of chain, MAFC's role is to 'catalyze production by reorganizing and rationalizing the supply side and midstream activities'. These activities include post harvest value addition and cold chain logistics management, distribution and marketing."

Azizi bin Meor Ngah, Chief Executive of the Malaysian Agrifood Corporation

producers, retailers and consumers is achieved through encouraging stronger marketing relationships with greater volumes available for marketing, integrating small and marginal farmers into collective farming and shareholding in processing.

Diversification of agriculture is promoted through contract farming into cash crops, which have grown from 22,300 acres in 2002, to 250,000 acres today. Some of the private sector players include Tata and DSL. One of the major difficulties is to bind farmers to sell their production at the contracted price when market prices exceed the contract price. Another state incubation investment in India is "mega food parks" – a central government initiative through which six parks will be established, each spreading over 50 hectares at an initial cost of US\$ 40 million. The land is provided by government and the private sector provides the investment in infrastructure and equipment. These megaparks are commodity collection, grading, storage and processing points. Farmers can enter into individual contracts with the private sector and sell their products.

Another role for government which was discussed in the conference is to use policy pressure or incentives on agribusiness and retail for pro-poor procurement, such as requiring supermarkets to provide adequate space on their shelves for small-scale farmers' products.

Attention to regional exclusion

Modern market suppliers source products from rural areas that fulfill the necessary conditions to supply for an extended period of time in the year, and that are able to produce products that meets the quality standards. There is plenty of evidence (such as from the Mexican empirical study for Regoverning Markets) that exclusion can take place at the level of whole regions. Policy needs to address this intersection between regional development and market inclusion, with investment in infrastructure in poor rural areas to bring up to the threshold levels of ICT, transport and energy supplies necessary for firms and farmers to invest and operate successfully. But there is much more to do, including attention to region-specific procurement networks, building region-specific institutional capital, and region-specific organizational capital. More needs to be known on incentives. There remains a need to develop capacity in market-orientated extension services and in financial management to ensure sustainability of initiatives.

Encourage collective marketing

A clear policy message from the conference is the necessity to support the development of producers' organizations, but it is also necessary to support the reform, upgrading and modernization of POs, through:

- The enabling environment (infrastructure, land tenure)
- Support to group marketing, for equitable trading relationships
- Appropriate technology generation and technical and business advisory services
- Upgrading traditional and wholesale markets.

The Directorate General of Horticulture in the Indonesia Ministry of Agriculture presented a poster comparing the traditional and improved banana supply chain. Through producer organization and a shorter chain with a specialized supplier, it was possible to deliver high quality produce with much less waste, and higher margins for growers, suppliers and retailers.

In China, promotion of professional farm cooperatives has been pushed through an improved policy support system. Between 2003–07, the central government has provided a special fund that contains more than 500



Photo: Felicity Proctor

Chain-wide learning process in Turkey

“Seeing that small and medium farms can have a future in the modern retail chain provided that they form a union and have access to input and output markets and they enhance the quality and quantity of their output, Turkey has passed legislation on farmers unions. This allows an alternative marketing structure to increase the bargaining power of the small farms with agribusiness companies and to reduce transaction costs”

Vedat Mirmahmutogullari,
Undersecretary at the Ministry of Agriculture
and Rural Affairs, Turkey

million yuan to support 2,700 professional farmer associations. Local governments have matched funding, providing more than 450 million yuan since 2004. A law on Specialized Farmers Cooperatives came into effect on 1 July, 2007, when the position of the cooperative as a legal entity was made clear.

Upgrade traditional and wholesale markets

A focus on international markets, and sophisticated and high-value domestic markets should not detract from the fact that traditional markets remain in most countries the most important part of the market, hence the need to support investment in both modern and traditional markets. Modern marketing channels will not be able to absorb the production from the total number of producers, and especially those in remote areas. Some participants felt that the conference had indicated that it can take a lot of effort for small-scale producers to secure and maintain access in modern agrifood markets and that this may not be the most attractive option.

Raul Montemayor, of IFAP, noted that traditional markets can be a bridge for small-scale farmers to increase their capacity and to eventually link to modern markets. Farmers see other benefits within traditional systems that need to be better understood, including trust and provision of credit.

Necessary policy reforms include both improving the ability of wholesale markets to meet the new demands of supermarkets and modern agribusiness, and allowing farmers, processors and retailers to trade directly

without an obligation to trade through local government-controlled wholesale market monopolies, such as those found in Morocco, Turkey and many Indian states. Enforced intermediation through wholesale commissioners hides the final buyer from farmers, who are not aware of the marketing channel that they are selling into.

Where wholesale markets fail to keep up with changes in retail – especially the supermarket revolution – they can fall into decay. The policy in China – of seeing wholesale markets as essential components of the produce marketing system – contrasts with many other countries where wholesale markets are losing their importance. **Mohamed Jaouad**, Adviser to the Farmer’s Confederation (COMADER) in Morocco, presented proposals for wholesale market reform in Morocco both through upgrading markets and collection centres, and abolishing the obligation on producers to go through the wholesale market so that supermarkets and other buyers can trade directly with farmers.

Upgrading works both ways. Successful upgrading and modernization of wholesale markets and their procurement networks also requires upgrading and modernizing of their primary clients – the traditional retail sector – if they are to remain crucial players favouring inclusion of small-scale producers.

Convene stakeholders for a shared policy agenda

Defining a shared agenda in relation to policy development is an enormous challenge for

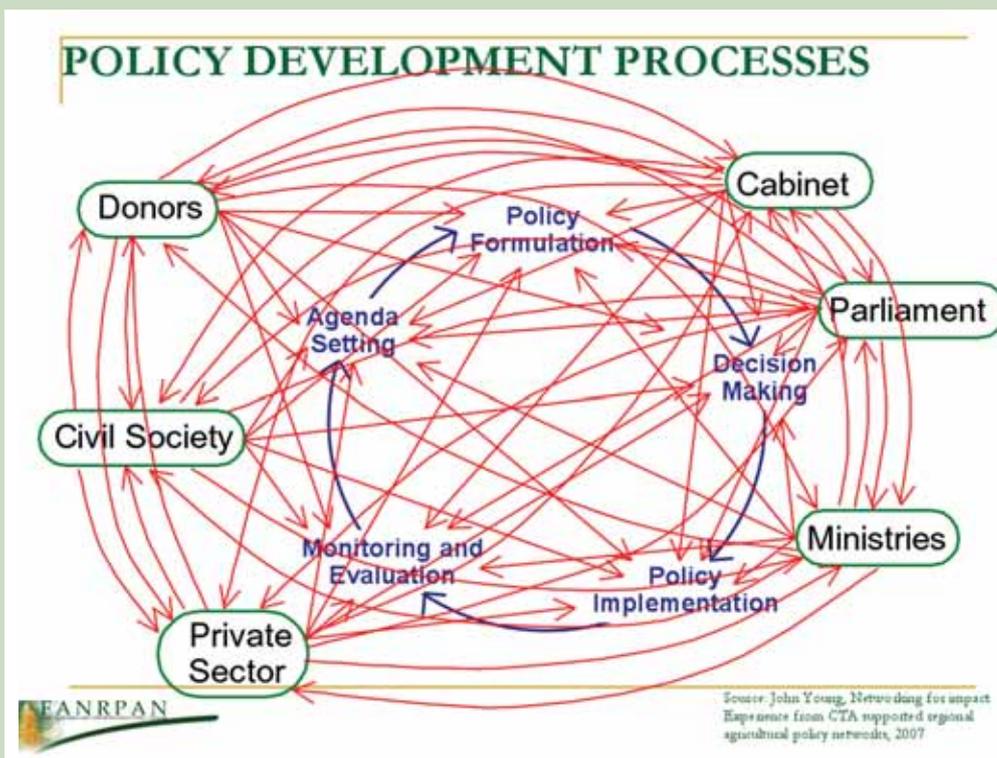
public policy. There is much evidence of the necessary policies for inclusive market development, but little translation into practical policy guidance and options for policy debate, and little funding to support the building up of this “demand side” for turning evidence into policy. Policy research is an important ingredient but not sufficient. The challenge of inclusive market development does not fit into single disciplines, sectors or institutional levels.

Policy making is a long cycle, and there is a role for government to balance the processes and promote initiatives so that the key parties (farmers, agribusiness and government) can come together around a shared agenda. Capacity for multi-sector co-operation is key. Participatory approaches help to understand the local circumstances and gain buy-in. The use of multi-stakeholder platforms was seen as an effective way to share learning and, in particular, to explore what is happening in the market. This can be undertaken at a national or sub-national level and can be a key process to accompany market change. The dialogue needs to be structured, moderated and ideally supported with evidence.

Larry Digal of the University of the Philippines in Mindanao presented the work supported by the Regoverning Markets programme in

seven countries (Bangladesh, Indonesia, Morocco, Pakistan, the Philippines, South Africa and Turkey) to foster chain-wide learning. Approaches developed and applied consisted of a mapping out of the value chain, defining key policies and institutions as well as key drivers, trends and issues that may affect the value chain. Using value chain identification, mapping and action planning, it is possible to locate points of intervention where small-scale producers might enhance their position. Other steps include the mapping of options for better inclusion of small-scale farmers and firms as well as strategies for supporting policy and institutional changes within different sectors of society. A resource guide has been published by the Regoverning Markets programme for interested practitioners engaged with such multi-stakeholder processes. Multi-stakeholder fora to share information and debate options were highly valued; in Indonesia a standing committee on horticulture was launched, with multi-stakeholder representation.

Inter-regional policy networks can assist in building capacity linking research to policy, and developing coalitions among interested parties. The Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) in southern Africa – presented by its Chief



The FANRPAN policy network model brings together stakeholders from across the Southern African Development Community (SADC) region to study complex, controversial issues of poverty reduction, improving food security and promoting sustainable agricultural development. FANRPAN is a regional multi-stakeholder platform which: (1) provides a platform for learning, sharing information and experiences, evidence for decision making and policy development; (2) helps build capacity for policy demand and supply; (3) enables civil society to participate in the policy-making process; and (4) improves the intellectual foundation for debate offering policy makers a neutral platform to discuss key policy issues.

Executive Officer **Lindiwe Sibanda** – is a prime example of this.

As a policy maker, **Mohamed Jaouad** noted that the evidence from research papers needs to reflect the characteristics of the specific commodity market chain and the country specificity. Thus, the farm and commodity market chain structure within a given country has to be taken into consideration and be supported within a wider rural development framework.

Under many conditions government may not be the most suitable convener of multi-stakeholder dialogues on inclusive market development. The conference spoke of a need for honest brokers to act as effective facilitators. Differing vested interests between public and private sectors and farmer organizations need to be recognized and accommodated, and the need to identify lead facilitators and build regional or national capacities was noted. There is also a role for knowledge translation: supporting ways of bridging research to policy and practice in the appropriate format such as policy briefs, involving key policy actors from the start.

The work of the Sustainable Food Laboratory (www.sustainablefoodlab.org) of the US-based Sustainability Institute, was outlined by **Don Seville**. The SFL is a collaboration of food system leaders from three continents working together to discuss the future of the food system and to pilot and evaluate new innovations in value chains and within industry groups. They have been able to successfully bring together NGOs, producer groups, and mainstream companies. Don Seville shared two insights. First, it has been difficult for their group to engage the public sector directly in proactive innovative projects, and he called for new vehicles to bring the major sector voice into solution design. Second, it was felt critical to have public funding to anchor innovation projects with the public sector, whose role might be to reach out beyond the financial incentives currently in the system for changes such as engaging smallholders.

Linking research to policy

What are the key issues around bridging evidence-based research to policy and practice? What are the best models to combine/link academics with policy makers and the policy process? Is there indeed an effective engagement between national centres of excellence and public policy making processes? How can competence be developed within government (including the link between domestic and regional processes) to utilize evidence from research? The conference Working Group on “The role of research and knowledge sharing” pointed to a lack of understanding of how governments and policy processes work. There is a need for networks where the environment is conducive to engagement. Engagement should be evidence-based and not politicized. On the topic of linking farmers with the evidence and policy process, the Kenya Federation of Farmers noted that although they work with Tegemeo University on policy as well as other national institutions, the overall mechanism for connecting research with farmers with both good practice and evidence is weak. This was felt by the conference to be a core issue and major challenge.

Much is country-specific, and policy and planning needs to be based on evidence and drafted at country level. The relevance of aggregating country data was questioned, as generalization can dilute country-level evidence. It was further noted that international donors often set the research agenda and thus it is not always demand-side driven, diluting its value and offering weak ownership. In some countries NGOs have a strong influence on the policy process but it was felt that they may not always understand the wider agenda. The process of linking research to policy and practice needs to be institutionalized and locally owned, not projectized and not donor driven. Research and advocacy should widen the debate, not narrow it, by setting out policy options not recommendations.

Building capacity for local research is important, as is working with government departments for translating research results into policy action. Local research capacity was not considered to be being used to its highest potential.

9 | Concluding remarks

The issues discussed at the international conference were felt by many participants to have wide-ranging implications. It was agreed that there is a critical need for good practice to be widely shared, and to continue to be generated and developed into new inclusive business models. That is, identifying and communicating successful and good practices from around the world, based on experiences of different policy initiatives, and for each country and region to identify the most appropriate best practice for their situation. This needs to include financing and insurance practices.

There was a call for the results of studies of the Regoverning Markets programme to be widely disseminated and fed back to country level for further debate including on how the evidence and the issue is perceived by local stakeholders: farmers, agribusiness and government.

There was an identified need to build a platform to maintain debate and promote knowledge across countries, building on the “knowledge base” of Regoverning Markets research, innovation and outreach. One participant called this journey of small-scale producers’ inclusion in modern agribusiness “a long walk” and called for a central secretariat to be formed to collect information on evidence, innovation and good practice and to enable wide dissemination. He felt that an international conference such as this should be an annual feature in order to maintain effort and interest in this critical area.

Annex 1

Conference programme

Tuesday March 4, 2008

- 05.30 – 12.00 **Wholesale and Modern Retail Markets tour**
- 16.00 – 19.00 **Registration** – Grand Skylight Catic Hotel, Beijing, P.R. China
- 17.30 – 19.00 **Welcome Reception**

Wednesday March 5, 2008

Evidence – Market change and good practice for inclusive agrifood business

This session focused on sharing evidence on changes taking place in agrifood markets in developing countries and countries in transition. It explored the implications of the changing markets for small-scale producers and rural businesses as well as policy innovations in business, government, producer groups and civil society that contribute to enabling inclusive agrifood systems. Governments, policy institutes, retail industry, food manufacturers, and donor agencies gave their perspectives of why the issues matter. Academics shared evidence on the impact of change and emerging good practice.

- 08.00 – 09.00 **Registration**
- 09.00 – 09.30 **Welcome and Introduction**
- Welcome by the Master of Ceremonies** – Julio Berdegueé, Rimisp, Chile.
Introduction to the conference, the programme and objectives
- Welcome**
Chaoan Wei, Vice Minister, Ministry of Agriculture, P.R. China
Jiayang Li, Vice President, Chinese Academy of Sciences, P.R. China
Bill Vorley, International Institute for Environment and Development (IIED), UK
- 09.30 – 10.30 **Keynote address – China's response to dynamic change in agrifood markets**
Liangui Huang, Executive Deputy Director General, Office of Agricultural Vertical Integration, Ministry of Agriculture, and Jikun Huang, Director, Center for Chinese Agricultural Policy, P.R. China
- Responses**
Yanfeng Chen, General Manager, Fujian Sunner Development Co., Ltd, P.R. China
Dingshun Li, President, Aojinda Bee Product Cooperative, P.R. China
Scott Rozelle, Stanford University, USA
- Discussion**
Rapporteurs – Linda Fulponi, Directorate for Trade and Agriculture, OECD, France. Larry Digal, University of the Philippines in Mindanao, Philippines
- 10.30 – 11.00 **Inclusive agrifood markets – Building evidence and supporting policy through coordinated international research**
Bill Vorley, International Institute for Environment and Development (IIED), UK
- 11.00 – 11.30 **Refreshments**

11.30 – 13.00

Evidence – Major determinants of small-scale farmer inclusion in emerging modern agrifood markets

Based on the evidence from country and case studies, this session presented the outcomes from the Regoverning Markets programme on key determinants of small-scale producer inclusion. It identified some of the key technological, managerial, organizational and financial changes that small-scale farmers experience when included in modern agrifood markets and it explored the net effects (cost-benefit) of this inclusion. It presented some of innovations of organizations and policies that support inclusion.

Panel moderator – Bruno Losch, World Bank and CIRAD, USA

Key determinants of small-scale farmer inclusion – Evidence from the empirical country studies

Tom Reardon, Michigan State University, USA and Jikun Huang, Director, Center for Chinese Agricultural Policy, P.R. China

What makes for successful linkages between small-scale farmers and emerging modern markets – Evidence from case studies

Lucian Peppelenbos, Royal Tropical Institute, Netherlands and Julio Berdegue, Rimisp, Chile

Responses

Mohamed Jaouad, Adviser to the Farmer's Confederation (COMADER), Morocco
Raul Montemayor, Federation of Free Farmers Cooperatives, Inc., Philippines and International Federation of Agricultural Producers (IFAP)
Gareth Ackerman, Chairman, Pick'n Pay Retailers (Pty) Ltd., South Africa, and Board of Directors of the Food Business Forum (CIES)

Discussion

Rapporteurs – Dominika Milczarek, Warsaw University, Poland.
Jerzy Wilkin, Warsaw University, Poland

13.00 – 14.00

Lunch

14.00 – 15.15

Evidence of change and innovation – The role of industry in inclusive market development

Panel moderator – Ashraf Hayat, Additional Secretary, Ministry of Commerce, Pakistan

Business innovations for inclusive agrifood markets

Felicity Proctor, Independent and IIED Visiting Fellow, and Bill Vorley, IIED, UK

How new models and innovation in India can secure agrifood market inclusion in India

Rajesh Gupta, President, Hariyali Kisaan Bazaar, Division of DCM Shriram Consolidated Ltd., India

Evidence of change in response to challenges faced by industry to secure inclusive markets in East Africa

Jonathan Ciano, Chief Executive, Uchumi Supermarkets Ltd., Kenya

Innovation in agri-processing for inclusive procurement in China

Yusheng Chu, Director of Production and Transportation, Longda Group, P.R. China

Discussion

Rapporteurs – Andre Louw, University of Pretoria, South Africa.
Davison Chikazunga, University of Pretoria, South Africa

15.15 – 15.45

Refreshments

15.45 – 17.00

Evidence of change and innovation in the public sector

Panel moderator – Lindiwe Sibanda, FANRPAN, South Africa

The role of public policy in inclusive agrifood markets

Julio Berdegué, Rimisp, Chile and Jikun Huang, Director, Center for Chinese Agricultural Policy, P.R. China

The changing role of international institutions and agencies in supporting value chain and pro-poor agribusiness development

John Lamb, Agriculture and Rural Development Department, World Bank

Reform of the sector and building new alliances for inclusive market development in Malaysia

Azizi bin Meor Ngah, Chief Executive, Malaysian Agrifood Corporation, Malaysia

Reshaping the role of traditional and modern wholesale markets – the key challenges faced by public policy

Mohamed Jaouad, Adviser to the Farmer's Confederation (COMADER), Morocco

Trade rules and policy space – The view of OECD on inclusive market development

Loek Boonekamp, Head, Agricultural Trade and Markets Division, OECD, France

Discussion

Rapporteurs – Lucian Peppelenbos, Royal Tropical Institute, Netherlands.
Ronnie Natawidjaja, Center for Agricultural Policy and Agribusiness Studies, Padjadjaran University, Indonesia

17.00

Close of plenary session

17.10

Poster session and refreshments

18.30

Conference dinner

Thursday March 6, 2008

Welcome by the Master of Ceremonies – Julio Berdegué, Rimisp, Chile

08.30 – 09.30

India – The challenges and opportunities for the rural economy in the face of rapid agrifood market change

Agriculture sector reforms in the Punjab – Meeting the challenge of inclusive agribusiness in modern food markets

S. K. Sandhu, IAS, Managing Director, Punjab Agro Industries Corporation, India

A private sector action – Meeting the business and development challenge
Sanjeev Asthana, President and Chief Executive, Reliance Retail Ltd., India

Small-scale farmer adaptation and the challenges faced
Kushal Pal Singh, National Institute of Agriculture and the International Federation of Agricultural Producers, Asia Representative, India

Discussion

Rapporteurs – Linda Fulponi, Directorate for Trade and Agriculture, OECD, France. Abid Suleri, Sustainable Development Policy Institute, Pakistan

09.30 – 10.30

The challenge of collective action by small-scale producers – Evidence of change in a dynamic environment

Panel moderator – Enrique Dominguez, DG, Confederacion de Porcicultores Mexicanos, Mexico

Farmer innovation – Linking with modern agrifood markets
Estelle Biénabe, CIRAD researcher, University of Pretoria, South Africa and Lucian Peppelenbos, Royal Tropical Institute, Netherlands

Innovation in the livestock sector in Uruguay
Gasto Rico Menge, Manager, Federation of Agrarian Cooperatives, Uruguay

Supporting small-scale farmer collective action through business linkages
Han Zhenghui, Chair, Green Association of Nanqu, P.R. China

Adapting to change in South Africa – Facing the challenge
Motsepe Matlala, President, National African Farmers' Union (NAFU), South Africa

How networks of farmer organizations can foster change
Ajay Vashee, President, Southern African Confederation of Agricultural Producers, Zambia

Discussion

Rapporteurs – Christian Gouët, International Federation of Agricultural Producers, France. Lucian Peppelenbos, Royal Tropical Institute, Netherlands

Action – Managing change for broad-based inclusive growth

The second session developed options and identify policy and interventions by both public and private sectors including farmers and their organizations to foster broad-based and inclusive growth in agrifood markets. Key areas for future action were developed.

10.30 – 10.40 **Introduction to parallel sessions**
Felicity Proctor, Independent, UK

10.40 – 11.10 **Refreshments**

11.10 – 13.00 **Parallel Sessions**
Short warm-up comments to launch the debate to offer new ideas or innovation followed by group work to develop options and an agenda for action.

Parallel Session 1

Action to bring agri-businesses into partnerships for rural development

Can agribusinesses be partners in development? What actions can agribusiness take? What does agribusiness require of public policy? What actions can farmers and service support organizations including public policy do to make this happen? Are there models that can be replicated? How best can this be done?

Panel leader – Kam Sang Kok, Strategic Planner Malaysian Agrifood Corporation, Malaysia

Collective agribusiness action and self regulation

Gareth Ackerman, Chairman, Pick'n Pay Retailers (Pty) Ltd., South Africa, and Board of Directors of the Food Business Forum (CIES)

Innovation in emerging agrifood markets for broad-based procurement – The experience of Makro

Anton van Gorp, General Manager, Makro, P.R. China

Linking small-scale producers to agribusiness – the case of Hikmahfarm, Indonesia

Wildan Mustofa, Operations Manager, Hikmahfarm, Indonesia

Proven structures for small-scale producer inclusion in the dairy sector in India

Vijay Sharma, Centre for Management in Agriculture, Indian Institute of Management, India

Rapporteurs – Estelle Bienabe, CIRAD researcher, University of Pretoria, South Africa. Vijay Sharma, Centre for Management in Agriculture, Indian Institute of Management, India

Parallel Session 2

Action to bring small-scale producers into sustainable partnerships with agribusiness

Can small-scale producers and small and medium enterprises be partners in modern agribusiness? Are economic organizations of small-scale farmers suited – are there new business models? What can public policy do to help? What actions can modern agribusiness and service support organizations do to make this happen? Are there models that can be replicated? How best can this be done?

Panel leader – Raul Montemayor, Federation of Free Farmers Cooperatives, Inc., Philippines, and International Federation of Agricultural Producers (IFAP)

Innovation for small-scale producer inclusion in the Philippines

Koronado Apuzen, Foundation for Agrarian Reform Cooperatives in Mindanao, Inc. (FARMCOOP), Philippines

Innovation for small-scale producer inclusion in southern Africa

Johan van Deventer, Freshmark/Shoprite, South Africa

How small-scale producer inclusion can work in practice

Réka Pónyai-Pisurnyi, Mórakert Group, Hungary

Rapporteurs – Céline Bigneat, INRA, UMR MOÏSA, France. Giel Ton, LEI-Wageningen UR, Netherlands

Parallel Session 3

Action to build an enabling environment: anticipatory public policies

What is the core role of public policy (national governments, international bodies, donor agencies)? Are there models that can be replicated? How best can this be done? How can farmers and the private sector inform this process? What is the role of evidence in informing the process?

Panel leader – Merly Cruz, Assistant Secretary, Department of Trade and Industry, Philippines

Public policy action in South Africa – Key challenges

Tshililo Ronald Ramabulana, CEO, National Agricultural Marketing Council (NAMC), South Africa

Public policy action in Central and Eastern Europe – Key challenges

Jerzy Wilkin, Faculty of Economics, Warsaw University, Poland

Public policy in supporting the structure of collective action

Vedat Mirmahmutogullari, Under Secretary Ministry of Agriculture and Rural Affairs, the Republic of Turkey

Linking market chain actors for effective policy

Larry Digal, University of the Philippines in Mindanao, Philippines

Rapporteurs – Ali Koç, Akdeniz University, Turkey. Linda Fulponi, Directorate for Trade and Agriculture, OECD, France

Parallel Session 4

Action to build new public-private coalitions and funding mechanisms

What key coalitions exist that support this wider objective at national and international levels and both for single and multi-stakeholder? Are new coalitions needed and if so what and how can they be formed and supported? Can the gaps in funding be met? If so what structures need to change/adapt?

Panel leader – Hamish McBain, Tiger Brands Ltd., South Africa

New funding modalities for inclusive markets in Uganda

Peter Ngategize, National Coordinator of the Competitiveness and Investment Climate Strategy, Uganda

Helping business to develop and share new models

Don Seville, Sustainability Institute, USA

Inclusive business through new financial mechanisms

Sahaschai Yaowapankul, Bank for Agriculture and Agricultural Cooperatives (BAAC) and Asia-Pacific Rural and Agricultural Credit Association (APRACA), Thailand

Experiences of Oxfam in working and learning with the private sector for inclusive markets

Tak Chuen Luk, Head Centre for Research and Development, Oxfam, Hong Kong TBC

Rapporteurs – Andre Louw, Chair in Agribusiness Management, University of Pretoria, South Africa. James Nyoro, Tegemeo Institute, Egerton University, Kenya

Parallel Session 5

Role of research and knowledge sharing

Is social, technical and economic research geared to meet the needs of inclusive agrifood chains? If not how and who will define needs (all stakeholders private, farmers etc), support work and ensure outputs reach the user? What are the new models? What is the role of the private sector in research and knowledge sharing? What are the education and other skills requirements?

Panel leader – Evan Due, International Development Research Centre (IDRC), Singapore

Joint efforts between research and industry: the case of Carrefour in Indonesia

Ronnie Natawidjaja, Center for Agricultural Policy and Agribusiness Studies, Padjadjaran University, Indonesia

Policy networks – An opportunity for knowledge sharing

Lindiwe Sibanda, FANRPAN, South Africa

Rapporteurs – Shudong Zhou, Department of Management, Nanjing Agricultural University, P.R. China. Davison Chikazunga, University of Pretoria, South Africa

13.00 – 14.00

Lunch

14.00 – 15.15

Keynote address – The special challenges of transition from centrally planned economies. Insights from Central and Eastern Europe

Csaba Csáki, Corvinus University of Budapest, Hungary

Responses

Maciej Fedak, Agricultural Markets Department, Ministry of Agriculture and Rural Development, Poland

Discussion

Rapporteurs – Dominika Milczarek, Warsaw University, Poland.
Csaba Forgács, Corvinus University of Budapest, Hungary

15.15 – 15.45

Refreshments

15.45 – 17.00

Feedback from parallel sessions and open discussion

Session moderator – Csaba Csáki, Corvinus University of Budapest, Hungary

17.00 – 17.30

Conference Statement and Summary

Bill Vorley, IIED, UK, Liangui Huang, Executive Deputy Director General, Office of Agricultural Vertical Integration, Ministry of Agriculture, and Jikun Huang, Director, Center for Chinese Agricultural Policy, P.R. China

Rapporteurs – Lucian Peppelenbos, Royal Tropical Institute, Netherlands.
Felicity Proctor, Independent and IIED Visiting Fellow, UK

17.30

Official Close of the Conference

18.00 – 20.00

End of Conference and Cocktails

Annex 2

List of participants

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Pick 'n Pay Holdings
South Africa

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Director
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UK

Koronado Apuzen

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PRESS**Xiaoping Chen**

21st Century Business Herald

Fang Li

Peoples' Daily

Gongming Wei

China Food Newspaper

Dingding Xin

China Daily

Xiuman Zheng

Farmers' Daily

Annex 3

Posters

- 1 Patterns and impacts of market chain changes on farmers: Case study of cucumber and tomato in Shandong Province, China**
Jikun Huang, Zhurong Huang, Huayong Zhi, Yunhua Wu, Xianfang Niu CCAP and CAS, P.R. China and Scott Rozelle, Stanford University, USA
- 2 Smallholder farmers' participation in restructuring food markets: the case of the tomato subsector in South Africa**
Andre Louw, Davison Chikazunga and Leah Ndanga. Department of Agricultural Economics, Extension and Rural Development, University of Pretoria, South Africa
- 3 Restructuring food markets in the South African region: Dynamics in the context of the fresh produce subsector: A synthesis of country findings**
Andre Louw, Davison Chikazunga and Leah Ndanga Department of Agricultural Economics, Extension and Rural Development, University of Pretoria, South Africa
- 4 Restructuring the food markets in sub-Saharan Africa: Dynamics in the context of the fresh produce subsector: A synthesis of regional findings**
Andre Louw, Davison Chikazunga and Leah Ndanga, Department of Agricultural Economics, Extension and Rural Development, University of Pretoria, South Africa
- 5 The inclusion of small producers in modern marketing channels: Evidence from Turkey**
Céline Bignebat, National Institute for Agricultural Research, France
- 6 Re-governing dairy sector in Poland**
Dominika Milczarek-Andrzejewska, Agata Malak-Rawlikowska, Jan Fałkowski and Jerzy Wilkin, Regoverning Markets and Faculty of Economics, University of Warsaw, Poland
- 7 Indonesia – Good agricultural practice**
Ministry of Agriculture, Republic of Indonesia
- 8 Comparison of the traditional supply chain and the improved supply chain from grower to consumer**
Directorate General of Horticulture Ministry of Agriculture, Republic of Indonesia
- 9 Joint efforts between University and Industry: Case of the Padjadjaran University and Carrefour Indonesia in Agrifood Markets Restructuring**
Center for Agricultural Policy and Agribusiness Studies, Padjadjaran University, Republic of Indonesia
- 10 Access to high value markets by smallholder farmers: African indigenous vegetables (AIVs) production in Kenya and horticultural production in Tanzania**
- 11 A success of linking resource poor farmers (communal or small-scale farmers) to markets: a case of wool in South Africa**
Molefe Mokoene, Bonani Nyhodo and Nkgasha Tema National African Farmers Union (NAFU) and National Agricultural Marketing Council (NAMC), South Africa
- 12 Freshmark: Committed to Africa**
Freshmark, South Africa
- 13 Hikmahfarm: natural from nature**
Hikmahfarm, Republic of Indonesia
- 14 Bimandiri: Linking Farmers to the Market**
Achmad Rivani, Bimandiri, Republic of Indonesia
- 15 Uruguay: a Pastoral Country**
Federation of Agricultural Cooperatives (CAF), Uruguay
- 16 Empowering Smallholder Farmers in Markets (ESFIM)**
IFAP-FIPA, ECART-EEIG HQ, IFAD
- 17 RuralStruc Program**
CIRAD, The World Bank, IFAD
- 18 The World Bank Picture Show**
The World Bank

Annex 4

Key resources

Syntheses

Berdegue, J A, E Biénabe and L Peppelenbos (2008) *Keys to inclusion of small-scale producers in dynamic markets – Innovative practice in connecting small-scale producers with dynamic markets*. Regoverning Markets, IIED, London

Huang, J and T Reardon (2008) *Patterns in and determinants and effects of farmers' marketing strategies in developing countries. Synthesis report – micro study*. Synthesis of Component 1 (micro). Regoverning Markets, IIED, London

Proctor, F J and L N Digal (2008) *Making a difference. An impact assessment of the Regoverning Markets programme*. Regoverning Markets, IIED, London

Proctor, F J and L N Digal (2008) *Opportunities and options for small-scale producers' inclusion in dynamic markets in developing countries and transition economies: A synthesis of findings from country-level workshops*. Regoverning Markets, IIED, London

Reardon, T and J Huang (2008) *Meso level restructuring of the food industry in development countries. Synthesis report – Meso study*. Regoverning Markets, IIED, London

Vorley, B and F J Proctor (2008) *Inclusive business in agrifood markets: Evidence and action. A report based on proceedings of a conference held in Beijing, PRC. March 5–6, 2008*. Regoverning Markets, IIED, London

Conference issues papers

Regoverning Markets (2008) *Background to the Regoverning Markets programme*. Conference Issue Paper 1. Paper prepared for the international conference 'Inclusive business in agrifood markets: evidence and action', Beijing, P.R. China. March 5–6, 2008.

Regoverning Markets (2008) *Business innovations for inclusive agrifood markets*. Conference Issue Paper 2. Paper prepared for the international conference 'Inclusive business in agrifood markets: evidence and action' Beijing, P.R. China. March 5–6, 2008.

Regoverning Markets (2008) *The role of public policy in inclusive agrifood markets*. Conference Issues Paper 3. Paper prepared for the international conference 'Inclusive business in agrifood markets: evidence and action' Beijing, P.R. China. March 5–6, 2008.

Regoverning Markets (2008) *Farmer innovation – linking with modern agrifood markets*. Conference Issue Paper 4. Paper prepared for the international conference 'Inclusive business in agrifood markets: evidence and action' Beijing', P.R. China. March 5–6, 2008.

Regoverning Markets (2008) *Linking market chain actors for effective policy*. Conference Issue Paper 5. Paper prepared for the international conference 'Inclusive business in agrifood markets: evidence and action' Beijing, P.R. China. March 5–6, 2008.

Annex 5

The Regoverning Markets Consortium

The Regoverning Markets programme is built around a global consortium of Southern and Northern institutions. Each programme component is led by consortium members. The programme covers nine regions worldwide and the programme of each region is led by a regionally-based consortium member. An international Advisory Group is in place with members from the business sector, the OECD, the International Federation of Agricultural Producers, research and academia.

Regional Coordinators

Central and Eastern Europe:

Corvinus University of Budapest, Hungary – Csaba Csáki and Csaba Forgacs

China:

Center for Chinese Agricultural Policy (CCAP), China – Jikun Huang

East Africa:

Tegemeo Institute of Egerton University, Kenya – James Nyoro

Eastern Mediterranean and Middle East:

Economic Research Centre on Mediterranean Countries, Turkey – Ali Koç and Yavuz Tekelioglu

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Component 1:

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Michigan State University (MSU), USA – Tom Reardon

With UMR MOISA, France – Céline Bigneat

Component 2:

Building on innovation and guiding practice

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Component 3:

Learning and policy dialogue

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Notes

Regoverning Markets

Small-scale producers in modern agrifood markets

This report is based on proceedings of the conference ‘Inclusive Business in Agrifood Markets: Evidence and Action’ held in Beijing, March 5–6, 2008. Over 130 participants from 31 countries, representing farming, policy, agrifood business, research and civil society met to assess how modernization of the food system can include and benefit small-scale farmers. The conference sought to answer the following questions:

- **Can the new food giants, including supermarkets and food companies be partners in the economic growth of rural areas?**
- **Can small-scale farmers meet the high expectations for food quality, safety, and quantity?**
- **Can policy help to make successful market linkages between business and small-scale farming?**

The conference was hosted jointly by the Center for Chinese Agricultural Policy (CCAP), the Office of Agricultural Vertical Integration in the Chinese Ministry of Agriculture, and the Regoverning Markets programme. It was a unique opportunity to take advantage of a diversity of perspectives from the public sector, the private sector, farmers’ organizations, academia, civil society and the media and to share evidence and develop ideas for action. It also provided an opportunity to communicate findings from the Regoverning Markets programme, to test the appropriateness of these findings, and to develop a common agenda for business, policy makers, farmers and researchers.

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Regoverning Markets is a multi-partner collaborative research programme analyzing the growing concentration in the processing and retail sectors of national and regional agrifood systems and its impacts on rural livelihoods and communities in middle- and low-income countries. The aim of the programme is to provide strategic advice and guidance to the public sector, agrifood chain actors, civil society organizations and development agencies on approaches that can anticipate and manage the impacts of the dynamic changes in local and regional markets. The programme is funded by the UK Department for International Development (DFID), the International Development Research Centre (IDRC), the Canadian International Development Agency (CIDA), Cordaid, ICCO, and the US Agency for International Development (USAID). The views expressed are not necessarily those of the funding agencies.

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