Keys to Inclusion of Small-Scale Producers in Dynamic Markets

A METHOD FOR THE ANALYSIS OF INNOVATIVE PRACTICE IN CONNECTING SMALLHOLDER PRODUCERS WITH DYNAMIC SUPPLY CHAINS

Resource Paper for Component 2

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EXECUTIVE SUMMARY

This document provides a methodological framework for Component 2 of the Regoverning Markets programme – i.e. a comparative analysis of 32 case studies of innovative practice in connecting small-scale producers and SMEs with dynamic markets.

This framework is not a blueprint, but it does emphasize the common elements that must be present in each Component 2 activity build a synthesis and a coherent set of conclusions and recommendations, starting from 32 very diverse and highly decentralized activities taking place throughout the world.

The 32 case studies will focus on four ‘drivers of innovation’: (public) policy principles, (private) business models, collective action strategies by small-scale farmers, and intervention strategies and methods of development agencies. Each case study will generate policy lessons and working methods to guide public and private actors in supporting greater inclusion of small-scale producers in dynamic markets.

This will be done on the basis of the following case study questions:

1. The innovation and its context: What are the main characteristics of the innovation and its immediate context, both at the level of the supply chain and of directly relevant meso and macro trends, policies and institutions?
2. Evolution: How did the innovation emerge over time and how did its evolution lead to greater inclusion of small-scale farmers and/or rural SMEs? What were the critical stages and the critical success factors in the evolution of the innovation?
3. Evidence of inclusion: What are the costs and benefits of the innovation, and how are they distributed across different actors in the supply chain? What is the evidence of effectively greater inclusion of small farmers and/or rural SMEs, as a result of the innovation? What did the small farmers and/or rural SMEs gain or lose? Are these results sustainable?
4. Drivers: What explains the greater degree of inclusion? What were the key drivers in terms of policy principles, business models, collective action and support systems?
5. And now what…? What is the potential for upscaling or replication? What are the key challenges?

The comparative analysis of the 32 case studies will assess the policy lessons that have been generated in terms of their potential for replication and scaling up. To enable this comparative analysis, the 32 case studies must represent a variety of situations. Three dimensions of variation are important in the selection of the case studies:
1. Countries in different stages of market restructuring

2. Procurement systems that vary in their stage of development along the ‘four pillars of change:’ (a) centralization of procurement, (b) specialized, dedicated wholesalers, (c) private grades and standards, and (d) preferred suppliers.

3. Cases that represent the *four forms of inclusive chain development:* (a) chain segments; (b) chain partners; (c) forward integration; (d) chain co-ownership
1. INTRODUCTION: THE REGOVERNING MARKETS PROGRAMME

Rapid changes are taking place in the structure and governance of national and regional agri-food markets in developing countries, affecting the ability of agriculture to contribute to economic growth, poverty reduction and sustainable rural development. Small-scale agriculture, which supports the livelihoods of the majority of rural poor, is poorly prepared for these changes.

In recognition of this challenge, an intensive two-year programme (2005-2007) of collaborative research and policy support is being undertaken to understand the keys to inclusion into agri-food systems under different degrees of restructuring, to deepen the research on implications and opportunities for small-scale producers and SMEs, to understand what is best practice in connecting small-scale producers with dynamic markets, and to bring these findings into the wider policy arena.

The focus is on dynamic restructured national and regional markets that are displacing existing chains and their interface with small-scale farmers and local rural economies.

The programme goal is to secure more equitable producer and SME benefits in response to the unprecedented and dynamic changes in agri-food markets within developing and transition economies. Three objectives contribute to achieving the programme goal:

1. To generate high quality and policy-relevant research contributing to public and private sector policy formulation at national and international levels;

2. To identify innovative practice in connecting small-scale producers and SMEs with dynamic markets; and

3. To engage with policy processes through structures and processes for policy dialogue between key public and private sector stakeholders, which bring poor and small-scale rural producers into policy making; and thereby inform future public and private sector policy with practical approaches that allow them to anticipate trends in market restructuring.

Each objective corresponds to one of the three components of the programme: (1) empirical research, (2) development of innovation and good practice, and (3) research-to-policy platforms.
Component 2 of the Regoverning Markets Programme is a comparative in-depth empirical analysis of 32 cases where small-scale producers and SMEs connected successfully to dynamic markets – i.e. in chains that feature prominently modern agri-processors and/or supermarkets. This document outlines a case study method to analyse these innovative experiences of inclusion.

While the document does not aim to provide a blueprint, it does emphasize the common elements that must be present in each Component 2 activity in order to be able to build a synthesis and a coherent set of conclusions and recommendations, starting from 32 very diverse and highly decentralized activities taking place throughout the world.

After this introductory section, the document is organized as follows. Section 2 describes the approach, objectives and outcomes of Component 2 of the Regoverning Markets Programme. Section 3 provides some guidelines for the selection of case studies under Component 2. Section 4 defines the questions for the case studies. Section 5 defines the framework for the comparative analysis of the 32 case studies. Section 6 provides suggestions for fieldwork methodology. Section 7 provides terms of reference for the case study reports.

2. OVERVIEW OF COMPONENT 2: BUILDING ON INNOVATION AND GUIDING PRACTICE

Component 2 of the Regoverning Markets Programme is a comparative in-depth empirical analysis of 32 cases where small-scale producers and SMEs connected successfully to dynamic markets.

The case studies will aim to derive lessons in the guise of policy principles, business models, collective action strategies and organizational models, and development intervention strategies and working methodologies, to guide public and private sector actors in promoting greater participation of small-scale producers in dynamic supply chains.

Component 2 is organized around five main activities:

1. A Methodology Workshop (Amsterdam, August 2005): to refine and agree upon the methodological framework
2. A first round of empirical research on an initial set of 16 case studies
3. A second round of empirical research on an additional set of 16 case studies
4. Global synthesis of the 32 case studies
5. Dissemination of findings and connection to policy

\(^1\) This document reflects the outcomes of this workshop.
The outputs of Component 2 are:

1. National, regional and global networks of organizations engaged in documenting and analysing innovations which lead to greater inclusion of small-scale farmers and rural SMEs in dynamic agri-food markets
2. One Proceedings volume (in CD-ROM and electronic publication in the web) of the Mid-Term Workshop
3. 32 final reports of the case studies in the form of ready-to-be-published journal articles
4. Synthesis paper, in the form of a ready-to-be-published journal article
5. One Methodological Guide in CD-ROM and electronic publication in the web
6. A Special Issue of a leading international policy-oriented journal.

The milestones of Component 2 are:

(a) Methodology workshop (Aug 05)
(b) Call for case study proposals, and selection of initial 16 (Oct–Dec 05)
(c) 16 case studies (Jan–Jun 06)
(d) Synthesis and emerging issues (Aug 06)
(e) Open call for second round (Sep 06)
(f) 16 case studies (Nov 06–Apr 07)
(g) Draft synthesis papers (Aug 07)
(h) Synthesis workshop (Sep 07)
(i) Final version of reports (Dec 07)
(j) Communication and dialogue through national and regional platforms (continuous)

It is expected that Component 2 of the Programme will contribute to three outcomes:

1. Improved networking: Organisations throughout the world learning together about innovative practices leading to greater inclusion of small-scale farmers and rural SMEs in dynamic agri-food markets.
2. Improved understanding of the drivers of inclusion, leading to improved policy and practice.
3. Improved capacity in the countries where the case studies are conducted.
3. ANALYTICAL FRAMEWORK AND CASE STUDY QUESTIONS

The basic framework for the analysis of innovation leading to greater inclusion is as follows:

1. The meso and macro context influences the strategies of agri-processors and food retailers operating in restructured markets.

2. Their strategies evolve along the so-called four pillars of restructured agri-food supply chains: specialized wholesalers, preferred suppliers, distribution centres, and private grades and standards.\(^2\)

3. The emergence and continuous evolution of these four pillars provides concrete incentives to suppliers -including small-scale farmers and rural SMEs- to undertake successive and never-ending changes in the areas of technology, management and inter-firm organization, all of which have significant financial implications.

4. The capacity of small-scale farmers and rural SMEs to keep up with this continuous stream of changes defines their inclusion or exclusion in the evolving supply chain and, thus, the restructured market.

5. Public policy, private business models, collective action by smallholders and/or intervention by development agencies can change the set of incentives facing the small-scale farmers and/or strengthen the farmers’ capacities in facing these incentives.

6. Inclusion can take different forms, from mere participation as individual suppliers, to collective action with other suppliers to meet basic demands for volume and consistency of supply, to becoming a specialized supplier on the basis of value-adding activities, to becoming co-owner of a supply chain or one of its segments.

Against this framework each case study will analyze one specific ‘innovation’ or a set of closely-linked ‘innovations’. These innovations are public policies, business models, collective action strategies by small-scale farmers, or strategies and methods of development agencies that appear to have played a positive role in supporting greater inclusion.

We term these ‘innovations’ because they countervail the tendency that small-scale farmers and rural SMEs become excluded from markets as supply chains evolve in complexity. They

\(^2\) A fifth pillar can be added in certain regions and for certain products: the internationalization of procurement.
represent a departure from the context-specific *status quo*, i.e., the conventional way of thinking and/or acting in relation to the participation of small-scale farmers and rural SMEs in dynamic markets.

The innovation can lead to inclusion either because it changes the specific forms or evolution of the ‘four pillars’ of supply chain development, and/or because it strengthens the capacity of small-scale producers and rural SMEs to operate successfully in this difficult environment. That is, the innovations under study can promote inclusion either through changes in the set of incentives facing small-scale producers and rural SMEs, and/or in the set of capacities of these actors to respond to these incentives.

In this framework, inclusion or exclusion are not defined in terms of the farmers’ situation at a single point in time, but rather in terms of the capacity of small-scale producers and rural SMEs to sustain their participation in a given supply chain and restructured market as it evolves and becomes ever more challenging and competitive. Hence, it is necessary to analyze the problem from an evolutionary or ‘innovation history’ perspective. The case studies should provide a simultaneous, “side-by-side” analysis of a supply chain and an innovation, as they evolve together through time. This is a key concept.

In addition, ‘inclusion’ or ‘exclusion’ in this framework says nothing about welfare outcomes: It is not automatic that a group of small-scale producers who are ‘included’ will be better off than those who are ‘excluded’, in terms of net income or net assets, exposure to risk, or autonomy in decision-making. That inclusion leads to significant welfare gains is a hypothesis to be critically examined by the case studies.

Using this framework, the case studies will seek to answer five sets of questions:

1. The innovation and its context: What are the main characteristics of the innovation and its immediate context, both at the level of the supply chain and of directly relevant meso and macro trends, policies and institutions?
2. Evolution: How did the innovation emerge over time and how did its evolution lead to greater inclusion of small farmers and/or rural SMEs? What were the critical stages and the critical success factors in the evolution of the innovation?
3. Evidence of inclusion: What are the costs and benefits of the innovation, and how are they distributed across different actors in the supply chain? What did the small farmers and/or rural SMEs gain or lose? Are these results sustainable?
4. Drivers: What explains the greater degree of inclusion? What were the key drivers in terms of policy principles, business models, collective action and support systems?
5. And now what...? What is the potential for upscaling and/or replication? What are the
key challenges?

The next section will examine in further detail each of the elements of the analytical framework so as to suggest a methodological approach for answering the case study questions.

4. METHODOLOGICAL APPROACH

4.1. The innovation

The reference point and subject matter of each case study is an innovation or a set of closely-linked innovations in one of the following domains:

1. Public policies
2. Business models
3. Collective action by small-scale producers and rural SMEs
4. Strategies and methods of development agencies

Carefully defining and recognizing the boundaries of the innovation is an essential step for clarity and consistency of analysis, as well as for an efficient use of scarce resources during the case study (Douthwaite and Ashby, 2005). This delimitation can be assisted by comparing the innovation against the status quo, i.e., the conventional way of thinking or acting. If possible given time and financial constraints, it is recommended to maintain a ‘counterfactual’ element throughout the case study. Whenever collective action is a key element in small-scale farmers’ capacity to remain included in dynamic markets, a ‘without collective action’ situation of reference would be very useful.

4.2. The supply chain and its segments

Besides delineating the innovation it is also necessary to delineate the supply chain. This can be approached in two steps:

(a) Identification and description of the supply chain segments. Typically, the chain will include one or more of the following components: input suppliers; primary producers; first-stage processors or packagers (slaughterhouse, packing house, etc.); wholesalers, distributors and transporters; second-stage processors or packagers; retailers; consumers. Each segment should be described in terms of its mission, organisational profile, economic-financial profile, socio-cultural profile and vision upon the chain. Chain mapping is a fairly straightforward process, although it can become sophisticated when opting for social network mapping software as recommended by Douthwaite and Ashby (2005).
(b) Organizational-institutional analysis of the supply chain. We propose to use Kaplinsky and Morris (2001) to analyse the mechanisms of governance and coordination in the supply chain. They differentiate three aspects of chain governance:

i. **Legislative governance**: setting product standards and transaction conditions.

ii. **Judicial governance**: monitoring the performance of suppliers in meeting these product and transaction conditions.

iii. **Executive governance**: implementing support systems assisting suppliers to meet product and transaction conditions, and setting incentives and sanctions to reward or punish performance.

The question is how these aspects of chain governance are organized, and what role is played herein by the different chain actors.

### 4.3. The macro and meso context

The innovation under study has to be located within the wider meso and macro context that influences the strategies of the agri-processor and/or retail firm in the supply chain. As shown in Figure 1, some of the relevant macro and meso factors are:

1. The macroeconomic environment
2. The institutional and political environment
3. Consumer characteristics and trends
4. The structure, composition and degree of evolution of the agri-food systems
5. The position and perceived strategies of competitors

The interactions between these factors and the pathways through which they influence company strategies in restructured agri-food markers are complex and difficult to unravel. Yet they constitute the context of the innovations that are studied under Component 2. It is necessary that the case studies carefully identify and describe at least in general terms the major elements of the meso and macro context, focusing on those factors and trends that are directly relevant and most important to understand the innovation. This should provide understanding on the types of incentives prevailing, accounting not only for incentives arising from the ‘four pillar’ evolution but also from the State and/ or civil society organisations (Corporate social and environmental responsibility issues and associated codes of practices for example).

**Figure 1 about here**
4.4. The history of the innovation against the evolution of the supply chain

As stated above, inclusion or exclusion does not refer to static outcomes as observed in one point in time. We rather think in terms of the capacity of groups of small-scale producers and rural SMEs to remain viable agents in rapidly and continuously changing supply chains.

Berdegué et al. (2005) have argued that the restructuring of agri-food supply chains dominated by modern forms of retail is characterized by the emergence and continuous evolution of procurement systems based on ‘four pillars’ (Figure 2): (a) specialized wholesalers, (b) preferred suppliers, (c) centralized procurement, and (d) private grades and standards.

FIGURE 2 ABOUT HERE

As these pillars emerge and continuously change, the attributes of the product and the conditions of the commercial transaction –or contract\(^3\)- are being redefined.

For example, a new set of standards established by a processor of potato chips may mean that a ‘potato’ is no longer just any potato, but rather a potato of a certain variety, a given size, produced with Integrated Pest Management techniques, and subject to stringent limits on damages or phytosanitary condition. Or, a new Distribution Centre (DC) opened by a major retailer may lead to a new centralized procurement system and a complete redefinition of contract conditions. Hence, from a given date on, suppliers must suddenly be able to deliver at least 1 ton of such potatoes per week, each and every week of the year, in standardized boxes, and labelled with bar codes so that they that can be processed by the new computerized logistics of the state-of-the-art DC. Even less drastic changes, such as the celebration of an exclusive supply relationship between a fast-food chain and one or two specialized wholesalers to supply the vegetables needed for their hamburgers in all of their 75 stores, could imply that an association of small-scale lettuce growers suddenly looses their contract for 6 crates per day which they had carefully developed with 2 of these fast-food stores.

Another example is the leading dairy processors in Southern Chile who decided in the early 1990s that in order to survive in a liberalized economy they would need drastically to improve the quality of the milk they received from their suppliers. Private standards were put in place for

\(^3\) We use the concept of contract as in Reardon et al. (2004). A contract exists if the two parties are cognizant of the governance mechanisms governing their transactions – i.e. the specification of a price, a set of product and transaction standards, and the potential sanctions (tangible or intangible) accorded on non-delivery. A contract can thus be simply an informal, verbal accord on these items, and the sanction can be as intangible as loss of reputation among buyers.
hygiene, fat, protein content, stability of supply, and other factors. Over the next years, small dairy farmers had to (a) organize in local associations, and (b) establish milk collection centres with cooling tanks. Further, each farmer had to (c) invest in new pastures and soil fertility to have enough feed to sustain production through the winter months. Since the processor fixed differentiated prices according to the performance vis-à-vis the new standards, the farmers’ associations also had to (d) implement a record keeping system and (e) monitoring and enforcement procedures in order to pay each member according to his/her compliance with the new rules.

These examples show that the continuous ‘four pillar’ evolution of the supply chain provides strong incentives to suppliers -including small-scale farmers and rural SMEs- to undertake successive and never-ending changes in the areas of technology, management and inter-firm organization, all of which have significant financial implications (Figure 3).

FIGURE 3 ABOUT HERE

It is very likely that the innovation, which is at the centre of the case study, has gradually evolved side-by-side with the evolution of the supply chain and in response to the varying conditions as imposed by the ‘four pillars’. Actors such as public institutions, farmers’ organisations, development agencies and/or NGOs can also have played a significant role in the emergence and evolution of the innovation. Hence, in order to understand the ‘why’, ‘how’ and ‘who’ of the innovation, one has to describe the history of the innovation against the backdrop of the evolution of the supply chain.

Construction of innovation timelines (Duthwaite and Ashby, 2005) can be very useful to this end. Innovation timelines highlight the main events and the critical stages in the development of the innovation vis-à-vis the evolution of the supply chain. The following is a hypothetical example of such timeline:
<table>
<thead>
<tr>
<th>Date</th>
<th>Supply chain event</th>
<th>Innovation event</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2002</td>
<td>Tomato Sauce Inc. establishes mandatory quality standards for tomatoes supplied to</td>
<td>100 small-scale tomato farmers hold meetings asking the firm to delay introduction of the new standards. Eventually, it is agreed to involve the support of “Do Good NGO” which runs a rural finance program that could provide the needed investments. Tomato Sauce Inc. agrees to hire two agronomists to help the farmers and the NGO to set up drip irrigation in 25 farms as a pilot program that could be expanded if successful.</td>
</tr>
<tr>
<td></td>
<td>the firm. A major requirement is year-round supply. A main consequence is the need for drip irrigation.</td>
<td></td>
</tr>
<tr>
<td>January 2003</td>
<td>Tomato Sauce Inc and NGO evaluate three different options for drip irrigation system</td>
<td>&quot;100 Farmers” Association is established; process starts to register it as a formal organization.</td>
</tr>
<tr>
<td>April 2003</td>
<td>Enforcement system for the new standards defined and implementation schedule agreed upon</td>
<td>Consortium between the association, the firm, and the NGO established, with responsibilities defined for each party.</td>
</tr>
<tr>
<td>June 2003</td>
<td>Drip irrigation installed in first 25 farms</td>
<td>Training program established with 100 farmers, using the 25 initial farms as learning sites. “Do Good NGO” provides 5 year loans to finance up to 85% of initial investment</td>
</tr>
<tr>
<td>October 2003</td>
<td>First harvest of tomatoes meeting new quality standards</td>
<td>Consortium revises the implementation schedule and agrees to speed it up as most farmers are now demanding to participate in the program</td>
</tr>
</tbody>
</table>

4.5. **Explaining inclusion or exclusion**

We have defined inclusion as the capacity of small-scale producers and rural SMEs to sustain their participation in a given supply chain and restructured market as it evolves.

In our framework, this capacity is the ability to undertake the technological, managerial and organizational changes (with their financial implications) required as a consequence of the continuous transformation of supply chains (Figure 4).

**FIGURE 4 ABOUT HERE**
In the Chilean example given in the previous section only a fraction of the associations formed by small dairy producers was able to survive beyond two or three years. Many of the groups collapsed because their members failed to put in place a system of continuous learning and innovation to respond day in and day out to the ever-changing conditions imposed by the dairy processors who dominate the Chilean market. Sometimes failure derived from the members’ inability to agree on what changes should be implemented, or how costs and benefits should be allocated between the members or between the members as individual farmers and the association as an enterprise in its own right. Other times, the required changes were too complex or too expensive, and the members did not have the financial, managerial or technological capacity to undertake them. Often, the speed of the change process was too fast, and many small farmers could not keep up with what at times became a frantic rhythm of almost Darwinian selection. Unfortunately, as in many other examples, exclusion became the norm, and only a minority managed to remain included as viable small dairy farmers in this dynamic market.

To explain inclusion, it is vital that the case studies document for each critical stage in the innovation timeline:
(1) What were the changes in the attributes of the product and in the conditions of the commercial transaction, and how were they decided? Did some negotiation take place? Whose stakeholders were involved in it?
(2) What were the specific technological, managerial, organizational and financial changes that the small-scale producers and rural SMEs had to implement?
(3) What were the critical skills, competences and capacities that allowed the farmers to implement these changes? Why did they manage to sustain their inclusion in the chain while others were excluded?
What role did public policy, private business models, collective action by smallholders, and/or intervention by development agencies play in this? Did these drivers of innovation change the set of incentives facing the small-scale farmers? Or did they strengthen the farmers’ capacities in facing these incentives? Did they provide means to improve farmers’ risk management capacity, technological dissemination and apprenticeships among farmers, farmers’ access to information, farmers’ negotiation power, and/or economies of scale? And whenever possible:
(4) How did small-scale farmers and farmers’ organisations, when applicable, spell out the situation they faced into stakes, objectives, constraints and opportunities?

4.6. Forms and costs/benefits of inclusion

If one visited the South of Chile today, 15 years after the restructuring of the dairy industry got started, one would observe that different groups of small and medium dairy farmers have
managed to put in place different strategies to remain included in the dairy chain. Figure 5 represents these different forms of chain inclusion (Peppelenbos, 2005).

**FIGURE 5 ABOUT HERE**

Some decided to buy their own cooling tanks and not worry about the costs and problems of working in association with other farmers; they are included as individual suppliers. A second group of farmers organized and managed to become very efficient at collecting milk and selling it to processors.

A third group of associations decided to diversify into new activities, such as small-scale cheese production for local markets, the provision of veterinary and other services to their members, or projects in totally new areas such as the production of raspberries for export that added a new source of income to all or part of their membership.

Finally, a fourth category of association was able to implement even deeper changes: by bringing together several hundred small and medium producers, they were able to set up a number of processing firms, often with multi-million dollar investments, to compete against the large dairy processors.

Each of these forms of inclusion implies different costs and benefits, as well as different ways in which these costs and benefits are allocated across the different participants in the supply chain. The case studies should specify and quantify what were the gains, as well as the losses, of the small-scale producers and rural SMEs that managed to remain included in the supply chain. When possible, this analysis should include a comparison with groups of excluded small-scale producers and rural SMEs.

Some of the costs and benefits that may be looked at are:

1. At the level of the farm: (a) changes in production costs; (b) changes in yields; (c) changes in the value of the product; (d) changes in the profitability of the product
2. At the level of the farmer organisation, when applicable: (a) changes in logistical costs (increased need for quality control, homogeneity, regular volumes...), (b) changes in financial costs (increased need for revolving capital), (c) changes in labour costs (increased need for skilled workforce)
3. At the level of the chain: (a) changes in the distribution of profit margins across the chain; (b) changes in sales volume and value
4. At the level of the household: (a) changes in income; (b) changes in the share of the income from the chain within total household income; (c) changes in income diversity and security; (d) changes in employment; (e) use of the added income
(5) At the level of the innovation: (a) estimated costs and investments; (b) implicit or explicit subsidies

4.7. The potential for up-scaling / replication

At this stage, a rich picture will have emerged, pulling the different elements of the framework together (Figure 6). However, the purpose of Component 2 is to draw lessons and recommendations, and not merely to develop such rich pictures.

It will then be necessary to ask the following questions, before drawing the case study to a close:
(1) What potential is there for up-scaling the innovation within the same context and/or for replication elsewhere? What are the preconditions that made it a success?
(2) How sustainable is the innovation? How specific is the innovation?
(3) What elements can be pulled out of the experience and be replicated elsewhere? What are the contextual preconditions for this?
(4) What lessons can be generalized from the case study in terms of policy principles, business models, collective action by smallholders and intervention strategies by NGOs?
(5) What working techniques and methodologies have proven successful in the case study?

These questions are central to Component 2. Rather than collecting nice stories about innovative experiences, we want to draw robust policy lessons and validated techniques and methodologies that can be applied in other contexts. Hence throughout the case study the researchers should maintain this focus.

5. SELECTION OF THE CASE STUDIES

Each case study will identify good practice and derive policy lessons for public and private sector actors in supporting greater participation by small-scale farmers in dynamic markets. The comparative analysis will compare these policy lessons to assess their potential for replication and scaling-up. To facilitate this comparative analysis, the case studies will have to comprise a variety of situations. Three dimensions of variety are central to the selection of the case studies:

1. The stage of market restructuring – i.e. the degree to which modern forms of processors and/or retailers dominate the overall agri-food system. This dimension of variety is important because the approach of the Regoverning Markets is essentially anticipatory, transferring lessons from areas or countries where change is advanced to where changes are just starting, when appropriate.
2. The stage of development of the supply chain – i.e. the degree to which the ‘four pillars of change’ have been put into place in the supply chain: (a) centralization of procurement, (b) specialized, dedicated wholesalers, (c) private grades and standards, and (d) preferred suppliers. This dimension of variety is important because from Phase 1 of the Regoverning Markets programme we know that supply chains evolve very rapidly. The key challenge for small-scale producers and rural SMEs it is not to access restructured markets but rather to keep pace with the rapid, almost violent changes in the conditions of participation. In other words, the ‘four pillars’ determine the skills and capacities that small-scale producers and rural SMEs need in order to access dynamic markets and operate successfully in them.

3. The form of chain integration – From an analytical perspective, the participation of small-scale producers and rural SMEs in dynamic supply chains can take four forms: in a chain partnership with processors or retailers, through forward integration, in a chain (co-) ownership, or by simply accessing the chain as a supplier. This dimension of variety is important because each form of chain integration is a different business model that requires specific intervention strategies, working methodologies and development of skills.

Sufficient preliminary information must be available about a potential case study to be able to classify it ex ante according to these three dimensions, thus ensuring that the 32 case studies of Component 2 actually cover the range of variation defined above.

All case studies should focus on experiences whose context and resources are not exceptional. They must be feasible to be replicated or to guide practice elsewhere.

All case studies must focus on experiences that have been in operation long enough so as to allow for the drawing of lessons and conclusions.

Annex 1 presents the format for submission of case study proposals to be implemented under Component 2 of the Regoverning Markets Programme.

6. FINAL REPORT

The final report of the case study will have the form of (a) one sheet with killer facts, ready for distribution to policy platforms, private companies, farmer organisations and NGOs; and (b) a Journal-type article, ready for publication. The article will be written in the main language of the country in which the case study is conducted, and once reviewed, approved and edited, will be
translated into English. The maximum length of the article will be of 20,000 words, including the full content, from the title to the list of references. If necessary, more than one such article can be prepared and submitted per case study, in order to cover all the important aspects of the case study; in this case, each article must be self-standing, in the sense that the reader must be able to understand it without necessarily having to read the full set of articles.

The following is a tentative Table of Contents for the journal article:

1. Executive summary – A comprehensive executive summary is essential. It must give clear and sufficient information about the background of the case study, the methods used, results and conclusions and recommendations.

2. Background – This section will provide descriptive information about the case study, its contexts, and its relevance for the country and/or region as well as for the Regoverning Markets Programme.

3. Literature review – This section will review the relevant literature concerning the case study and the issues involved in the case study. It will highlight the knowledge gaps which the case study addresses, and why these are important from the perspectives of policy (public and private) and of policy research.

4. Methods – This section will present in detail the methods used to conduct the case study, both for data collection and analysis. The choice of methods will be justified. If standard, well established methods are used, this section can be shortened by providing references to the appropriate literature were the methods are described in greater detail.

5. Results – This section will present the major findings of the case study, following the methodological framework and the case study questions described in detail in section 3 of this document. If convenient for clarity of presentation, this section can be merged with the next one (Discussion).

6. Discussion – In this section the implications of the results will be drawn out. It is essential that the overall objectives and research questions of the Regoverning Markets Programme be used as key reference points for this analysis, as the case study is expected to contribute to meeting precisely those objectives and answering those questions.

7. Conclusions and recommendations – This section will highlight the critical factors that have enabled or hindered the inclusion of the small-scale producers and rural SMEs in restructured markets, as well as the lessons learnt.
8. References – a complete list of references cited in the text will be provided.

7. REFERENCES


Figure 1 – The macro and meso context

- Macroeconomic environment
- Institutional environment
- Global, reg., natl. competition
- Consumer trends

Strategies of Restructured Markets Firms
Figure 2 – Evolution of supply chains
FIGURE 3 - Implications of changes in supply chains

Changes in...

- Technology
- Management
- Organization
- Financial

At farm and SME level
FIGURE 4- Inclusion or exclusion

Changes in...

- Technology
- Management
- Organization
- Financial

At farm and SME level

Inclusion

Exclusion
Figure 5 – Forms of inclusion

- Participation in chain management
  - Chain partnership
  - Chain co-ownership
  - Specialization in primary production
  - Participation in post-farm activities
  - Chain segment
  - Forward integration
  - No participation in chain management
Figure 6 – Synthesis of the Component 2 framework
ANNEX 1 – FORMAT TO SUBMIT PROPOSALS OF CASE STUDIES

Please fill in and send to:
Dr. Estelle Bienabe, CIRAD / University of Pretoria, South Africa (estelle.bienabe@up.ac.za), or
Dr. Lucian Peppelenbos, KIT, The Netherlands (L.Peppelenbos@kit.nl), or
Dr. Julio A. Berdegué, Rimisp, Chile (jberdegue@rimisp.org)

A. THE CASE STUDY (maximum 4 pages)

Please make sure to highlight the merits of the case study – What does this case study contribute to understanding the issues that are central in the Regoverning Markets programme? While we seek experiences that offer unique opportunities for learning, we also want to avoid cases which are so extraordinary that it is unlikely that they can be replicated.

1. Background information – Please describe the place and country, the main characteristics of the small-scale producers or the rural SMEs, and the main characteristics of the supply chain in which they operate.

2. The innovation – Please describe the innovation that will be the subject of the case study. The innovation can be of the following types: public policy, private sector business models, collective action by small-scale producers and rural SMEs, or strategies and methods of development agencies. Please inform when the innovation was initiated.

3. The market and its supply chain – Please provide information to allow us to understand the market context of the innovation. In particular, we would like to understand the degree of market restructuring through some indication of the use of private grades and standards, centralized distribution centres with or without modern logistics, specialized and dedicated wholesalers, and/or longer term relationships with preferred suppliers.

4. Forms of inclusion – Please provide information to allow us to understand what are the specific forms in which the small-scale holders or rural SMEs are included in the restructured market: As individual suppliers of primary products? As organized suppliers of primary products? As specialized suppliers of food processors or retailers on the basis of different types of value-adding activities? As co-owner of a supply chain or of one of its segments?
B. THE ORGANIZATION(S) RESPONSIBLE FOR THE CASE STUDY

1. Basic information of the leading organization – Please provide the full name and acronym of the organization that will be responsible (leader) for the case study, the name and title of a contact person, postal address, telephone and fax numbers (including country and city codes), emails and web page if available.

2. Basic information of other (partner) organizations participating in the case study - Please provide the full name and acronym of other organizations that will participate the case study, their postal address, telephone and fax numbers (including country and city codes), emails and web page if available. Please describe the established contacts with key stakeholders and their willingness to cooperate in the study.

3. Experience and capacity of the leading organization in conducting applied research, case study research, and/or action research – Convince us that the leading organization is well qualified to do high quality case study work! Describe its most important projects and activities in the past years that are relevant to Regoverning Markets programme. Inform us of its publications and its human resources. Very importantly, tell us about its networks and relationships with organizations in the public and private sector as well as in civil society.

4. The project leader and key team members – Please attach the curricula vitae of the person who will be the leader of the case study and of other important team members.
## ANNEX 2 – COMPONENT 2 TIMETABLE

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2005</td>
<td>Call for case studies (based on the format in this paper)</td>
</tr>
<tr>
<td>9th of January 2006</td>
<td>Deadline for each regional coordinator to provide 4 to 5 case study proposals from within his/her own network and from the case studies suggested by Icco, Cordaid and IFAP.</td>
</tr>
<tr>
<td>6th of February 2005</td>
<td>Sixteen case studies are selected by a review panel consisting of the component leaders, a member of the advisory committee, and a donor representative</td>
</tr>
<tr>
<td>February to June 2006</td>
<td>The 16 case studies are being implemented</td>
</tr>
<tr>
<td>30th of June 2006</td>
<td>Deadline for the draft reports of the case studies, elaborated by the country team and approved by the regional coordinator</td>
</tr>
<tr>
<td>July to August 2006</td>
<td>Review of the draft reports by the component leaders. Elaboration of the final reports by the country teams. Synthesis of the emerging issues by the component leaders.</td>
</tr>
<tr>
<td>September 2006</td>
<td>Mid-term workshop</td>
</tr>
<tr>
<td>October 2006</td>
<td>Open call for second round of 16 case studies, also accessible to non-consortium members</td>
</tr>
<tr>
<td>1st of November 2006</td>
<td>Deadline for second round of case study proposals</td>
</tr>
<tr>
<td>30th of November 2005</td>
<td>Sixteen case studies are selected by a review panel consisting of the component leaders, a member of the advisory committee, and a donor representative</td>
</tr>
<tr>
<td>November 2006 to April 2007</td>
<td>The 16 additional case studies are being implemented</td>
</tr>
<tr>
<td>30th of April 2006</td>
<td>Deadline for the draft reports of the case studies, elaborated by the country team and approved by the regional coordinator</td>
</tr>
<tr>
<td>May to August 2006</td>
<td>Review of the draft reports by the component leaders. Elaboration of the final reports by the country teams. Draft synthesis paper and methodological guide by the component leaders.</td>
</tr>
<tr>
<td>September 2007</td>
<td>Synthesis workshop</td>
</tr>
<tr>
<td>December 2007</td>
<td>Final synthesis paper and methodological guide by the component leaders</td>
</tr>
</tbody>
</table>