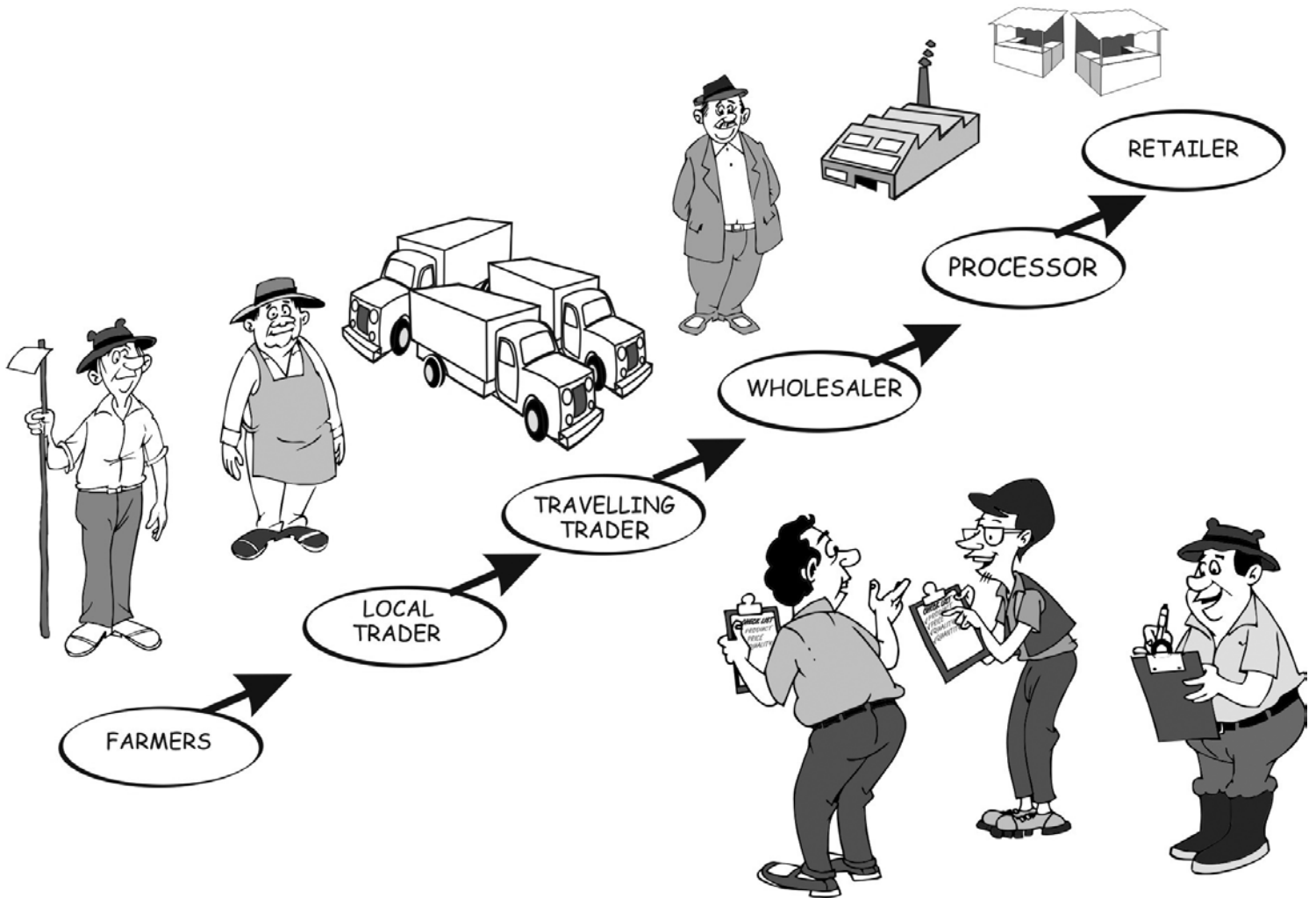


# A Guide to Rapid Market Appraisal (RMA) for Agricultural Products



Tiago Sequeira Wandschneider, Ngo Thi Kim Yen, Shaun Ferris, and Tran Van On



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## Notes on Partner Organizations



The International Centre for Tropical Agriculture (CIAT) is a not-for-profit organization that conducts socially and environmentally progressive research aimed at reducing hunger and poverty and preserving natural resources in developing countries. CIAT is one of 15 centers funded mainly by the 58 countries, private foundations and international organizations that make up the Consultative Group on International Agricultural Research, (CGIAR).



Since 1943, Catholic Relief Services (CRS) has held the privilege of serving the poor and disadvantaged overseas. Without regard to race, creed or nationality, CRS provides emergency relief in the wake of natural and man-made disasters. Through development projects in fields such as education, peace and justice, agriculture, microfinance, health, HIV and AIDS, CRS works to uphold human dignity and promote better standards of living.



ETSP (Extension and Training Support for Forestry and Agriculture in the Uplands) is a continuation of a forestry development project which aims to provide cost-effective, demand driven systems of extension and training to upland farmers and service providers for enhanced sustainable natural resource management and improved household livelihoods.

## Notes on Authors

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# Preface

This *Guide to Rapid Market Analysis Methods* is a product of the experiences and lessons learnt while implementing agro-enterprise projects in Latin America, Africa and S.E Asia. This manual is one of a series of agro-enterprise publications developed through a collaborative learning alliance between the Catholic Relief Services and the International Centre for Tropical Agriculture, focused on rural agro-enterprise development.

The aim of this set of methods and tools is to enable service providers to empower rural communities to engage more effectively in the marketplace so as to increase their income, their capacity to innovate and ultimately improve their livelihood options. To date, the titles in the agro-enterprise “good practice guide” series include:

- A Strategy for Rural Agro-enterprise Development
- A Guide to Developing Partnerships, Area-based Resource Assessment and Planning Together
- A Guide to Identifying Market Opportunities for Smallholder Producers
- Strategies to Improve the Competitiveness of Market Chains for Smallholder Producers
- Evaluating and Strengthening Rural Business Development Services
- A Market Facilitators Guide to Rural Agro-enterprise Development
- Collective Marketing for Smallholder producers
- **A Guide to Rapid Market Appraisal (RMA) for Agricultural Products**
- Marketing basics for field agents
- Seven steps of marketing for field agents

## Note to users

This guide is part of a series on participatory marketing methods, which have been developed to provide assistance to service providers, seeking to improve market access for lower income, smallholder producers. When using the information in this guide, we suggest that the reader absorbs all the ideas and concepts prior to going to the field. Our experience has shown that best results from this approach are attained when the market linkage processes outlined in this guide are interpreted and adapted to the local marketing context, available resources, social dynamics and anticipated scale of implementation.

We believe that integrating marketing and business concepts into rural development projects is a vital element in achieving sustainable food and financial security. We hope that the methods outlined in this guide are useful and equip service providers and local community actors with the skills needed to meet the challenges of today’s dynamic rural world.

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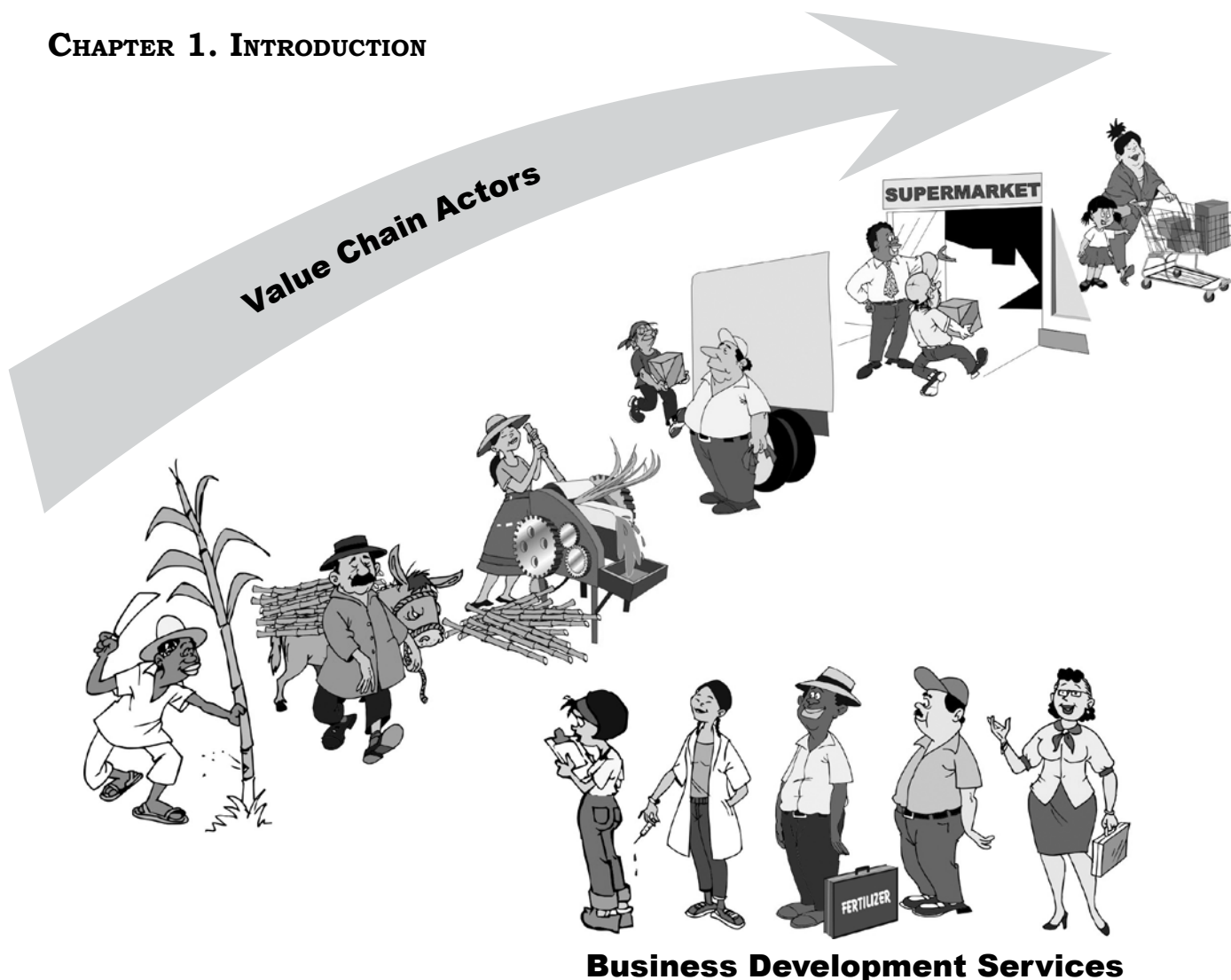
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**PART 1.**  
**CONCEPTS AND THEORY**





### Business Development Services

This manual was prepared by technical and training staff working with CIAT's Rural Agro-enterprise Project and the Catholic Relief Services. It focuses on participatory marketing and methods used to analyze market chains and move from analysis to action. The methodology information is complemented with a series of exercises and case studies.

Whilst there are many guide books on "marketing", and "how to analyze markets", this book attempts to contextualize the methods within the types of situations and settings encountered by development agents when working with rural communities, in remote and poorly serviced areas. The participatory marketing methods aim to help research and development teams to tackle the dual challenges of food and financial insecurity that is experienced by millions

of poor rural producers. The approach also offers the opportunity to find ways of stimulating demand for technical and social innovations and enabling rural communities to integrate products from research, finance and local policy to help grow their businesses.

### Purpose of this manual

Traditionally agricultural support has focused on increasing production. This approach works well if the primary concern is only food security and if there is an internal or ready buyer to absorb the increased supply. Unfortunately, it is often the case that increasing supply, only works for a limited time. Increasing production in the absence of market knowledge can lead to local markets being oversupplied causing prices to fall, which can reduce income for poor farmers.

In other words, instead of producing what the market wants, farmers and their facilitators often expend time and energy in trying to find markets for what they have already produced. Lack of attention to markets all too often results in farmers being “stuck” with unwanted produce that they are forced to sell at very low prices because it is not what the market needs.

This manual seeks to provide a basic understanding of marketing concepts and how this knowledge can be used to assist farmer groups to produce goods and how to identify opportunities to introduce or strengthen local business development services, all based on market demand.

### **Objectives of the Manual**

The objective of this guide is to build the capacity of local service providers from Government Agencies (GA’s) and Non Governmental Organizations (NGOs) in participatory techniques to undertake a rapid market analysis. The results of the market analysis lead to the identification of market opportunities and agro-enterprises that improve the incomes of rural producers, processors and traders.

Specifically, the manual aims to:

- Provide service providers with skills that will enable them to assist farmers to engage with markets using participatory methods.
- Guide the process of market identification and selection of attractive enterprise options, based on information gathered from the market chain and analysis of local assets, skills and market access options.
- Build agro-enterprise skills within the community so that groups can continue the process of engaging effectively within a dynamic marketplace in the future.

### **Who will use this manual?**

The manual is intended for use by an institution, such as Government Agencies for Extension and Research, Non-Governmental Organizations, Community-Based Organizations, second order Farmer associations interested in building staff capacity in market facilitation and consultants

supporting farmer organizations. The focus of the manual is how to evaluate market chains. The service provider involved in developing marketing skills could be from a Government department of agriculture, veterinary, animal husbandry, fisheries, an extension officer, community development officer, staff of an NGO and any other private establishment including farmer groups, co-operatives, and business staff.

### **How to use the manual**

The manual is designed to be used to support a 5 to 10-day training course, after which graduates will have the basic skills to participate in a Rapid Market Assessment (RMA) of products identified through a participatory process involving local decision-makers, development agencies, private sector representatives, and farmers. Market appraisal exercises are expected to generate pilot interventions that will be tested and assessed for subsequent adaptation, replication, and scaling-up.

The manual is divided into two sections.

1. **Section One**, deals with theory and the basic marketing concepts and functions of agricultural markets.
2. **Section Two**, focuses on methods for market analysis and is the most important part of the manual. In this section, trainees will be guided through the design and implementation of a rapid market appraisal (RMA), the analysis of secondary and primary data and information, and report writing.

Both sections include practical exercises – ways to test the tools developed. Additional support materials are included in the Annexes.

## CHAPTER 2. BASIC MARKETING CONCEPTS



### Learning objectives

*After reading this chapter, the learner should be able to understand and explain basic marketing concepts. A good understanding of basic concepts will facilitate learning during the following training sessions, and improve the ability of the learner to contribute to the collection and analysis of market data and information.*

### 2.1 What is Marketing?

There are many definitions of marketing! Most definitions focus on the functions and purposes of marketing. In this manual, we use two definitions. The first refers to *all activities and services involved in moving a product from the point of production to the point of consumption*. This broad definition emphasizes that marketing involves a series of sequential activities. In the case of

agricultural marketing, these activities include post-harvest operations such as cleaning, drying and grading of produce, and also transport, storage, processing, packaging, advertising and sale.

The second definition stresses *finding out customer needs and satisfying these needs at a profit*. This definition focuses on two important points:

- i) the marketing process has to be customer-oriented; and
- ii) marketing activities should provide farmers, transporters, traders and processors with a profit.

As such, the market process ensures that products are available for consumption:

- in the right **place**
- in the **form** wanted
- in the **quantities** and **quality** required, and
- at the **time** needed
- at a **price** that consumers are willing to pay

To be successful in the marketplace farmers need to have a better understanding of markets. We believe they need to focus on *getting organized* and *producing what they can sell and not trying to sell what they have produced*. To assist farmers in this task, development agents need to be able to analyze markets to find out what different types of products consumers want to buy, what prices they can afford and then work with farmers to help them grow products to meet market demands and consumer needs.

## Produce what you can sell and Don't try to sell what you have produced

There are two distinct categories of “needs” that marketing aims to meet. The first area includes basic or essential physical requirements such as food, clothing, shelter, safety, community and knowledge. The second area covers “wants” or “desires” – products that may not be essential to living but make lives more comfortable and rewarding.

Consumers make purchases based on their needs, wants and ability to pay for any products and services. They place specific values on different types of products and services and when they go to market, consumers rely on producers, traders and processors to offer products which meet their needs in terms of price, quality and quality.

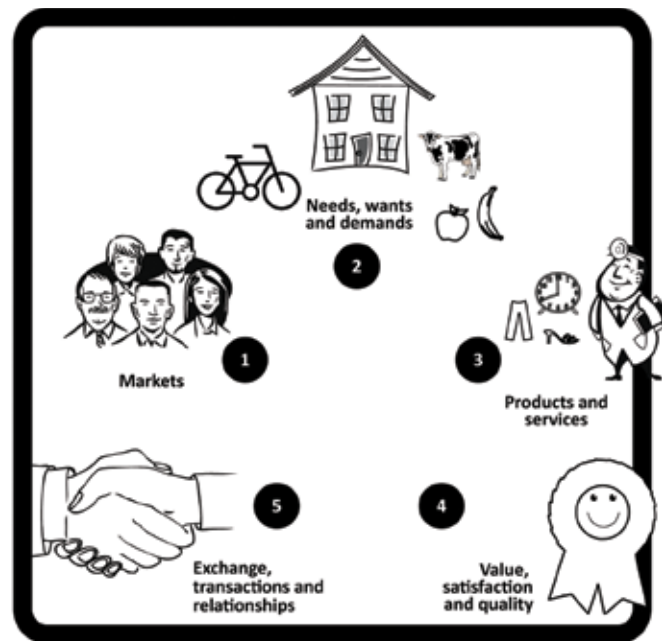


Figure 1. Core marketing Concepts.  
Source Kotler et al, 2002.

The process of marketing is therefore more complicated than simply producing essential products which are sold to willing consumers. It is about

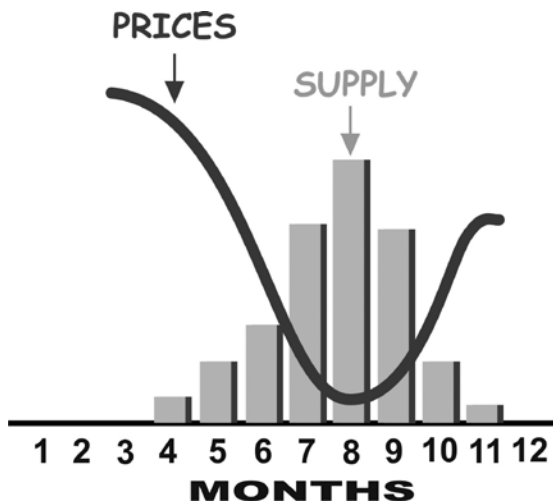
- (i) understanding what people need and want,
- (ii) producing products to satisfy these wants and needs,
- (iii) offering products at a place where people can buy them,
- (iv) at a price and quality that they find attractive, and most importantly,
- (v) selling the product range at a profit.

This cycle of activities is shown in **Figure 1**.

One of the most fundamental relationships that affect marketing and the ability of people to buy products and services is defined by demand and supply. Understanding the relationship between supply and demand is critical to basic market analysis.

## 2.2 Demand and Supply

In simple terms, demand is the volume of a product or service that buyers are willing and able to purchase at different prices. Buyers must not only want to buy a product or service, they must also have the means or resources to pay for it. Demand is not static and there are many factors and trends that affect the short, medium and long-term demand for a given product in the marketplace. Major factors that affect demand in agriculture include:-



- **Prices.** If prices rise, demand tends to fall. If prices fall, demand tends to increase.
- **Income.** When the real income of consumers increases, so does their purchasing power and demand. When incomes contract, the opposite happens.
- **Consumer preferences.** Demand is a function of consumer preferences, and these overtime, preferences are particularly affected by changes in consumer income and education levels and exposure to modern lifestyles and advertising.
- **Competing or substitute products.** Demand for a particular product will fall when alternative products become more available and/or cheaper. It will increase when such products become scarcer and/or more expensive.
- **Quality.** Buyers are often sensitive to the quality of agricultural products. Improvements in quality can lead to an increase in demand, whereas a decline in quality can have the opposite effect.

**Supply** can be defined as the amount which producers and traders are willing and able to provide at specific prices. While supply is strongly influenced by production, the two are not the same. For example, perishable produce may never be channeled to the market due to spoilage. And some agricultural products may be stored and released into the market at a much later date. The supply of agricultural products tends to be more volatile than the demand for these same products because of the strong influence that natural conditions have on production levels. Some of the main factors influencing the supply of agricultural products are:

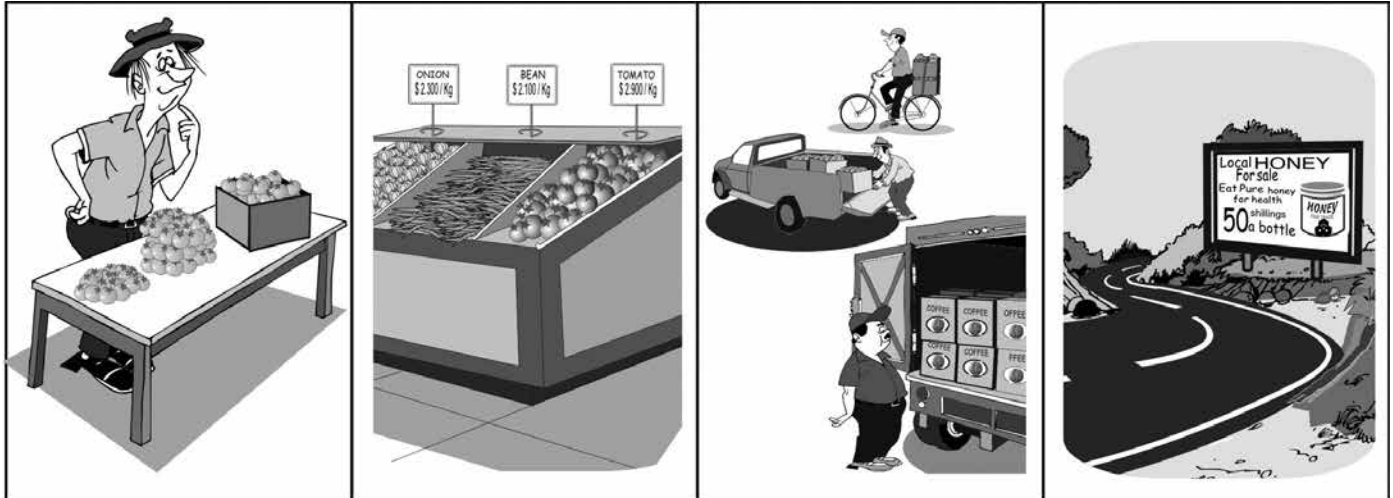
- **Climate.** Favorable weather conditions will translate into a good harvest and therefore have a positive impact on supply, while drought or floods will have the opposite effect. Pests and diseases can have a similar negative impact on production and supply.
- **Production costs.** An increase in the production cost of a certain commodity may lead farmers to shift to other commodities with better returns. A decline in production costs might have the opposite effect.
- **Prices.** There is a clear tendency for farmers to expand supply when prices rise, and to reduce it when prices fall. In the case of storable crops such as grains, farmers may be able to increase supply immediately by reducing consumption and releasing stocks. Investment in production is another common response, but it may take some time for this investment to generate increased supply.
- **Transport infrastructure.** An improvement in transport infrastructure may reduce the remoteness of certain areas and enable the production of new agricultural products for sale in urban markets.

**Product**

**Price**

**Place**

**Promotion**



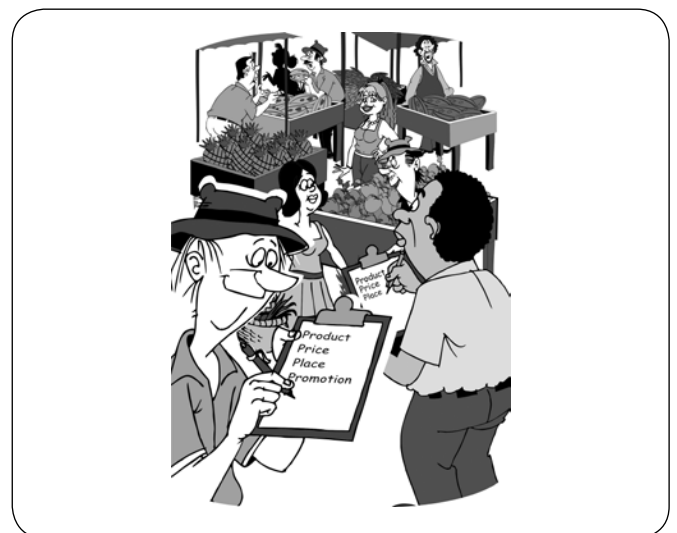
### 2.3 The 4 Ps of Marketing

In order to supply what customers want for a profit, market participants must develop production and marketing strategies that enable them to operate within the laws of demand and supply. The four key variables that sellers use in developing their market strategies are commonly known as the four Ps of marketing or the marketing mix (see Table 1).

- Product (what to produce)
- Price (at what price to sell)
- Place (where to sell)
- Promotion (how to promote the product)

As product markets are highly varied and dynamic, certain marketing strategies may be appropriate in one context, but not in others. Strategies also lose relevance over time due to changing circumstances. Moreover, marketing choices will always depend on the resources available to market participants, as well as their skills and knowledge.

Developing marketing strategies is therefore an essential part of market development and there are many books devoted to this subject entirely (see Kotler, 2005).



### 2.4 Core Marketing Activities, Services and Institutions

The information in Figure 2 provides a schematic view of how markets, services and institutions interact to support market coordination and performance. The market typically operates on three levels:

**Level 1.** Core marketing activities that are required to produce and deliver a product through a series of market intermediaries<sup>1</sup> to the final consumer; Core market actors are the people and businesses that produce, buy and sell the target product within a market chain.

<sup>1</sup> “Market intermediary” is a term used to describe the people involved in specific roles along a market chain, such as a farmer, a trader, a processor, a wholesaler, a retailer and a consumer.

**Level 2.** Services and infrastructure that help to improve the efficiency and performance of core market activities; This group of people and business functions are often referred to as Business development services (BDS), the functions in this level support the core business but are not involved in buying or selling the target product within a market chain. This level includes financial and non financial services.

**Level 3.** Formal and informal policies, based on Government or private standards and regulations that provide the enabling environment or “rules of the game” for businesses to operate in a fair and transparent manner within the marketplace.

It is the interaction of these three levels that provide the necessary locations, players and working environment for effective marketing transactions to take place.

Table 1. The marketing mix – product, price, place, promotion.

Marketing Variables	Definition	Aspects of this variable include	Actions to be considered
Product (what to produce)	Everything that we sell. That which can satisfy a need or a want. Includes material objects, services, persons, places, organizations and ideas.	Variety, quality, design, characteristics, brand, packaging, sizes, services, guarantees.	The product supplied must satisfy a need. The product should ideally be in high demand and include features that are appreciated in the market (e.g. quality, appearance, size, and packaging). In the case of farmers, it is important that they grow crops and varieties for which there is strong demand and to dry, clean, sort, and grade the produce according to buyer requirements.
Price, (at what price to sell)	The monetary value that a seller seeks from a buyer for a product or service.	Price lists, discounts, price margins, credit conditions	The product must be sold for the right price -- a price that is competitive, but also generates a profit to the supplier. Farmers can influence prices through the choice of crop and quality management practices. Farmers can also influence the price of their products through the choice of market place and buyer, and through co-operation with other producers in the marketing and processing spheres.
Place (distribution channels and where to sell)	Distribution and marketing channels. A series of independent organizations involved in the process of allowing the consumer or industrial user to use or consume the product or service.	Market sales points, spatial coverage of market sales points, locations within markets, inventories of products, transportation channels.	A product should be sold at the best possible place or market. This will depend on the benefits (e.g. price), costs (e.g. transport and time), and risks (e.g. price volatility) associated with different market options. It must also be noted that buyers in different market places may have different product requirements. For example, local collectors normally buy very small volumes of un-sorted produce directly from individual farmers, whereas supermarkets or importers in foreign markets require a much larger volume of standardized products.
Promotion (how to promote the product)	Convincing or persuading the audience of the quality or features of the products or services offered by the organization.	Promotion includes advertising, personal sales, trade and consumer promotions and public relations.	Producers or suppliers should promote their product to maximize sales and prices. They should engage in regular discussions and exchange of information with buyers. Farmers can use these discussions to inform potential buyers of the products they have for sale, their characteristics, and the volumes available. Farmers are particularly well positioned to engage and coordinate transactions with buyers when selling as a group.



### Level 3. Key Institutions setting “rules of the game”

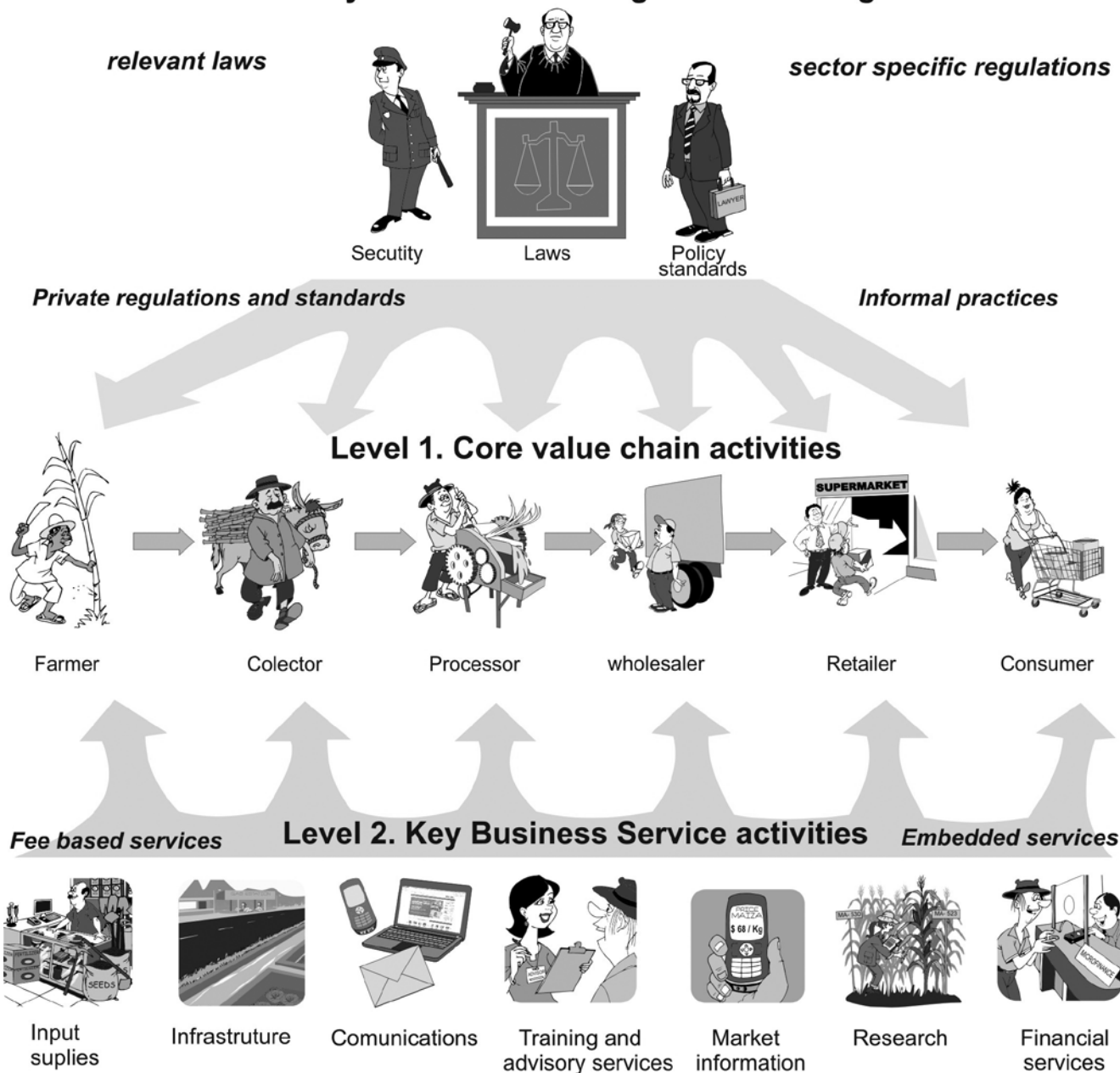


Figure 2. Levels within a Value Chain  
Source adapted from Ferrant et al, 2004

The next section provides greater detail for each of these levels with information on types of market locations, functions and services. Any service provider who seeks to provide marketing or business advice to others, must have a good understanding of the basic marketing terms and concepts, if they are to help identify and support the marketing needs of others. We begin with a description of the physical locations where the functions of market exchanges take place -- the marketplace.

### 2.5 Market Types

A market can be defined as a place where buyers and sellers come together to buy and sell goods and services. In a narrow sense, a market refers to a physical place where goods and services are exchanged. Such places can be found in villages, by the roadside, in small and medium towns, and in cities. A market can also be defined as the demand for a product or a service. According to this definition, a market is a group of people who have needs and who are willing to spend money in order to satisfy those needs.



**Assembly markets:** These are markets where produce is sold by farmers and small local traders before being taken to wholesale markets. The main function of assembly markets is to bring together supplies from a large number of dispersed farmers within an area, thereby enabling buyers to access significant product volumes from a single location at reduced costs. Assembly markets can take many different forms. In some cases, they may be small areas where farmers and traders gather for a couple of hours on a regular or irregular basis. In other cases, they may be weekly or bi-weekly markets. Assembly markets are normally located in rural areas, but permanent ones can often be found in small towns close to farming areas.

**Auctions:** These are markets, where products are offered to buyers through a process of taking bids. Products or lots of produce are offered to buyers, which are then sold to the highest bidder. Unlike produce markets, the auction process is used only for specific goods, and the process is designed to aggregate and sell produce within a short timeframe, often only a few hours. Auctions are therefore mainly used for perishable, higher value products such as flowers, fish and livestock.

**Wholesale markets:** These markets tend to be located in towns and cities. The main function of the wholesale market is to gather supplies from different production areas for subsequent distribution to urban retail markets or in some cases to aggregate goods for export. Wholesale markets play at least three important functions. First, farmers and traders can deliver their produce to one location rather than having to visit many retailers. Second, retailers can buy a wide range of produce from one single place. Finally, the trading of large quantities of produce in one place enables price formation in line with supply and demand conditions. In many countries, urban wholesale markets for fruit, vegetables and flowers tend to operate at night or in the early hours of the day, so that retailers have fresh produce to sell to customers during normal working hours.

**Retail markets:** Retail markets can be found everywhere -- in villages, small towns and large cities. These markets sell small amounts of goods to consumers who use the produce on a weekly or daily basis. Depending on the numbers of customers, retail markets take place every day in

areas of high population or on a few days of the week in less populated areas. The main function is to supply consumers and small businesses such as restaurants, hotels and street-food vendors. While retail markets are a very important source of supply, it is also common for consumers to buy from shops, roadside vendors and street hawkers.

**Supermarkets:** As urbanization has created ever larger market centers with higher levels of market demand, supermarkets have emerged as a convenient, safe, well-managed marketplace for the mid- to high-income urban consumer. Many supermarkets are managed by large international companies, which enable them to offer goods from across the world. Whilst supermarkets first emerged and dramatically changed food retailing in industrial countries, they are becoming a feature of large towns in virtually all urbanizing countries. Farmers can sell to supermarkets but the buying conditions for these formal markets are more stringent than the informal “wet markets” in terms of food quality, but also in terms of supply frequency, financial regulations, food quality standards and production systems.

## **2.6 Market Participants and Intermediaries**

**Consumers and market segments:** Consumers are critical drivers of market performance, they are the decision makers and they in the end decide what they want to buy, where they want to buy and the form in which they want to buy. Consumers however, are not all the same and therefore market demand for a particular product is not homogeneous. Different people do not have the same needs and preferences and a vital part of the human condition is to demand different things.

One way that market analysts make sense of demand and trends in demand is by dividing consumers into different categories or groups of buyers, each with similar needs and preferences. Each separate group forms a market segment (see Figure 3). Market segments include consumers with common features, such as age, sex, religion, personality, geography and income. Different market segments have different needs toward a product.

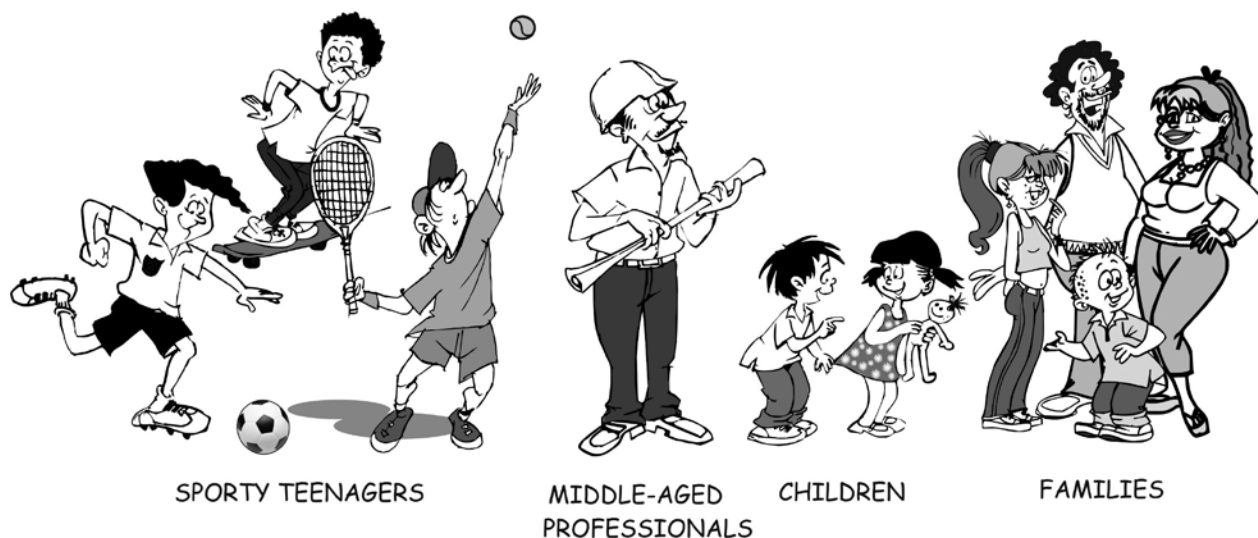


Figure 3. Market segments

For example, in many developing countries, young people prefer soft drinks whereas older people tend to prefer coffee and tea. Wealthy and health-conscious consumers in large cities are starting to demand safe vegetables, whereas people living in villages are less concerned about the food safety issue.

An example of how market segmentation affects prices and products is shown in Table 2, which provides an example of market segmentation for fish in a northern province of Vietnam, according to income. One market segment is composed of high-income households while the other comprises low-income households. High-income consumers tend to buy large fish and are willing to pay 15,000-20,000 VND per kilogram (at the time of this survey 1 \$USD = 15,000 VND). Carp and grass carp are particularly appreciated. Low-income consumers normally buy smaller, soft bone fish, such as tench and mud carp, and can only afford to pay 8,000-12,000 VND per kilogram. Demand by this group is concentrated in July-August and December-January.

Table 2. Fish demand in Phu To Province, Vietnam

	High-income consumers	Low-income consumers
<b>Product features</b>	larger and fresh, good taste	smaller fish, soft bone
<b>Preferred breeds</b>	carp, grass carp	tench, mud carp
<b>Prices</b>	15,000 – 20,000 VND/kg	8,000 – 12,000 VND/kg
<b>Consumption</b>	15 kg/head/year	9 kg/head/year
<b>Timing</b>	all year round	July-August; December-January

Most products have diverse market options due to the different needs and interests of market segments. Producers cannot satisfy all needs of all market segments. Therefore, defining the potential market segment/customer group will help the producers to satisfy their customers' needs and select the most suitable marketing strategy to maximize their resource and labor inputs and thereby increase their returns.

**Farmers:** At the opposite end of the market chain are the farmers or producers. Farmers occasionally sell directly to the consumer, but this is not the norm and most often farm products move through the hands of several market intermediaries before reaching consumers.

Market intermediaries provide an essential link between farmers and consumers:

- Most consumers live far away from production areas and products must therefore be transported, sometimes over very long distances.
- Agricultural production is generally seasonal while consumption is regular and continuous throughout the year. As a result, many agricultural products are stored for variable periods of time.
- Most farm products are not in a form that is acceptable to consumers. They must be sorted, cleaned, processed in various ways and presented to the consumer in convenient quantities.

There are different types of market intermediaries, each performing different functions in the marketing system. Below we introduce four types of market intermediaries that can be commonly found working in markets throughout the developing world. :

**Collectors:** These are small local traders who buy directly from dispersed farmers. Their main function is to assemble local products for subsequent sale to larger traders and processors operating within the region. Collectors have limited

capital, trade small volumes and use simple means of transport, such as bicycles, donkeys and motorbikes. Larger collectors may own or rent pickups or small trucks.

**Travelling traders:** These are typically traders who own a truck and spend their time travelling into remote rural areas to buy farm produce, which they sell to wholesale traders in urban markets. In some cases travelling traders have regular contacts with farmers who sell to them each season, but often travelling traders are opportunistic buyers,

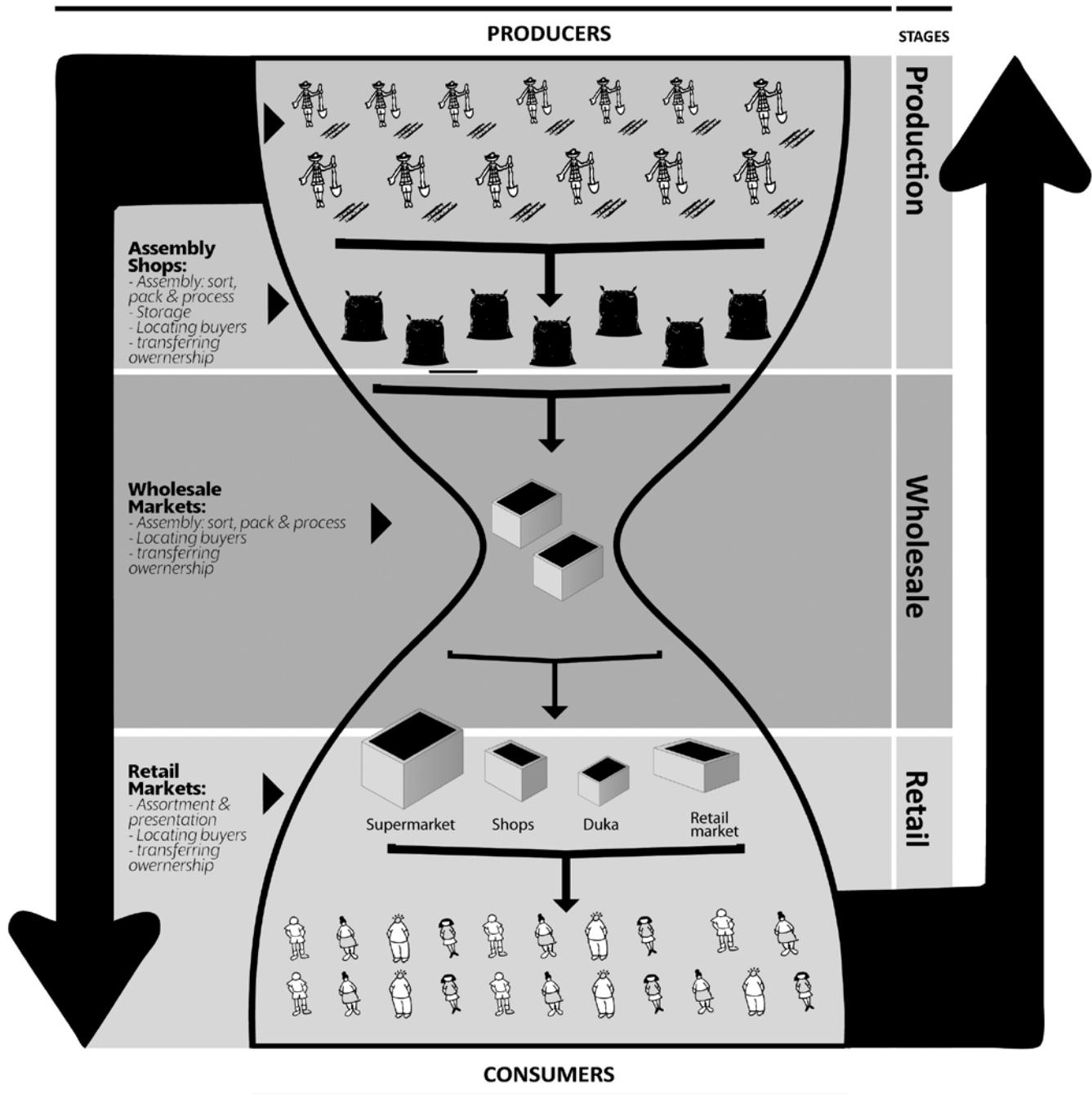


Figure 4. Marketing Functions and Services

who drive to production areas in the hope of finding produce for sale. These traders are particularly important for smallholder producers, as they get to remote areas making solid offers to farmers, and they pay for produce as they take it from the farmers.

**Wholesalers:** Wholesalers deal with much larger volumes than collectors and rent or own medium to large vehicles. They also tend to rent or own storage premises. Wholesalers procure most of their supplies from smaller traders or processors, but some also buy directly from farmers. The main function of wholesalers is to bulk produce and then supply retailers in towns and cities. Many also supply processors and other large traders, including exporters.

**Processors:** Agro-processors are those individuals and firms involved in the transformation of agricultural commodities (e.g. rice millers, cassava starch factories and animal feed manufacturers). Processors can be very small household enterprises or fairly large firms, employ traditional or modern technologies, and are located in rural or urban areas. Large processors tend to have significant stocks of raw material to ensure continuous processing and enable them to use their equipment during the off-season.

**Retailers:** The main function of retailers is to distribute supplies to consumers. Retailers are very diverse in size and operation. For example, supermarket chains are fairly large companies that deal with significant volumes of a wide range of agricultural products. In contrast, small shops and market vendors sell much smaller volumes and fewer goods, and do not keep sizeable stocks.

## 2.7 Marketing Functions

Marketing functions are the roles performed by market participants as the produce moves from the farm to the consumer. Each function is associated with the provision of one or more services. Figure 4 shows some key marketing functions and services at the assembly, wholesaling, and retailing stages.

### 2.7.1 Marketing Functions

**Bulking:** One of the most basic marketing functions that can be performed by farmers or

local traders is to aggregate produce from several farmers. This enables the farmers to sell larger amounts of product at one time which enables the group to negotiate for more favorable prices with traders.

**Cleaning:** Harvested produce needs to be cleaned before processing and/or consumption. Through this activity, foreign matter such as sand, straw and stones is removed.

**Drying:** Moisture content influences the perishability of a product and the efficiency of processing. Therefore, many products are dried at some stages of the marketing chain in order to avoid microbial contamination and lengthen the longevity of the products (or shelf-life).

**Sorting:** Harvested produce usually requires some form of sorting to meet the needs of processors, exporters, and consumers. Sorting differentiates produce according to certain attributes or characteristics, including variety, size, shape, degree of impurity, and ripeness.

**Standard units:** Standard weights and measures include the use of national, or international units, all of which can be understood and verified throughout the region of trade. Specific products normally have widely and easily recognized standard units of sale. Farmers that meet these standards help to enable rapid transfer of goods and ease of sales agreements. Traders are often prepared to pay a premium for produce that meets specific standards.

**Processing:** Processing or transformation is a critical marketing function / service, which adds value to the primary good. Processing is done to meet consumers' needs and tastes and is often undertaken to reduce drudgery for the end user. For example, maize is milled into flour for ease of cooking and consumption, more exotic products such as mushrooms can be processed into different dishes and packed before being sold to market. Various processing methods add value and or lengthen the shelf life of product (e.g. by canning or freezing). Some commodities cannot be consumed at all without processing. This is the case, for example, of rice and livestock.

**Storage:** Storage facilities are needed at various stages of the marketing chain. For some products, storage can only be for short periods due to product perishability (fruits and vegetables), while durable commodities may be kept for very long periods (cereals and pulses). Sometimes storage is required for just a few days while the product is awaiting transport or the seller is searching for buyers. In other cases, crops may need to be stored for much longer periods. Farmers may want to maintain some stocks for future consumption or sale. Processors may accumulate stocks in order to extend their activity to periods when there is little produce (raw material) in the market. Traders may also want to store produce for sale during the off-season period, when prices are higher. Finally, many governments feel the need to undertake storage to stabilize supply and prices.

**Packaging:** Many products need to be packaged in some way if they are to be marketed widely and efficiently. Packaging may help reduce physical deterioration, theft and adulteration of products. It may also ensure product cleanliness and facilitate measurement, labeling, and attachment of sales instructions and product descriptions. Finally, packaging may be used for promotion and advertising purposes, making the product more attractive to the consumer.

## 2.8 Business Development Services (BDS)

The functions described in the previous section can be done by farmers or these functions can be provided by business development services (BDS). BDS services are critical for the effective and efficient marketing of farm products, particularly as societies urbanize and market chains become longer, in terms of distance and the number of people involved in the chain. In other words, participants in agricultural market chains require a number of support services in order to improve and sustain their business operations. Business development services include a broad range of activities as outlined in Table 3.

In many countries, business development services are concentrated in urban areas, where they provide profitable services to many clients. BDS is less accessible in rural areas mainly because farmers do not have the resources to pay for services at commercially viable rates and the costs of delivering services to a remote, dispersed population are high. Therefore, the growth of rural business services is mainly focused on higher value marketing opportunities, such as fruit, vegetables and livestock.

Table 3. Categories and Types of RBDS

Market Access:	<ul style="list-style-type: none"> <li>• agricultural fairs</li> <li>• samples for buyers</li> <li>• market information</li> <li>• contract farming</li> </ul>	<ul style="list-style-type: none"> <li>• market linkages</li> <li>• marketing trips and meetings</li> <li>• learning journeys down the chain</li> <li>• market research</li> <li>• standards and food quality assessment</li> </ul>
Input Supply:	<ul style="list-style-type: none"> <li>• seeds, (informal, commercial)</li> <li>• fertilizer, micro and macro sales</li> </ul>	<ul style="list-style-type: none"> <li>• irrigation,</li> <li>• pesticides</li> </ul>
Infrastructure:	<ul style="list-style-type: none"> <li>• feeder roads</li> <li>• storage and warehousing</li> <li>• transport and delivery</li> </ul>	<ul style="list-style-type: none"> <li>• telecommunications</li> <li>• Informal money transfer</li> <li>• information through print, radio, TV</li> </ul>
Collective action	<ul style="list-style-type: none"> <li>• farmer marketing groups</li> <li>• co-operatives</li> </ul>	<ul style="list-style-type: none"> <li>• vertical integration to achieve greater</li> </ul>
Training and Technical assistance	<ul style="list-style-type: none"> <li>• exchange visits and business tours</li> <li>• technical training</li> </ul>	<ul style="list-style-type: none"> <li>• accountancy and bookkeeping</li> <li>• production gross margin analysis</li> </ul>
Technology Transfer	<ul style="list-style-type: none"> <li>• farmer to farmer exchanges</li> <li>• research to farmer tech transfer</li> </ul>	<ul style="list-style-type: none"> <li>• linking SEs and technology suppliers</li> </ul>
Financing	<ul style="list-style-type: none"> <li>• rotating funds “merry go rounds”</li> <li>• internal savings and loans</li> <li>• direct bank credit for crop financing</li> <li>• loan to buy schemes for equipment</li> </ul>	<ul style="list-style-type: none"> <li>• facilitating supplier credit</li> <li>• warehouse receipts / credits</li> <li>• futures trading through exchanges</li> <li>• third party loan guarantee schemes</li> </ul>

Source: adapted from Miehlabrad, A et al. 2005

The list of rural BDS presented in Table 3 is not exhaustive but shows there are many potential services, and it is often the case that poor smallholder farmers in remote areas can access only a fraction of these services, if any. Declining government support in agriculture also means that richer farmers can pay for commercial agricultural services in order to remain competitive, whereas poor farmers are marginalized due to lack of access to technologies, information on new farming methods and information on market opportunities, all of which increase barriers to market entry. The types of services that most farmers can access include the following:

**Supply of inputs:** Access to good quality and affordable inputs, in the right form and volume, is critical to the activity of different actors in the market chain. Key inputs for farming include seed, fertilizer, agro-chemicals, irrigation water, agricultural implements, and post-harvest equipment. Processing often requires access to water and electric power, equipment, and spare parts for machinery and small equipment.

**Research:** Research is essential for the development of appropriate production, post-harvest, storage, and processing technologies. For example, the release of improved varieties can lower production costs, increase produce supply and quality, reduce product perishability, and enable off-season production. The development of agro-processing technology can reduce waste and costs, increase production capacity, and improve product quality.

**Advisory services and market information provision:** Market participants require specialized information and advice. This may cover a wide range of areas, including production, post-harvest, processing, marketing, management, and business strategy. Agricultural and industrial extension officers, other government agencies and information services, and consultancy firms are common sources of specialized advice and information. Market participants themselves are an important source of information. Market information and advisory service can be provided directly or through communication means such as mobile phone, email and internet.

**Transport:** A major cause of marketing problems often lies in the limited availability and high cost of transport services, especially in areas that are difficult to reach. Transport of produce from remote, difficult to access areas is only justified when the selling price in destination markets is well above the purchasing price in those areas.

**Communications:** Post, phone, e-mail, Internet services and word of mouth are critical for smooth information flow along the market chain. The increasing availability of mobile phone networks and e-mail has had a major impact on the efficiency of marketing systems and for many market actors, the mobile phone is the most effective means of communicating with buyers. In areas where mobile phones have become ubiquitous, many buyers will only now operate with suppliers that have a phone, to ease and reduce the costs of transactions.

**Market information:** Information on prices of products in different markets is essential for informed decision making, reducing transaction costs and risks, enabling efficient storage and facilitating the flow of goods from production to consumption areas. Access to information reduces business risk and allows market participants to explore profitable opportunities and meet consumer needs. The scope for cheating and unfair pricing practices is significantly reduced when information is available to all market participants.

**Finance:** Finance is necessary for goods to move along the marketing system. Farmers need to purchase inputs and hire labor, and may want to hold on to their crops after harvest to benefit from higher prices. Traders and processors need to finance investments as well as marketing and processing activities. Although it is difficult to access formal bank loans in most developing countries, farmers and rural traders can achieve impressive results through savings and informal loan sources. Access to mobile money, mobile loans and associated insurance are new financial products which offer new possibilities for remote farmers.

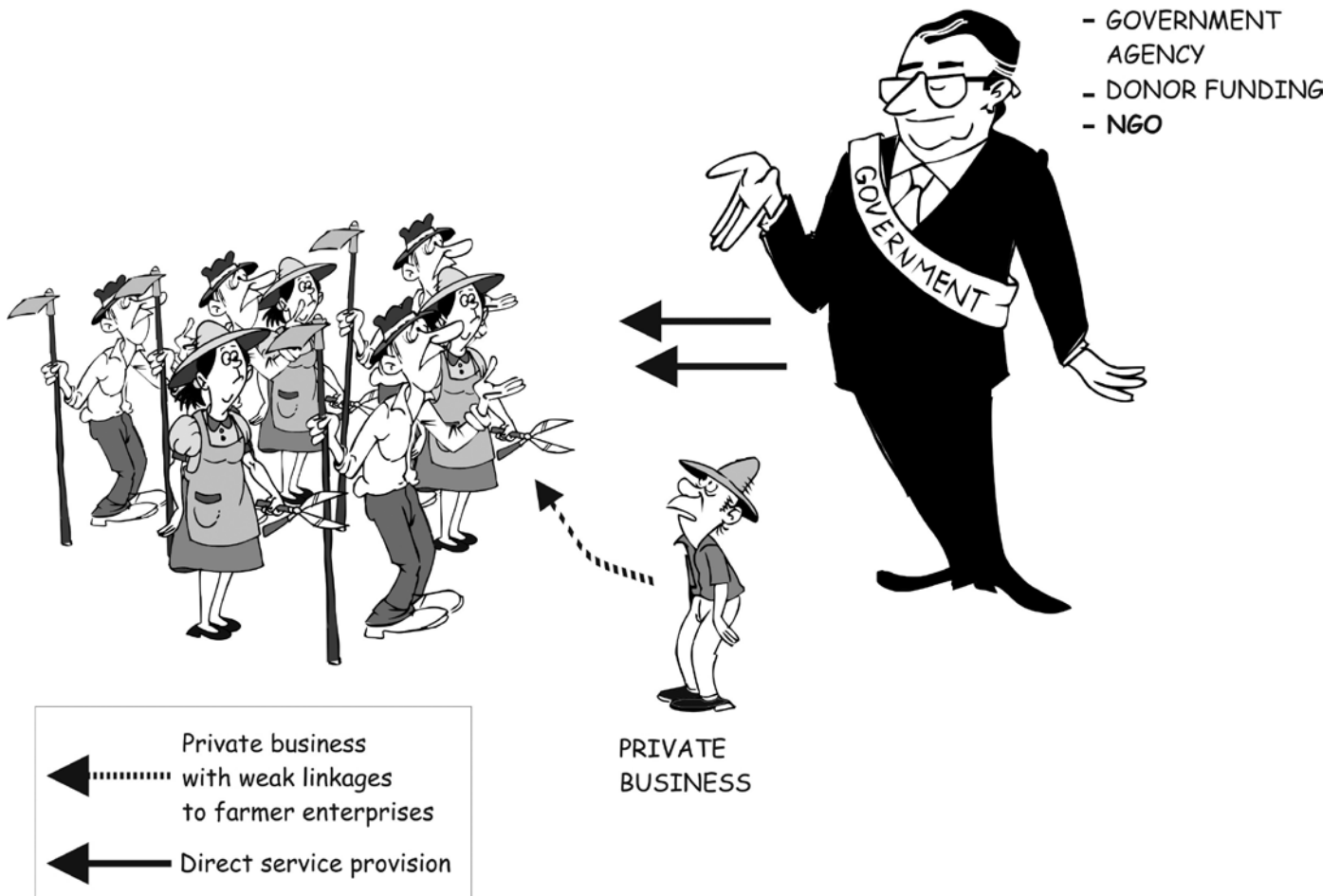


Figure 5. Strong government or public sector dominating service provision

### 2.8.1 Forms of service provision

There are four main ways of supporting rural business development services and an important sustainability question for rural BDS is, “Who pays?”

**Free services:** Some services such as roads, power grids, extension advice, research and market information are provided by governments as a public good. Whilst the approach tends to be successful for infrastructure, the provision of regular business services is often less successful. The quality of public goods services is often low and in many cases, poor people would prefer to pay for services that were more reliable and of a higher standard.

In some cases, the lack of provision of public goods services from Government has been replaced by donor and NGO support programs.

Whilst this approach can provide rapid results, the private sector is generally crowded out of the market place as they are unable to compete with these alternative, subsidized suppliers that often do not charge for the services they provide.

**Project sustainability:** The provision of free services by NGO staff, rather than working through local private sector service providers is probably the main reason for poor levels of sustainability when a project closes. Even when free services are of low quality or limited accessibility, their presence often undermines private sector confidence to invest in such areas and therefore services do not emerge. When an NGO completes a project and withdraws their support, if the farmers have no continuing access to essential services, the agro-enterprise becomes unprofitable, or untenable. With no access to services project gains are lost and farmers return to their previous options and low levels of service

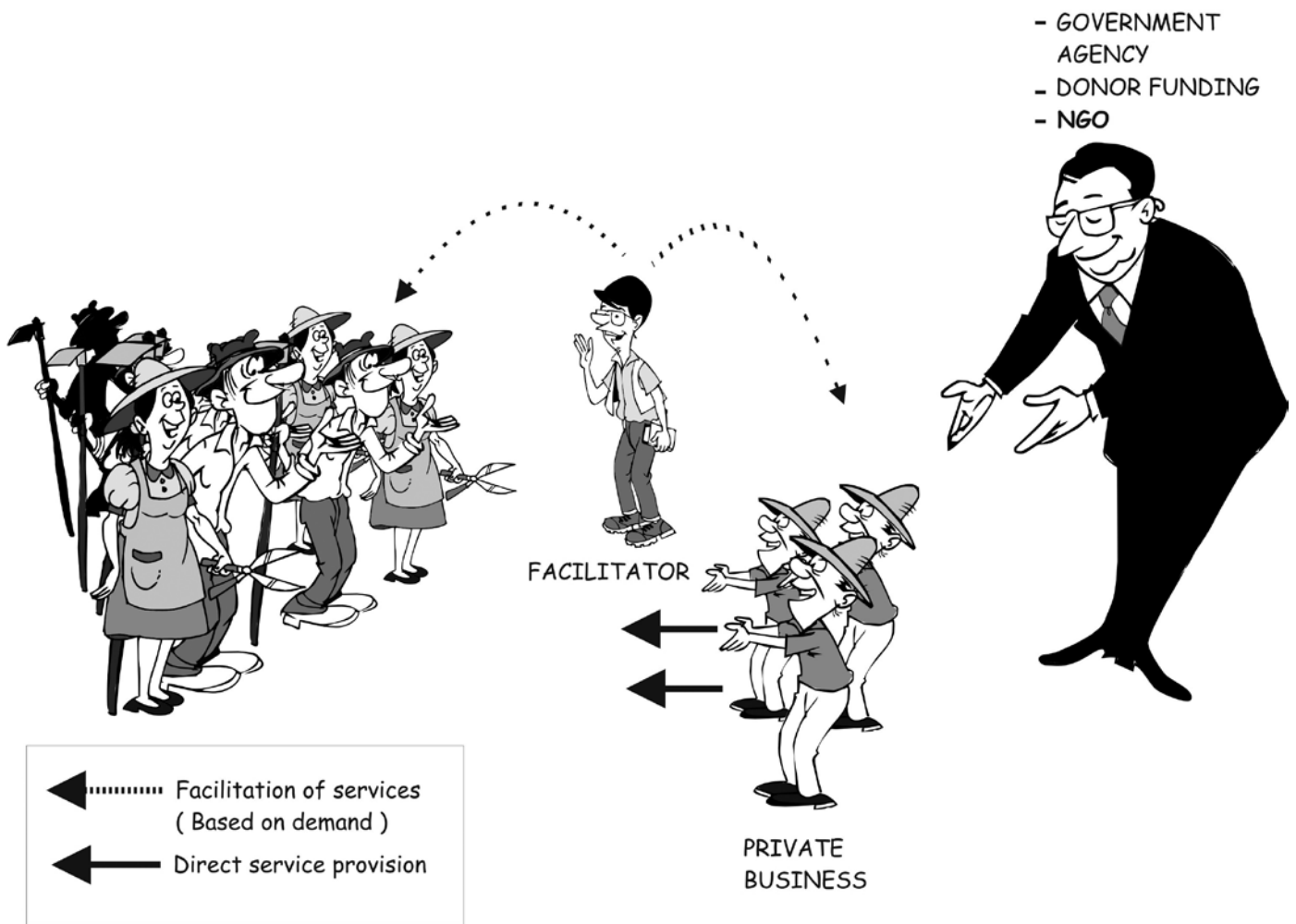


Figure 6. Public sector facilitating private sector service provision

use and productivity. The sustainability issue is a major problem with many rural projects and we would recommend that to avoid this problem that field agents are not required to give away assets.

**Subsidized Services:** To make services accessible to a specific set of clients or farmers, development agents can assist beneficiaries by reducing service costs. Governments and donors can offer users services at a reduced fee or may provide start-up funds to initiate new services. In this case, there may be a timeframe within which the service will need to transfer from receiving partial public funds to being a free standing program. This process of subsidizing services can be done using vouchers that have a sliding value over the duration of the project. Another alternative is for communities to share a part of the cost of such services, either through direct cash payments or, more likely, through food-for-work programs. The

cost of services can also be based on a percentage of the final harvest income.

**Facilitated services:** To promote the shift from free public services to private services, many projects are using public/private partnerships. These partnerships seek to strengthen existing private service provision or establish new private-based services in new areas that may not yet be commercially viable. This process of facilitating services can also be used to tailor specific services for poor farmers through activities such as micro-packaging of inputs, supporting savings groups so that farmers can save for down payments on goods, the establishment of micro loans to purchase schemes for technologies such as irrigation pumps, and/or training local part-time business advisors to act as market linkage agents based on local commissions of sale, as illustrated in Figure 6.



**Fee paying services:** As markets become more competitive, farmers will see the value in paying for services to maintain their competitive edge in the marketplace. This is particularly relevant to farmers who are aiming to sell their goods to formal buyers, or farmers engaged with higher value products, those selling to more distant markets and especially those farmers who are selling into export markets. In all of these cases, farmers increasingly need to factor in the costs of innovation and the costs of upgrading their production and market performance. These costs may be required to sign up to a certification process, a traceability process, or to pay for expert knowledge, training and advice to fully understand market requirements and how to become compliant with the market needs and regulations. Whilst such costs are factored into final product prices, it is often only the richer farmers, those with more land, water resources, or those linked to higher value markets that can afford to invest in such services. However, as agricultural markets consolidate, more farmers will need to gain access to specific services if they are to remain competitive within a market.

**Embedded services:** The concept of embedding services takes into account the challenge that whilst services are important, consumers or users find it difficult to pay for such services and thus services are avoided. To overcome this problem, service providers try to “piggy back” some underinvested services into packages that include goods or other services that people are prepared to pay for. In some cases, this is done explicitly and is advertised as a bonus. In other cases, services are provided and recipients are unaware they are being charged.

In rural areas, one of the most reliable service providers may be a travelling trader. These traders often have strong relationships with other service suppliers and will provide these services to farmers as part of their buying relationship. Many traders will offer farmers credit, free seeds of a crop they wish to buy, and sometimes this relationship can include fertilizer and tools. Therefore, in addition to buying and transporting the farmers’ goods, traders also provide a number of other **embedded** services. The farmer is not charged immediately for these services, but the

cost of these services will be factored into the price the trader pays the farmer for the produce.

This practice, if done well, is extremely beneficial for farmers, but if a trader is less scrupulous, farmers can become so indebted to the traders that they are almost labor for the traders with no room to negotiate reasonable sales prices for their goods.

More formal types of embedded services are found in the financial sector. In India, for example, a new type of credit card has been developed by the National Agricultural and Rural Development Bank for use by farmers in making small transactions. The credit includes a charge for life insurance as a means of protecting the lender in the incident that the creditor dies without paying the debt. Although highly effective, the ability to embed services is often limited and therefore this approach can only be applied where it is practical to do so and when there are incentives to maintain the embedded nature of a service.

## 2.9 Infrastructure and Policies

One of the main impacts of government intervention in agricultural marketing systems is through the provision of support infrastructure and the policy and regulatory frameworks. Well-developed and maintained economic infrastructure, alongside supportive policies and regulations, create an enabling environment for cost reductions and private sector investment in the provision of marketing and other support services. Such public goods therefore have a major impact on the competitiveness of agricultural production as well as employment and income levels along market chains.

### 2.9.1 Infrastructure

There are a number of basic infrastructures that enable farmers to link to markets, ranging from water, roads, communication and security.

**Land:** A critical asset for farmers in terms of linking to markets is having the necessary land assets to produce sufficient surplus produce to be able to sell into markets. One of the largest constraints for smallholder farmers is having very limited land area. It is somewhat

counterintuitive that even though maize is the major agricultural product for farmers in East and Southern Africa, that more than 50 % of the farmers are net buyers, as they have insufficient land to produce maize surpluses using low input farming methods<sup>2</sup>. The location of the land is also important, with productivity being highly dependent upon agro-ecozone.

**Roads:** For many communities, access to market is determined by access to serviceable roads. Farmers will only offer surplus for sale if they have access to paths and roads from their farms to market. Due to their high cost, most communities rely upon Governments to provide basic roads. However, several studies have shown that market access is significantly improved with the construction of even basic unpaved roads that allow farmers to use donkey carts, or small tractors to bring produce to larger roads for sale to traders with pickups or trucks. Enabling year round market access via more robust road networks is critical to regular market access.

**Water management systems:** Poorer smallholder farmers tend to work in rain-fed agricultural systems where success is dependent upon favorable weather. Due to the risks of poor weather, most banking, micro-finance and insurance agencies are reluctant to provide financial services to farmers who do not have some form of water management program. In several countries, Governments recognize the vulnerability of rain-farming communities and both Government and Non Government Organizations are investing in water management systems, which include the construction of micro-dams, bore holes, water catchment systems, upgrading traditional and new irrigation systems, to enable farmers to achieve more consistent production.

**Power:** Rural power is a critical support service that enables farmers to make significant shifts from basic production to value added products. Farmers in areas with access to national electric grid power, can condition, store, dry, chill and add value to their produce using a range of technologies. Farmers without access to low cost

grid generally have to sell their goods soon after harvest, with little upgrading of the basic product.

**Communications:** The latest form of infrastructure that is rapidly transforming rural areas is access to wireless communication systems. The massive proliferation of mobile phones, and the integration of these phones with internet browsing facilities, is allowing farmers to link with services, buyers and set up trading relationships. Mobile phones are now an essential information and trading resource, and farmers without access to a mobile phone network are at a real marketing disadvantage.

### 2.9.2. Agricultural Policy and regulation

**Trade Agreements:** A key role of the Government is to support a competitive regulatory trading environment for agriculture. At the global level, the World Trade Organization (WTO), offers signing countries, a framework to facilitate trade between countries. However, within this trading arrangement, uncompetitive farmers will lose market share to more efficient farmers from other countries. Similarly, at the regional and sub-regional levels, trade agreements offer favorable trading rules within a specific area. Trade agreements aim to promote trade between buyers and sellers by supporting the use of common standards and grades with associated weights and measures. This enables remote buyers and sellers to trade produce without the need for physical inspection with greater confidence. Trade regulations also include rules on legal arbitration to settle disputes when they occur, taxation, tariff and subsidy measures, so that produce is traded on a level playing field, to avoid unfair advantages within a trade agreement zone.

**Food safety:** Following a series of food poisonings incidents in mainstream food chains, caused by food contaminated with pathogens such as aflatoxin, listeria and vomitoxin and fumonisin, Governments and commercial companies are establishing more rigorous Food safety regulations to protect consumers. These regulations restrict the sale of food items unless they meet specific food quality specifications and some goods require inspection for toxin levels as part of the sales condition. In many formal food chains, companies now require produce traceability from farm to point

2 T.S. Jayne et al, 2010. Patterns and Trends in Food Staples Markets in Eastern and Southern Africa.

of sale, so that any problems detected within a batch of food can be identified and supply stopped at source.

**Public and Private standards:** Associated with mass urbanization over the past 20-30 years there has also been a rapid consolidation of buyers, within the formal food system. In the food chains that supply industrialized countries, the number of traders, processors and retailers has decreased dramatically, with countries such as the United Kingdom selling 80% of its retail food through 5-6 supermarket brands. One of the outcomes of this consolidation of buyers, has been that the retailers and major trading houses often play a more prominent role in setting food quality and safety standards than Government. This has come about because the leading supermarket chains want their loyal customers to be confident in their food systems. This quality assurance process between sellers and buyers has significantly improved food quality standards in the formal market food chains. The effect of this market power from supermarkets has also led to major reforms at the farm level in how food is produced and levels of hygiene is enforced at the point of production. The most recent food safety requirements being laid down by the retailers, are that every produce in the modern food chain must have total traceability from farm to store shelf.

**Traceability requirements:** Modern communication and computer management systems now allow for individually packed produce to be traced from their point of production, through the various elements of a market chain to a retail store shelf. This means that if there any quality problems with a particular batch of produce, that it can be isolated and withdrawn from the market quickly and remedial action taken at the point of problem. Full traceability systems for eggs can be used to trace, for example a batch of eggs with salmonella, and action taken to remove all produce from that farm at the store level, then to address the hygiene problems at the farm, or at the point of contamination. It is likely that all produce in the future will receive an identification code of some form, such as a bar code, to trace all goods. This will help to reduce food safety challenges and help to optimize food market chains.

## **2.10 Market structure and performance**

As producers and consumers become more distant from each other through trends such as urbanization, and products become more processed, there is an increasingly complex network of people and activities that link producers with consumers. This sequential process that includes market actors, their functions and business relations is described using a number of terms including a sub-sector, supply chain, market chain and value chain, (see Figure 7). All of these terms refer to the distribution or channels that support the flow of goods, information and finances between producers, intermediaries and consumers. These terms are used synonymously in various texts and we have attempted to indicate some differences in these terms:

**Subsector:** If an economy is divided into a number of sectors, such as health, education, transport, banking and agriculture, then a subsector focuses on the set of products and activities for specific products within a given sector. In the agricultural sector, a sub-sector study would therefore focus on the market structure, regulations and performance of a defined product, such as maize, within a defined geographic zone.

**Supply chain:** refers to the sequence of (upstream) sourcing and (downstream) market functions of individual enterprises. In some cases the term supply chain is more specifically linked to a lead company with activities and services focused on optimizing the flow of goods to the lead company. Supply chain management was a term first used in the manufacturing industry to describe the ecology of partners involved in providing parts and services that contribute to a final product. This term has subsequently been used in all marketing sectors.

**Market chains:** a general term used to encompass the series of market players and transactions involved in the production, trading, processing and marketing of any good that is driven by market demand.

## Groundnuts Market Chain Mapping Currently

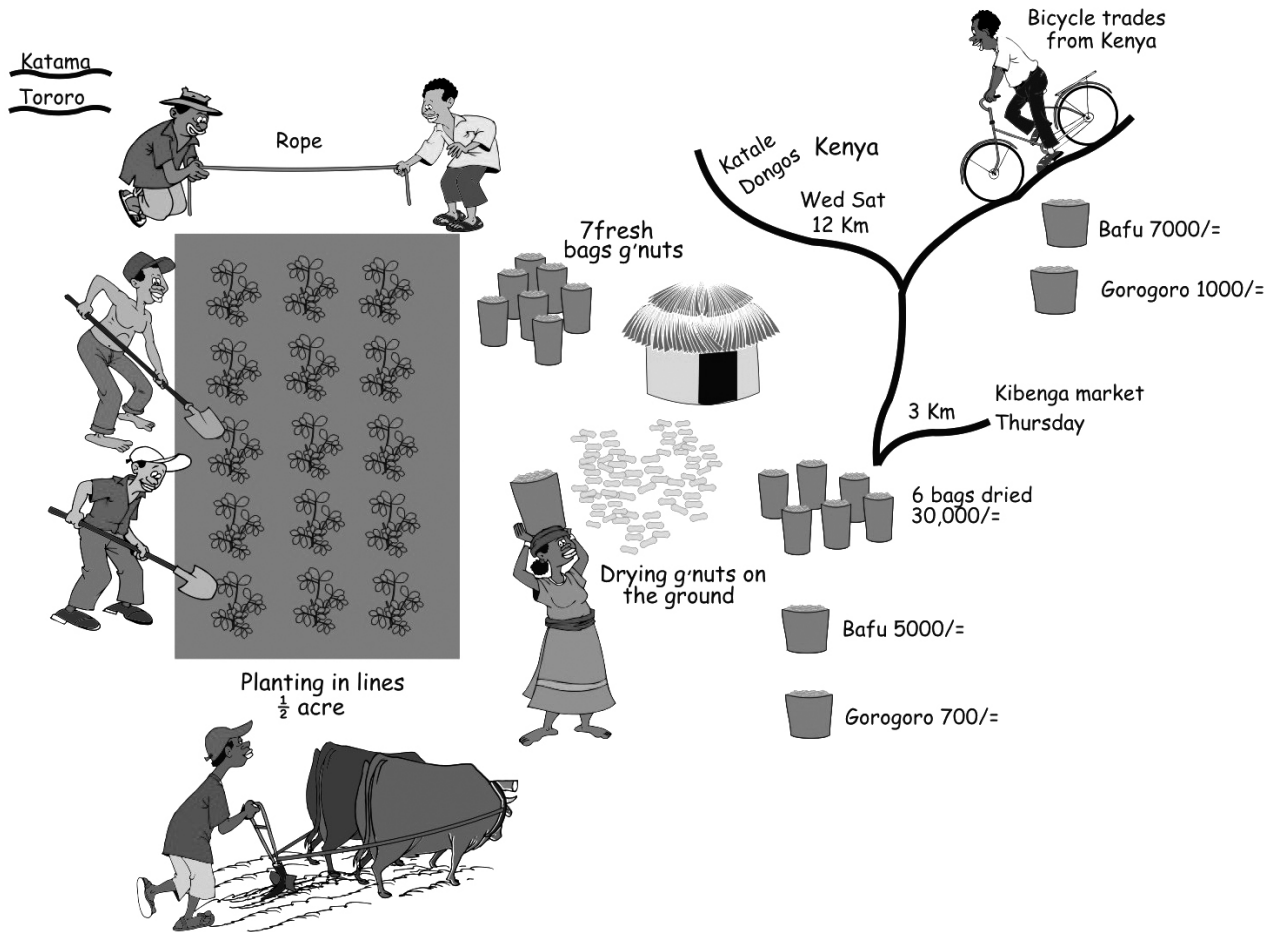


Figure 7. Market mapping method to assist in expressing market chains

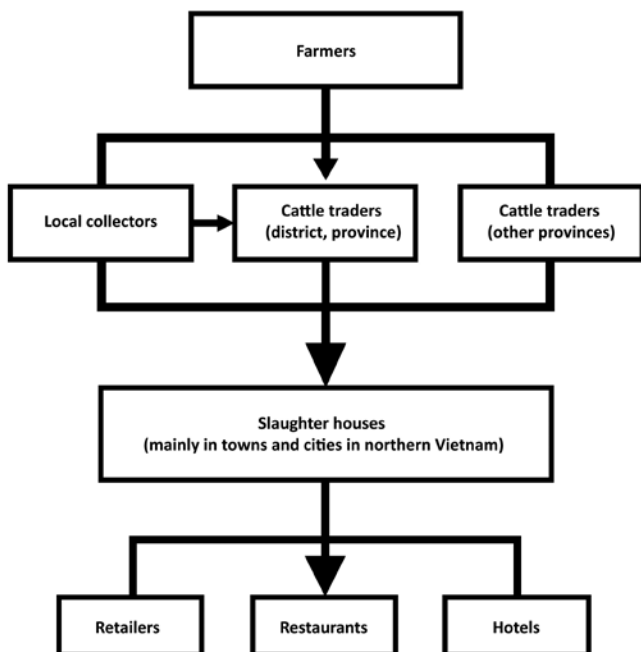


Figure 8. Market chain for meat in northern Vietnam

**Market channel:** refers to the production and marketing of a specific good with a specific set of actors.

**Value chains:** refers to the series of marketing functions for a product from production to sales, but places emphasis on the value that is created along the chain, also highlights the importance of increasing the value of the whole chain and ensuring a fair distribution of benefits amongst chain participants.

**Market webs:** term used to explain the complicated and interrelated nature of the production, trading and marketing process, which integrates multiple actors and channels within a market area. This view considers that farmers, traders and other market chain actors, are involved in multiple chains at any one time, hence marketing agents operate within a web of market links rather than single chains.

**Marketing maps:** To begin to understand how a product moves from the farm to a consumer, it is a useful exercise to create maps showing the flow of products from major areas of production to final consumers. Marketing maps can be drawn in participatory meetings by the chain actors as shown in Figure 7.

For many field agents and farmers, drawing out a marketing map, helps to get a basic understanding of the key players within a market chain. Marketing maps can be used to add detail over time, for example, the market map can be used to add in locations of service providers, costs along the chain and to help with a process of identify bottlenecks and opportunities.

Alternatively, marketing maps can be much more stylized, as shown in Figure 8, which shows a marketing chain in Vietnam for beef meat being sold into a number of different markets. This figure depicts all market channels for contract growers -- from production up to export and domestic retail sale.

**New Business models:** A business model describes the rationale of how an organization creates, delivers, and captures value (economic, social, or other forms of value). The process of business model construction is part of business strategy. This term can focus on the business operations of a specific firm, but increasingly this term is being used to describe the interlinked activities of business partners within a value chain.

### 2.11 Marketing Costs

In addition to the main production costs that are calculated using a Gross Margin analysis, which focuses on fixed and variable costs, the process of marketing also includes a range of specific costs. Often these costs are under estimated in profitability analysis; this section describes marketing costs. All marketing activities generate costs, with associated costs of transport, labor, and processing.

These costs vary across agricultural products, depending on the commodity, the degree of processing, distances from the farm to consumption centers, transport conditions, costs of utilities, cost of labor, marketing risks, and so on. The costs

incurred and the profits earned by market intermediaries, account for the difference between prices at different stages of the market chain. This is illustrated in Figure 9.

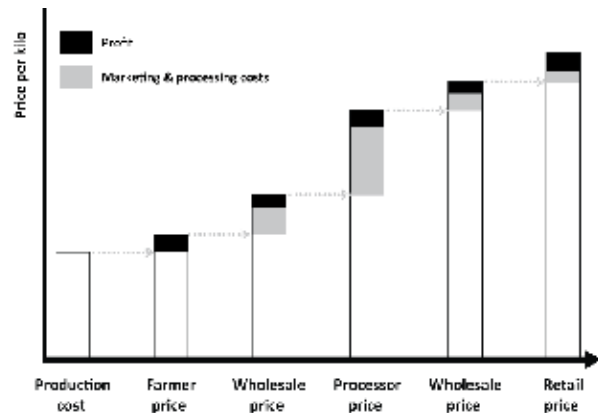


Figure 9. Prices along the value chain

In many cases, farmers also perform marketing functions and therefore incur marketing costs. The most important ones are listed below:

- *Market research and promotion.* Farmers often spend time and money collecting market information and promoting their products. They may need to contact buyers, visit other farmers and markets, call an extension officer, and participate in a trade fair, and so on.
- *Product preparation.* This includes cleaning, sorting and grading produce. Household and exchange labor are typically involved in these tasks, but local labor may also be hired to perform these tasks.
- *Packaging.* Packaging costs are also common in the early marketing stages. Simple and cheap types of packaging, such as jute or nylon bags, are commonly used by farmers.
- *Handling.* When farmers rent transport they have to load and unload produce. Labor is hired or exchanged to carry out this activity.
- *Transport.* Transport costs will vary according to the distance between the farm and the market or buyer, the quality of the roads, and the availability of transport.

- *Product losses.* Losses can affect both the quantity and the quality of a product. For example, many crops lose weight during drying and storage, and while in transit. Pests such as rodents and insects can cause much damage to grains. Perishable products, such as fresh cassava and many fruits and vegetables, deteriorate rapidly after harvest.
- *Storage.* Storage costs typically include the cost of building and operating a store.
- *Processing.* Certain products (e.g. cassava, sugar cane, mushrooms, bamboo) are sometimes processed at farm level before being offered to consumers.
- *Fees and unofficial payments.* Farmers must often pay a fee when selling at a market. In some countries, it is common for farmers to pay unofficial fees to the police during transport from the farm to the marketplace.

It is important to note that some of these marketing activities may be funded through credit. The cost of loans – i.e. interest payments – should be regarded as a marketing cost.

## 2.12 Marketing Margins down the value chain

Many development agents are biased against traders as they assume that all travelling traders, wholesalers and retailers gain higher profits than farmers and are therefore exploitative. This assumption is often based on the direct comparison of buying and selling prices down the chain. For example farmers receive, \$20 / 50 kg bag in their village market but the product sells for \$2 / kilo in the urban markets, which equates to \$100 / 50 kg bag. Making direct comparisons between these prices can be misleading as these numbers do not reflect the marketing and transaction costs associated with each of the buying stages in the chain and the risk that the individuals in the chain take on, along the chain.

To gain a more objective measure of income and profit share for different actors within a market chain, the development agent will need to collect information on the marketing margins along the chain, as shown in **Figure 9**, which includes not only the purchase and sales prices, but also any

additional marketing costs.

*Gross marketing margin* is the sum of all marketing costs (grey in Figure 9) plus profits (black in Figure 9).

*Net marketing margin* excludes normal marketing costs, and only focuses on the profit realized.

There are at least three reasons why the calculation of gross and net margins is an important element in market research and analysis:

**Margin analysis** indicates where in the marketing chain value is being added to the product and profits are being made.

**Margin analysis** can assist development agents to understand the efficiency of marketing systems and the bargaining position of different participants. In a competitive and efficient system, marketing costs and profits are relatively low. The difference between retail and farm-gate prices is therefore moderate, and farmers receive a reasonable share of the price paid by consumers.

**Margin analysis** can enable development agents to identify sources of inefficiency in a marketing system, such as poor farmer negotiation for prices, too many traders in a chain, or excessive costs within a chain or excessive profit taking. In these cases a development agent can work with the producers and traders to find more equitable solutions.

- **Cutting out the middle man:** This is an idea that many NGO's have, to reduce costs in the market chain. In many cases it is not easy to do this. Traders are in place because they have a role to play and are offering a needed service. One way around this is for farmers who were selling as individuals to a local collector, to sell collectively to a travelling trader. In this case, the activity of one trader in the chain is being replaced by a more organized farmers group. The fee that was paid to the collector is now absorbed by the farmers, who must do that work and will benefit from the share of that task. So, cutting out the middle man can work, if farmers take on the tasks previously done by someone else. Cutting out a middle man does not mean avoiding some additional costs in time, money and energy.

- **Becoming more competitive:** In some cases it is found that a trader is collecting a higher share of the final price than the farmers. As mentioned previously, this could be because of the extra risks or transaction cost at that point in the chain. It may also be that the producers are supplying such low volumes that the buyer actually has high costs of doing business. An example here is a women's group in India, who found out that the price of chickens they were being offered by their trader was only 20% of the price that the trader was selling the same chickens to his buyer in the local town. When the women confronted the trader about this, he explained that their volumes of birds were so low that he could only pay a low amount. In this case, rather than simply asking for a higher price, the trader suggested that if the women increased their production from 15 birds per week to 50 birds per week, that he could pay them a significantly higher price, as it made his business more efficient.

## 2.13 Efficiency of Agricultural Marketing Systems

An efficient or well-performing marketing system serves the interest of all participants, including farmers. But what exactly is an efficient marketing system? To farmers, the sale of their products for a high price would be efficient marketing. However, too high a price for farmers would discourage purchases by consumers. Too low a price would discourage production of future supplies.

The interests of farmers and consumers are reconciled when: *the movement of goods from the farm to the point of consumption is done at the lowest possible cost consistent with the provision of services that the consumers desire and are able to pay for.*

The implications of this definition are twofold. Firstly, efficient marketing implies minimal waste and unnecessary charges by market intermediaries. Marketing costs should be as low as possible and market intermediaries should earn normal profits, consistent with the function performed.

Secondly, efficient marketing entails the supply of goods that meet existing demand, for example with respect to volume and quality.

Below is a discussion of key determinants of the efficiency of agricultural marketing systems.

**Relative number of trading and processing enterprises.** A large number of trading and processing firms indicates a high level of competition within the marketing system. This is essential for avoiding a situation whereby certain firms are making excessive profits at the expense of suppliers and consumers.

**Barriers to market entry.** The higher the barriers to entry into the market, the lower the levels of competition. Entry barriers can be related to the capital and skills required to develop a certain marketing function. For example dairy farming generally requires considerable expense in buying cows, feed, shelter, milking equipment and coolers, compared with maize farming which may only require buying seed. Access to marketing networks can be another important entry barrier. Complex and lengthy enterprise registration and licensing procedures can also result in high entry barriers.

**Availability of market information.** Good access to market information by all market participants facilitates the flow of produce from surplus to deficit areas, contributes to spreading consumption throughout the year through storage and imports, and reduces the scope for excessive profits along the market chain.

**Transport infrastructure and services.** Good transport infrastructure and affordable transport services are essential for the low-cost movement of products along the marketing chain.

**Storage.** Storage services contribute to stabilizing prices and consumption over time.

**Processing.** Well-developed processing activities reduce the cost associated with the transformation of agricultural commodities.

**Access to credit.** Market participants require finance in order to move goods along the marketing system. They must either use their own capital or borrow money to fund the purchasing of goods and the services required to get them to the next stage of the marketing chain. Because their own capital is often limited, good access to credit by all market participants is an important condition for the efficient operation of marketing systems.

### **Degree of organization of producers.**

Participation of farmer organizations in marketing the produce of their members enables producers to enjoy economies of scale, improved access to market information, and a stronger bargaining position vis-à-vis selected buyers. At the same time, when dealing with farmers' associations or clubs, instead of small and dispersed individual producers, traders face lower transaction costs. They can communicate simultaneously with several producers and buy larger volumes of standardized product at a specific time and place, which reduces their operational costs and the risks incurred.

**Regulations.** An efficient marketing system requires regulations that reduce risk and costs, while enabling transactions to be carried out without every party needing to be in the presence of each other. Below are some examples:

- Legal enforcement of contracts and protection against fraudulent practices.
- Standard weights and measures and quality specifications to minimize disagreements between suppliers and buyers, and reduce the need for visual inspection of every product lot.
- Minimum health and sanitation standards to protect consumers and minimize unfair competition by less scrupulous operators.
- Simple and low-cost enterprise registration and licensing procedures to reduce barriers of entry into trading and processing.

## **2.14 Intervention in Agricultural Marketing Systems**

Should governments and development agencies intervene in agricultural marketing systems?

Sometimes it is possible to improve the efficiency of such systems and increase the benefits accruing to some or all market participants, including producers and consumers, through carefully planned interventions. However, before deciding to intervene, governments and development agencies should be reasonably confident that:

- The intervention will be *effective* in addressing one or several sources of inefficiency in the marketing system;
- The *benefits* from the intervention will exceed its costs; and
- The impact of the intervention will be *sustained* over time.

Interventions should lead to reductions in marketing costs and risks, improvements in access to markets, and higher returns along market chains. The type of intervention required and the agency involved will depend on the marketing constraints and opportunities. Examples of interventions include changes in policies and regulations, investment in marketing infrastructure, provision of market information, development of appropriate farmer advisory services, facilitation of improved business links between different market participants, development of product grades and standards, productivity and so on.

## **2.15 Market Research**

The collection, processing and analysis of data and information about marketing systems are known as market research. Markets are dynamic, they are constantly evolving and changing, and therefore market research is not a onetime activity, effective market research needs to be conducted on a regular basis. This manual focuses on the rapid appraisal of agricultural commodity markets, which is one of the most widely used and effective market research tools.

By now, it should be clear to readers that market research can serve two main purposes. The first is to enable market participants (farmers, trading enterprises and processors) to understand the market situation and adapt their production and



marketing strategies to improve their position in the market place. Knowledge about customer needs and competitors is essential to improve existing market strategies and develop new enterprise options. This type of market research is generally conducted by market participants themselves or by specialized consultancy firms hired for that purpose. Extension officers and development agencies working with resource-poor farmers may also undertake such research to help producers gain improved market access.

Secondly, market research can be conducted to guide interventions aimed at improving the efficiency of marketing systems and generating benefits to different participants. Such research can be conducted by a wide range of agencies, including donors, government ministries and departments, non-government organizations, and development projects. The focus of market research activities will depend on the objectives and mandate of the implementing agency. However, there will invariably be an emphasis on understanding constraints and bottlenecks, as well as opportunities for intervention. As part of this process, analysts should be aware of key market drivers and also take into account the level of risk that any new market opportunity may involve. An important outcome of market research is being able to match new opportunities for enterprise development with the assets and skills of the client(s) who will invest their time and energy into a recommended enterprise option.

## **2.16 What drives market trends?**

There are a number of factors that drive changes in the market place, in terms of the quantity, quality, volumes and types of products that are in demand. The following list provides an overview of the major factors that influence why markets are dynamic and the factors that create market trends over the long run. It is useful to know how these affect the markets in the short, medium and longer term. Chapter 3 provides more information on short-term factors that have a particular affect on prices in the agricultural market. The list below describes basic factors that shape markets over a longer time-span.

**Population growth:** The rate of population growth in most developing countries ranges from 2-3%. This means that every year there are significantly higher numbers of people to supply with

agriculturally based goods. For many developing countries, the populations are likely to double over the next 15-20 years, suggesting a significant increase in demand for basic goods.

**Urbanization:** In the last century, the world has urbanized faster than ever before, approximately 50% of the global population now live in towns and cities. The rapid movement of people to urban centers means that more consumers need to buy food and other agricultural produce.

**Rising incomes, particularly urban:** In most countries, incomes are rising. As incomes grow, people spend a lower percentage of their income on basic foodstuff. This means that people can select higher quality or more processed foods. The fastest rate of income growth is found in urban centers and the richer middle urban class consumers want more sophisticated produce and can afford to pay higher prices. This trend is related to the rise of the supermarkets, which is happening faster in some regions than others, African has relatively few supermarkets at this time.

**Globalization:** This is the term used to describe the recent impact of innovations in communications and transport systems on trade and the increasing integration of world markets. This process has encouraged nations to liberalize their economies and increase their volume of trade, including agricultural products. Globalization is considered by many to be the most influential trend on market forces at this time, having both positive and negative effects on the smallholder producer community.

**Market liberalization:** This term refers to the process by which control of the marketplace is released or liberated from the control of the State. Governments still provide a regulatory framework but the mechanics of the market is organized and implemented by a host of private sector actors and companies.

**Commodity price trends:** One of the most devastating effects of globalization in the 1980's and 1990's was the steady fall in global prices of major agricultural commodities traded on the world market. From the 1980's, when global commodity agreements were dismantled up until the early

2000's, the value of the top 20 traded agricultural commodities, fell steadily to its lowest level in more than 40 years. From 2007, commodity prices started to increase rapidly as investors sought safer havens from the global financial crisis. Food prices peaked in 2008 before falling rapidly again, as the financial crisis morphed into a major global recession. After the dip in prices markets and commodity prices have been highly volatile, a result of the underlying fragility in the global market system.

Price trends in the period from 2010 to 2012, have shown a steady rise, but the underlying trend is for greater price volatility with price peaks and troughs being exacerbated by the combination of integration of financial systems around the world and the uncertainty in Governments being able to resolve fundamental issues. The most important issues related to the imbalances of trade around the world, with many established countries having unsustainable levels of debt, and other emerging countries having huge cash surpluses driven by export trade.

**Market concentration:** In the past 20 years, there has been a radical shift in the number of buyers trading on the international market, from very many local business traders to a few large international trading houses. For major commodities such as wheat, maize, soybean, coffee, oil etc., the number of producers relative to international traders has fallen dramatically down to 5-10 major international traders. This loss in competition at the trader level in the market chain has meant a significant shift in market power away from producers to the buyers. The danger of this situation is that a few buyers could use their market power to maintain low prices and establish cartels.

**Retail formalization:** In addition to the fall in international buyers, there has been a similar effect in the retailer sector. In developed nations, in the past 20 years, 100's of village shops have been superseded by a few national or trans-national supermarkets. For many sectors, supermarkets are the dominant buyer and farmers are required to formalize their business methods to meet the stringent quality controls and price structures of the supermarket procurement standards. The level of supermarketization in developing countries has

been most rapid in the medium income countries, such as in Latin America, and parts of South East Asia. In Africa, there are still relatively few supermarkets, who mainly sell their goods to the richest consumer groups in the main towns and cities.

**Niche markets and Fair Trade:** As consumers become more sophisticated they can afford to pay a premium for exotic, novel, or specialty products. These new types of "lifestyle" products, i.e., products that fulfill the needs of a very select consumer interest group, have created a new market segment related to "niche" products. Specialty coffee produced from a limited number of farms is an example of a product that is in such scarce supply, that it can command a price many times higher than mainstream coffee products. Similarly, some consumers will only buy goods that are "fairly traded". The charity organization "fair trade" promotes products that work with certified farmers and pays them a guaranteed minimum price, and generally includes a premium payment. Certification schemes and the associated produce are a growing market segment for smallholders, with brands such as organic fair trade, RainForest Alliance, Utz etc, providing strong marketing linkages for farmers to access higher value markets.

**Consumer concern for food safety:** Increasingly complex and scaled food systems, which include more stored and processed foods has led to several major food safety incidents. Food scares caused by eggs affected by salmonella, beef affected by "Mad Cow disease," peanuts contaminated with aflatoxin, have either caused mass illnesses or deaths. These incidents have led to major new campaigns and stringent food safety regulations to make food safe for the public. Farmers who are involved in quality based supply chains can access premium markets, where people are seeking safe food products.

**The growing importance of environmental and sustainability issues:** Technologies that increase productivity can have a severe negative effect on natural resources. In the agricultural context, this can lead to the overuse of inorganic chemicals and pesticides, and rapid soil degradation. Consumers have reacted against this with a shift towards

demanding products that are produced organically or at least using “clean” and renewable production systems. Consumers will pay a premium for products that can show they are produced using environmentally friendly methods. In the future, the use of sustainable and environmentally friendly production systems is likely to become a more important issue. Already the “organic” market is growing by 20% per annum.

**Information & communication technology:** The rapid spread of mobile phones in rural areas of the world transforming how agricultural businesses are being run. Phones allow cheap communication within producer groups and with buyers and in many countries, buyers insist on their suppliers being contactable. For sales of higher value goods, access to phone technology is fast becoming an essential element of the marketing toolkit and the ability to bundle access to services such as financial services, input supply and transport services through a phone makes this technology an essential part of the marketing tool kit.

**Innovation:** Experimentation that leads to new technologies, products, services and organizational structures is another essential process that provides farmers with an advantage in the marketplace market chains. Examples of innovation in the agricultural sector include areas such as, mobile phone technology to support trade, linking savings and loans activities with agro-enterprise, input procurement and more formalized innovation areas such:- as biotechnology and the recent development of bio-fuels in agricultural systems.

### 2.17 Preparing for risk

One of the more difficult tasks when developing marketing strategies is to assess the level of risk associated with a new marketing strategy. When working with poor smallholder farmers or small-scale processors it is important to find a simple means of assessing an appropriate level of risk that such clients should take on when developing a new enterprise.

Tools such as the Ansoff matrix, illustrated in Figure 10, are used to categorize risk options by comparing types of products and markets. In this matrix, risk increases from 1 (low risk) to 4

(highest risk). Market analysis based on demand and profitability often gravitates towards higher risk options and enterprise groups need to be aware of the risks and benefits from high-profit options.

	Existing products	New products
Existing markets	1. Market penetration (lowest risk)	3. Product development
New markets	2. Market development	4. Diversification (highest risk)

Figure 10. Using the Ansoff matrix for risk assessment

The market researcher can use the Ansoff matrix to guide clients towards a sensible level of risk based on their experience, assets, skills and financial options. For example, market researchers may advise newly formed farmer groups to select options that are based on market penetration with the view that less experienced farmers should test markets in a stepwise manner starting with test plots and market trials before engaging in larger scale supply. For groups with more experience in marketing, higher risk, higher return strategies are likely to be more attractive. To facilitate the identification of market opportunities and evaluate prospects for diversification, CIAT developed a guide titled **Identifying and assessing market opportunities for smallholder producers** (Ostertag et al, 2007).

## Exercise 2.1

<b>Assumption</b>	Basic concepts in marketing were provided to participants
<b>Objective</b>	Improve understanding of basic marketing concepts
<b>Task</b>	<i>Draw the market chain for a specific product, indicating i) the different market participants, ii) the functions performed at each stage, and ii) spatial flows.</i>
<b>Suggested procedure</b>	<p>Form three groups (one for forestry products, one for livestock, and one for agricultural crops). In each group:</p> <ul style="list-style-type: none"> <li>- Identify one specific product.</li> <li>- Draw a map/diagram of the market chain for the product.</li> <li>- Indicate the type of market participant (producer, collector, assembly trader, processor, wholesaler, retailer, etc) involved at each stage of the chain.</li> <li>- Indicate the type of markets (assembly, wholesale, retail) found along the chain.</li> <li>- Indicate the marketing functions (drying, cleaning, assembly, storage, sorting, packaging, processing, etc) performed at each stage of the chain.</li> <li>- Indicate the main factors driving this market, or those factors most likely to increase price volatility.</li> <li>- At each stage of the market chain, indicate the place where marketing activities take place (village, town, city).</li> <li>- List barriers to entering this market.</li> <li>- Identify which type of producer could benefit most easily in this market and/or the skills required by a service provider to enable smallholder producers to enter this market.</li> </ul>
<b>Expected outputs</b>	A diagram of the marketing chain.
<b>Presentation</b>	On flipchart
<b>Due</b>	Each group has forty-five minutes for preparation and five minutes for presentation.

## CHAPTER 3. KEY FEATURES OF AGRICULTURAL MARKETS



### Learning objectives

*After reading this chapter, the learner should be able to understand and explain key features of agricultural markets. This will facilitate learning during the following training sessions and improve the ability of the learner to collect and analyze market data and information.*

### 3.1 Introduction

Agricultural markets in developing countries are different from markets for industrial products and services. This is due to the special nature of agricultural production and the specific characteristics of agricultural products. Those involved in a rapid appraisal of agricultural marketing systems need to have a good understanding of these specificities. As such, this manual includes a discussion of some key features of agricultural markets.

### 3.2 Short-Term Price Volatility

The price of agricultural commodities can change suddenly and significantly within the same week or even day. Short-term price volatility is often caused by poor coordination between supply and demand. Coordination failures can

have a particularly strong impact on the price of perishables, such as fresh fruit and vegetables, cassava roots, and fresh fish. Perishable commodities cannot be stored for long and therefore have to be sold quickly. Consequently, prices tend to fall considerably during the late hours of trading or when a sudden arrival of large amounts of produce leads to excessive supplies (gluts) in the market.

Short-term price instability often makes it difficult for farmers to anticipate the price they will receive for their products. Will this be the same as last week or last month, or will it be higher? Have prices at the market fallen suddenly, in which case it would be better to sell at a later date? Are prices so low that it is better not to harvest as this would mean selling at a loss. Regular consultation with traders and processors can provide some answers to these questions and help farmers decide when to sell.

### 3.3 Seasonality

The price of most agricultural produce follows a clear seasonal pattern similar to that shown in Figure 11. Agricultural **supply** being

concentrated in the harvesting season and one or two months afterwards. This leads to very low prices during this period and a marked rise in prices as supplies become scarcer. The degree of seasonality in supply varies significantly according to the type of agricultural product.

Many factors can contribute to stabilizing supplies and therefore reducing seasonality within the year, such as:

- multiple and long harvesting seasons
- diversity in the harvest time within the country
- availability of off-season imports from other countries
- storage of produce to prolong the supply onto the market

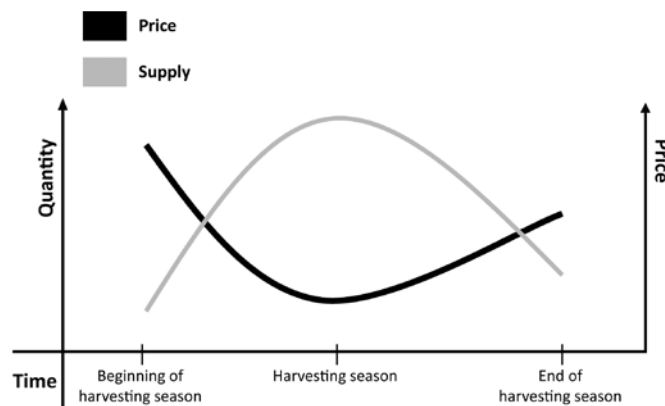


Figure 11. Price seasonality

#### Maize price seasonality in northwest Vietnam

A recent study of hybrid maize markets in northwest Vietnam showed relatively small price variations across seasons. This was primarily due to the fact that very large volumes of hybrid maize were being stored for use during the winter months, a period when maize supplies from other regions (e.g. Nghe An and Daklak provinces) and China were also available.

**Demand** can also play a role in explaining price seasonality. There are specific times in the year when prices increase due to changes in demand. The most obvious examples are the increases in prices of all food items during major religious and festive events. Farmers can plan their harvests to coincide with these periods of peak demand so as to capture higher sales prices.

### 3.4 High Inter-Annual Price Variations

Another common feature of agricultural markets is that prices can change considerably from one year to the next, as shown in Figure 12. These price fluctuations often reflect changes in supply and demand caused by natural conditions such as weather, pests and diseases. For example, a severe drought can significantly reduce yields, particularly for non-irrigated crops; sudden outbreaks of pest or disease infestations can also cause losses in agricultural production leading to significant price rises. In contrast, favorable weather conditions can have a strong positive impact on production, causing over-supply in the markets and falling prices.



Figure 12. Farm-gate paddy prices in Red River Delta (1994-1999) VND / kg (15,000 VND = 1USD)

Farmers' reaction to these shocks may exacerbate price volatility. Farmers may over-react to a rise in the price of a specific commodity by expanding cultivated areas and intensifying production during the following planting season. This may then lead to over-supply and low prices at the next harvest time. The inverse can happen when farmers reduce planting in response to a severe decline in prices. Therefore one year's high prices can be followed by one year of low prices. Inter-annual price fluctuations can be a significant source of risk. Market research can provide insights into annual market trends by analyzing long-term data on supply and demand trends, which can signal an impending increase or decline in prices.

### **3.5 High Risk**

Agricultural markets are characterized by high risk, and inter-annual price fluctuations can be a major source of risk. Producers may find that the market price at the time of harvest does not cover production costs or is much lower than anticipated. Traders may be unable to sell their stocks for a profit.

Product deterioration and spoilage is another risk factor. Agricultural produce may suffer from insect infestation, bruising, and physical deterioration during transport, handling and storage, causing significant financial losses to farmers and traders.

Another common risk incurred by traders, especially in developing countries, is the possibility that the purchased product may contain undetected foreign matter such as water, sand and stones. The practice of selling agricultural products mixed with sand, stones and other foreign matter is common as farmers attempt to increase their income.

Farmers often fail to realize that buyers who have had bad experiences because of poor quality or cheating will either stop purchasing from that area, or will continue buying but at lower prices than they would normally be willing to pay, to offset such risks.

At the same time, development agents should be aware that some unscrupulous traders also cheat farmers with rigged balances, providing mis-information about market prices, and telling farmers that quality requirements mean that can only offer a low price, even if there are no market grades to adhere to.

### **3.6 High Transaction and Marketing Costs**

Prices paid by end users and consumers are normally well above those received by primary producers. This often leads to the conclusion that traders are exploiting producers. However, marketing costs and risks are often a more accurate explanation for the significant differences between producer and consumer prices.

When information is gathered on prices along a market chain, marketing costs often emerge as a more valid explanation for the spread between producer and retail prices. For example:

- Assembling agricultural produce from small-scale, dispersed, and remote farmers is costly.
- Agricultural products often have to be transported over long distances and difficult roads before reaching the consumer.
- Along the way, produce needs to be cleaned, dried, sorted, packed, and advertised in order to be acceptable to consumers.
- More complex forms of processing are sometimes required, generating additional and sometimes significant costs.
- Product deterioration and spoilage are also common.
- Storage may be another source of costs to traders and processors.

All of these activities incur costs for the traders, processors and retailers and all the traders and intermediaries that buy and sell produce between the farmer and the final consumer need to remunerate their labor and make a profit from their activity.

Many agricultural projects seek to assist farmers to remove the so called “middle men” from the market chain in an attempt to reduce these marketing costs. But before taking action, farmers need to know the benefits and costs associated with each of the functions performed. It is often the case that traders are far more efficient than farmers at bulking, grading and presenting goods to distance buyers than farmers. Therefore farmers need to be able to compare the prices and costs associated with taking on new tasks in the marketing of their goods before they take on additional responsibilities.



### 3.7 Incomplete Information

Poor access to market information is an important source of inefficiency within agricultural markets.<sup>3</sup> Farmers generally have limited knowledge and understanding of how markets work and insufficient information about supply, demand and price variations. This limits their ability to target remunerative opportunities, meet buyer requirements, and negotiate favorable prices.

Although better informed, traders and processors may also lack access to critical market information, and may not be able to fully adjust to a changing market environment. More generally, poor access to market information leads to high marketing costs, higher risks and results in poor coordination between supply and demand. This information failure has a negative impact on demand for farmers in terms of the types of products they produce and the prices they receive.

### 3.8 Intense Competition

Domestic and export markets for agricultural products are characterized by intense competition and understanding more about competition provides insight into the problems and opportunities faced by farmers and market intermediaries.

In much of the developing world improvements in production technologies, roads, communication systems and marketing policies have significantly increased competition in agricultural markets over the past decade. New international marketing agreements, such as those developed through the WTO, have also opened up domestic markets to competition from neighboring countries and more distant countries, where some farmers may produce their goods with the added advantage of receiving production and export subsidies. This type of competition is likely to increase with time, as marketing agreements open markets to new producers and communication across the world enables producers to market their goods in ever more distant locations.

<sup>3</sup> The efficiency of agricultural markets is discussed in Chapter 2.13 of this section.

Rapid growth and increasing household incomes, particularly in urban areas, means that many consumers have become more discerning in their purchases, demanding better quality produce, a greater range of goods, and also want an all year round supply of certain food products. Supermarkets are fuelling this increase in produce differentiation and market segmentation, with their international procurement capacity. To engage with these new and often lucrative markets, farmers need regular information about market trends. They must also be able to innovate and organize themselves to meet the increasingly stringent quality requirements in domestic and export markets, if they are to continue to earn a living wage from their farms.

To compete in the marketplace farmers must be able to produce what the markets want at relatively low costs. They should focus on what they can produce well and supply good quality products that are prepared, packaged and delivered in accordance with buyer requirements. Otherwise buyers will prefer to buy their goods from other farmers who provide better value goods.

#### Being competitive in dynamic markets

In order to compete successfully in the marketplace, farmers must produce what buyers want in terms of volume and, quality at prices that make them more attractive than alternative suppliers. Farmers need to be able to innovate in order to retain their competitiveness and be able to respond to changes in the marketplace.



### **3.9 Price responses to changes in supply**

Generally speaking, the supply of agricultural products is not very responsive to prices, at least in the short-term. In other words, it takes time for farmers to adjust production in response to changing prices.

The responsiveness of prices to changes in either supply or demand is termed “elasticity”; many agricultural products have low price elasticity. The reasons for the slow price responsiveness is that, for example, if a decline in the price of carrots occurs after planting, farmers will not be able to reduce cultivated areas. The options available to them are limited; they might reduce their use of inputs or wait until the next planting season, when they may plant fewer carrots. On the other hand, if prices start to rise, farmers cannot sell their produce, they must wait until the crop is ready for harvest.

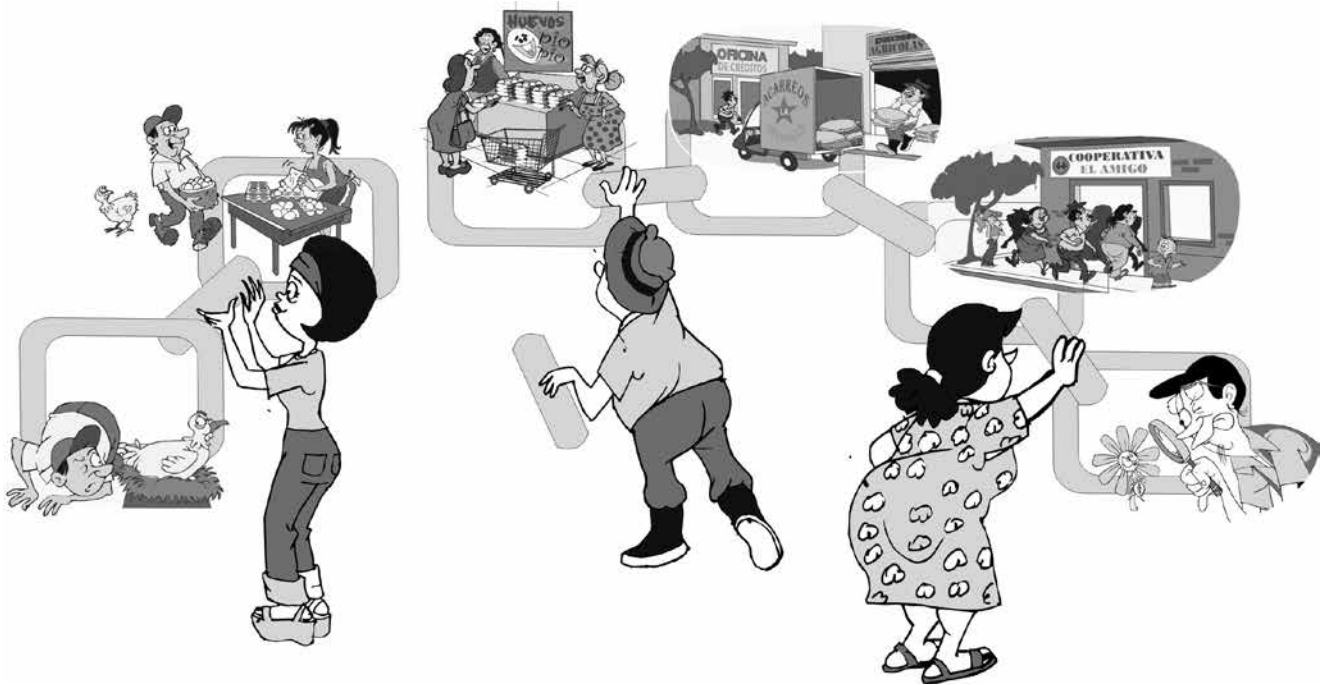
Producers may have limited arable land and labor to expand cultivation, and lack access to the technologies that would enable them to scale-up production, such as improved varieties, irrigation, and agro-chemicals.

### **3.10 Price response to changes in demand:**

Unlike supply, demand for most agricultural products is very sensitive to changes in prices. Often final users or consumers can substitute between products, and are therefore able to shift consumption to alternative products. For example, if carrots become expensive consumers may choose to buy more cabbage. Farmers must be able to keep their costs low in order to cope with competition from alternative products.

This situation is referred to by economists as having a high elasticity to demand, so that for example, when the price of cotton goes up, a garment factory can increase production of clothes made of synthetic materials and reduce its output of cotton clothing. When the price of coffee increases, consumers can shift to alternatives such as tea or other drinks, but farmers are clearly unable to rapidly shift out of producing coffee.

## CHAPTER 4. STEPS IN IMPLEMENTING A RAPID MARKET APPRAISAL



### Learning objectives

*After reading this chapter, the learner should be able to specify situations where an RMA should be conducted, explain how key underlying principles affect the implementation of the appraisal, and describe the different steps in the process.*

### 4.1 What is an RMA?

RMA's provide a quick, flexible, and effective way of collecting, processing, and analyzing information and data about markets and marketing systems. Based on the results of an RMA the analyst can develop appropriate programs and policies for promoting production and marketing interventions and assist clients in developing their market strategies and business plans. RMA's comprise a wide range of simple methods and tools for collecting quantitative as well as qualitative information in order to minimize the costs and delays in providing timely and sufficiently detailed business information.

Flexibility is one of the main attributes of a rapid market assessment. There are no fixed rules regarding the size and composition of the team involved. Likewise, the number and type of

markets visited, the number and type of key informants selected, and the time required to collect and analyze information, will vary according to the purpose of the RMA, the client type, the level of participation required, the timeline and the resources available.

**The RMA approach is investigative.** There are no absolutes in the data collected or in the results derived from the analysis. The market analyst needs to take on an investigative approach, linking information, with personalities and opportunities in order to reach the objective of providing business opportunities for subsequent investment. A good analyst therefore needs to be able to combine analytical skills with creative thinking in order to understand current constraints and opportunities, potential options and risks and best alternatives for a given situation in time.

Being dynamic in nature, the results from the study have a shelf life and therefore any analysis must include a certain degree of opportunism, so as to capture the potential offered by market opportunities that are open at that time and the prospects of formulating partnerships to pursue business ventures that hold promise.

## 4.2 Purpose of an RMA

Although RMAs serve a variety of purposes, this type of analysis should always be regarded as an intermediate step towards developing interventions in the marketing system aimed at increasing the benefits for market participants. Some of the purposes that an RMA can serve include the following:

**Understanding existing market status:** An RMA can provide an up-to-the-moment snapshot of the market status for a given product or service within the study area; the size of the area depending on the scope of the study, i.e. at the local, national or regional level. Analysis of historic and current information can be used to explain how the market has evolved over a set period of time, who are the main players, what is the basic structure in terms of channels and distribution coverage; who is benefiting from being in the market and provide the analyst with a reasonable perspective of past performance.

**Understanding market potential:** An RMA can provide information on the size and growth potential of local, regional, national, and export markets. This information is critical to guide strategies and interventions by government and non-governmental agencies. Products with good market prospects, i.e. growth markets, are likely to generate greater impact on the rural and national economies, and should therefore be identified and prioritized in development interventions.

**Guide in the design of interventions in the marketing system:** An RMA can provide a good understanding of the marketing system for a specific commodity, the constraints, and opportunities faced at various levels, and the reasons why the marketing system is underperforming. This information can be used to develop appropriate policy, investment and other interventions that will have greatest benefits either to large numbers of producers in low value products or a lesser number of market actors in higher value products.

**Collecting marketing information for subsequent dissemination:** An RMA entails

the collection and analysis of relevant data and information on input and output markets that can be disseminated to enable improved decision-making by and better coordination between different actors in the market chain.

## 4.3 Principles of an RMA

The principles outlined below influence the way an RMA is designed and implemented.

**Demand focus:** Demand is the result of preferences and actions by all buyers in the product chain. Demand is one of the main factors, if not the principal factor, driving production. It influences what is produced and how it is produced, processed, marketed, packaged, and sold.

As a result, emphasis is given during the RMA to understanding quantitative and qualitative trends in demand, the market structure, and the product requirements of different buyers.

**Vertical (market chain) perspective:** Agricultural commodities go through different stages before reaching the consumer. An RMA should therefore focus on the different participants in the supply chain, the way they interact with each other, and their access to relevant support services.

**Understanding competition:** Understanding competition can shed considerable light on the problems and opportunities faced by all market participants. Competition exists across all levels of the marketing system: Farmers compete with each other as well as with medium and large agribusiness firms that produce their own crops and livestock. Competition comes from domestic sources as well as from other countries.

**Insiders as experts:** An RMA relies to a large extent on data and information provided by farmers and market intermediaries. Farmers, traders, processors and other market chain participants should therefore be seen as the experts. Each has “insider” information about particular issues.

**Optimal ignorance/cost-effectiveness:** Time and resources (both human and financial) for undertaking an RMA are always limited. There is

therefore a need to make the best possible use of available resources and avoid unnecessary data collection. When designing and implementing an RMA, consideration should be made to answer what kind of information is really required for achieving the RMA purposes. Only essential information should be collected, processed, and analyzed.

Participation: In an RMA, participation is essential for ensuring that the market assessment is relevant and translates into appropriate interventions. Relevant stakeholders should be invited to get involved in an RMA exercise. For example, farmers, policy makers or local authorities, etc. need to participate in selecting commodities. And other actors in the marketing chain need to provide information on the surveyed commodities. Such stakeholders should also be involved in the sharing and discussion of RMA findings.

#### **4.4 Steps in the RMA**

RMAs normally comprise seven steps or stages, as shown in Figure 13. While steps 1-3 are sequential, steps 4-6 are not. The collection and analysis of data (steps 4 and 5) are conducted in parallel and parts of the market appraisal report (step 6) can be written while data and information are still being collected and analyzed. It is often the case that additional data and information is collected well into the report-writing stage, if gaps appear in the analysis. The different RMA steps are discussed in the next chapters of this section.

Normally, RMA includes report writing. However programming staff or related stakeholders often find it difficult to transfer RMA results into actions. Therefore, besides these 6 steps of an RMA, the guidelines explain how to convert recommendations to actions.

#### **4.5 Outputs from an RMA**

Although the RMA tools and approaches are similar, each RMA will vary considerably at the implementation stage, due to the wide-ranging contexts in which the method can be applied. Whilst the context will vary, the types of outputs should be fairly similar. An RMA should provide recommendations in the following areas:

- Opportunities for market interventions, agro-enterprise opportunities, that will be differentiated by scale, investment needs and type of farmer.
- Critical constraints to market access, “barriers to entry”.
- Technology options to achieve productivity gains.
- Organizational changes to increase performance such as economies of scale.
- Policy options to support systemic marketing gains.
- Scalability perspectives to indicate potential impact.

Each of these areas can be defined in terms of recommendations for specific market chain actors, service providers and institutions, these being the principle agents and agencies that are able to invest in activities to improve and optimize a chain. When developing these points a good RMA report focuses these recommendations to a specific client, so that they can use the ideas. Developing a useful client focused report must be able to answer a simple first question “who is the client?” Studies that are not clear about the client, often make general recommendations that cannot be applied, this is a common failing of this type of study.

1	Area Selection	1	Area Selection	1	Area Selection	1	Area Selection	1	Area Selection	1	Area Selection	1	Area Selection
2	Product Selection	2	Product Selection	2	Product Selection	2	Product Selection	2	Product Selection	2	Product Selection	2	Product Selection
3	Design of Market Survey	3	Design of Market Survey	3	Design of Market Survey	3	Design of Market Survey	3	Design of Market Survey	3	Design of Market Survey	3	Design of Market Survey
4	Implementation of Market Survey	4	Implementation of Market Survey	4	Implementation of Market Survey	4	Implementation of Market Survey	4	Implementation of Market Survey	4	Implementation of Market Survey	4	Implementation of Market Survey
5	Analysis of Data and Information	5	Analysis of Data and Information	5	Analysis of Data and Information	5	Analysis of Data and Information	5	Analysis of Data and Information	5	Analysis of Data and Information	5	Analysis of Data and Information
6	Report Writing	6	Report Writing	6	Report Writing	6	Report Writing	6	Report Writing	6	Report Writing	6	Report Writing
7	From Analysis to Action	7	From Analysis to Action	7	From Analysis to Action	7	From Analysis to Action	7	From Analysis to Action	7	From Analysis to Action	7	From Analysis to Action

Figure 13. Steps in the Rapid Market Appraisal Method

### Exercise 4.1 Purposes of RMA

#### Assumption

Basic concepts and RMA definition were provided to participants.

#### Objective

Create awareness about the usefulness of RMA.

#### Task

*Identify what information needs to be collected when conducting an RMA for a specific product, and what purposes will the information serve.*

#### Suggested procedure

Work in groups. Formed groups will be maintained throughout the training.

Identify one specific product/service.

Identify what information needs to be collected and for what purposes.

Prepare the results on flipchart.

#### Expected outputs

A table or matrix with the list of purposes and information.

#### Presentation

On flipchart.

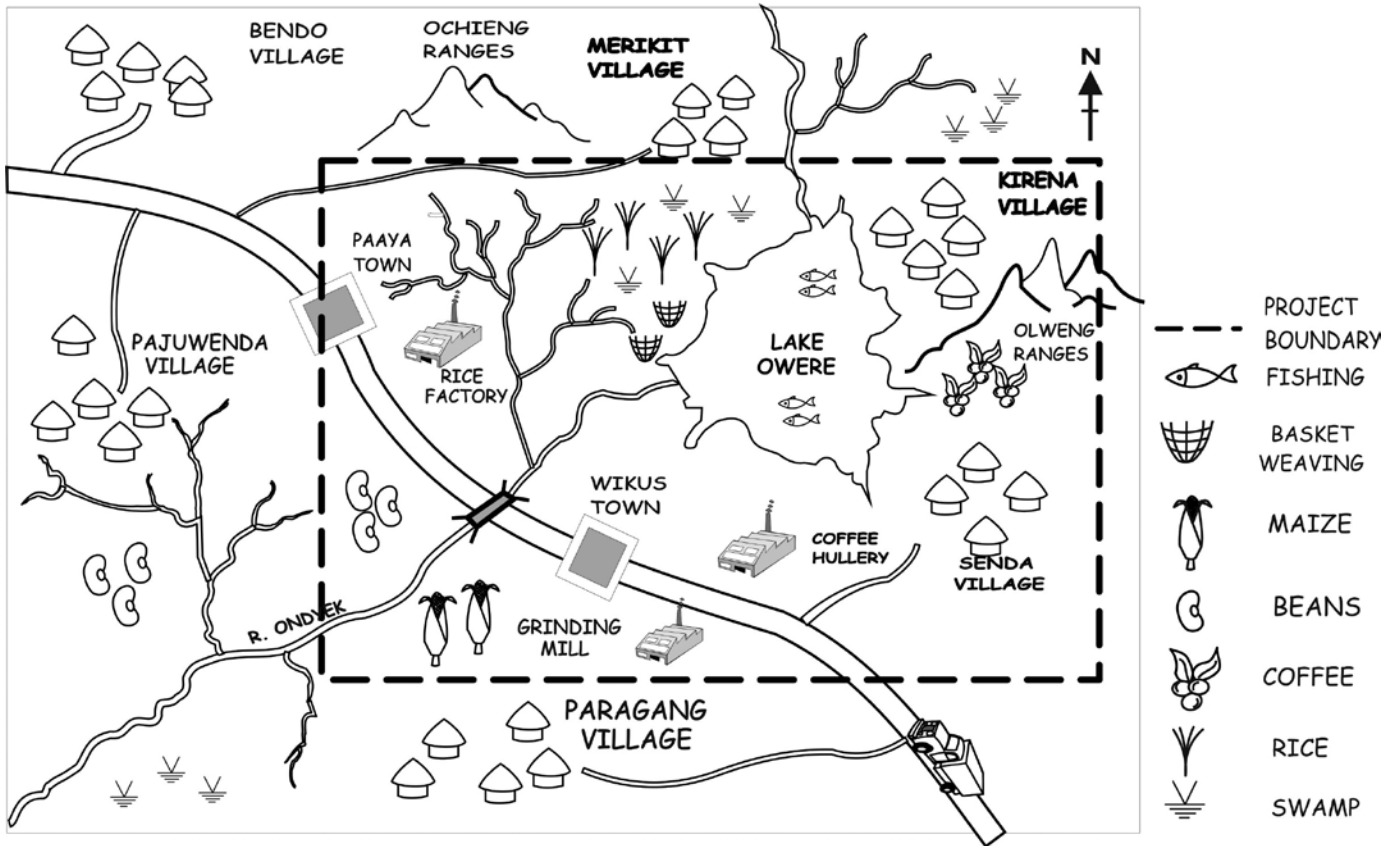
#### Due

Each group will have 20 minutes for preparation and 5 minutes for presentation.

**PART 2.**  
**PRACTICAL RMA WORK**

## STEP 1. SURVEY AREA SELECTION

# MARKET OPTIONS MAP



### Learning objectives

After reading and conducting the exercise at the end of this chapter, the learner should be able to, (i) Explain how the geographical focus affects the design of the RMA, (ii)

Identify and use appropriate product selection criteria and (iii) select products to implement the assessment based on the identified criteria

1	Area Selection
2	Product Selection
3	Design of Market Survey
4	Implementation of Market Survey
5	Analysis of Data and Information
6	Report Writing
7	From Analysis to Action

### 1.1 Area Selection

When deciding to undertake an RMA, agencies must be clear about the geographical area(s) where they want to show market impact. Initial reconnaissance work should quickly identify the

- scope and scale of the impact zone and within this area:-
- Client types
- Partners.

When the emphasis of the project is for the development of small areas, for example a cluster of villages or a commune, the RMA background information should **ONLY** focus on understanding the local marketing system within that area. The RMA analysis will also seek to identify problems and bottlenecks that can be addressed through agro-enterprise interventions within the local economy. Many projects provide large amounts of analysis that may not be relevant to a specific area, so the RMA needs to clearly define the size of the study relative to the need.

When an agricultural project aims to engage a larger geographical area(s), such as a province or country, then, the study parameters, staff and resources need to be scaled to that level. Working at the national level is clearly much more intensive, costly requiring many more staff than doing a market study within a 20 kilometer radius area.

It is very important however, to note that an RMA study, will follow a specific market chain and this often includes an analysis of markets located outside the impact area, region, or country. Market chains do not respect administrative or agro-ecological boundaries and an understanding of the competitive position of the target area within broader marketing systems is imperative.



## STEP 2. PRODUCT SELECTION

1	Area Selection
2	Product Selection
3	Design of Market Survey
4	Implementation of Market Survey
5	Analysis of Data and Information
6	Report Writing
7	From Analysis to Action

In many cases, projects will have decided upon a product for market analysis prior to commissioning the RMA. If this is not the case, primary and secondary information needs to be gathered from the impact or target area to identify a shortlist of priority products. These products should be of high economic potential in the target area and be associated with growth markets. PRA tools such as semi-structured interviewing, focus group discussion with market actors (especially producers) are useful methods used to identify possible products for RMA analysis.

**Identification of priority products:** To help make decisions on which product to study, it is useful to first identify criteria for product prioritization. Several criteria can be used to rank and select products, as shown in **Annex 1**. The weight of each criterion should relate to the key objectives of the project. For example, if the objective of the project is to create opportunities for women, then criteria such as

- Requires limited access to land
- Does not compete with Men's crops
- Can be produced near to the homestead

would be given more weight. Similarly, if the focus of the project is to assist marginalized farmers working on degraded land, then soil fertility issues should be given higher priority in the selection process.

In all cases, the selected product should be suited to the local agro-climatic conditions, should enjoy favorable market conditions and show strong potential to improve income generation for poor, smallholder farmers.

Stakeholder consultation is very important during the product selection stage. Farmers should

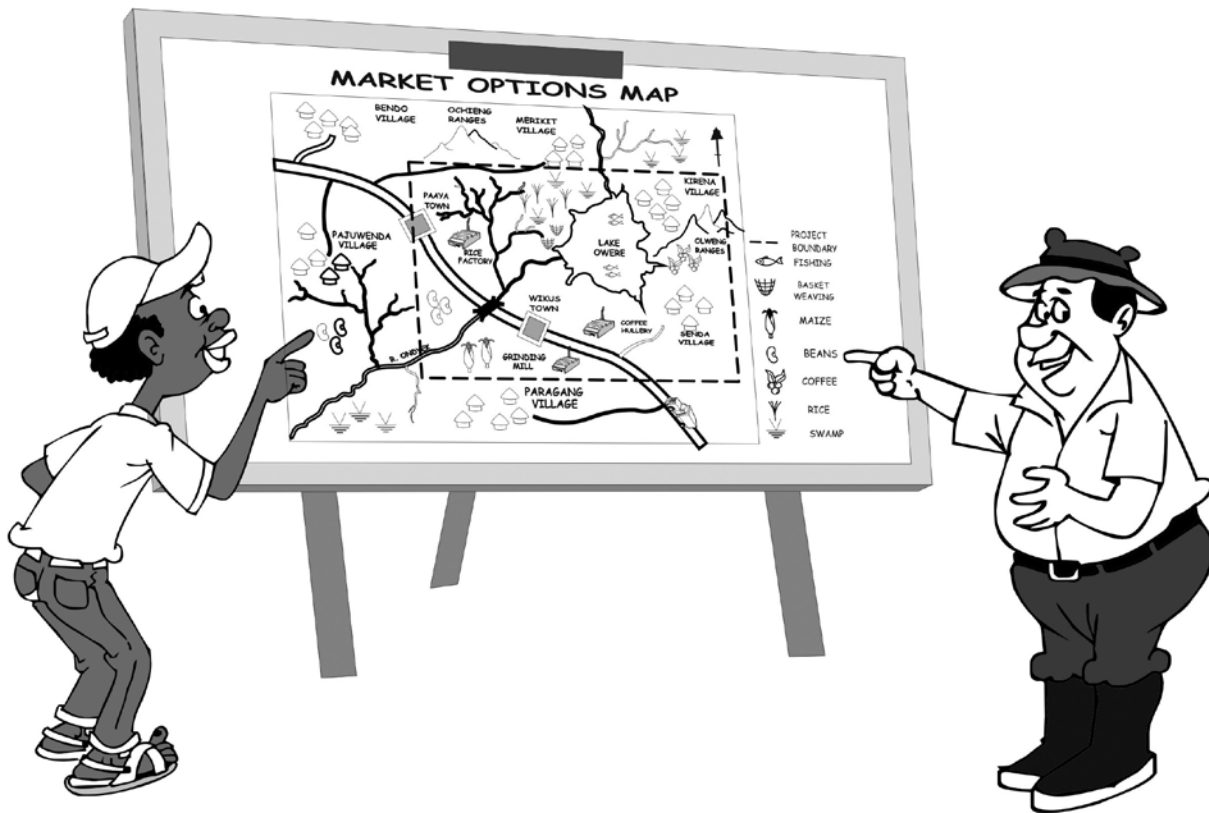
be consulted when deciding on the product focus. A specific guide in this marketing series deals with the issue of product selection, for more information on this issue see **A Guide to Identifying Market Opportunities for Smallholder Producers**. Special attention should be given to the needs and priorities of different groups, including men and women, poorer and less poor farming households, and those living in accessible as well as remote communities.

The views of the private sector and relevant government agencies should also be considered. Participation during this phase is important not only for proper product selection, but also to create favorable conditions for stakeholder involvement during the design and implementation of interventions.

## Exercise 2.1 Product Selection

<b>Assumption</b>	Participants were introduced to the RMA purposes and product. selection criteria
<b>Objective</b>	To help participants identify and be familiar with product selection criteria.
	To create opportunity for participants to practice product ranking based on appropriate criteria.
<b>Task</b>	<p><i>Identify products and undertake a ranking of these products based on chosen criteria.</i></p> <p><i>Select the product with higher ranking for RMA.</i></p>
<b>Suggested procedure</b>	<p>Work in group. In each group:</p> <ul style="list-style-type: none"> <li>- Refer back to the purposes of RMA.</li> <li>- Select one/two purposes for RMA.</li> <li>- Brainstorm to identify three products /services.</li> <li>- Select the most appropriate criteria from introduced list (or add more if necessary).</li> <li>- Rank the three products based on selected criteria.</li> <li>- Choose the product with higher ranking for RMA</li> </ul>
<b>Expected outputs</b>	A matrix with three products and results of ranking.
<b>Presentation</b>	On flipchart.
<b>Due</b>	Each group has 30 minutes for preparation and 10 minutes for presentation.

### STEP 3. DESIGN OF A RAPID MARKET SURVEY



#### Learning objectives

After reading this chapter and conducting the exercises at the end, the learner should be able to: (i) Select appropriate RMA team members, (ii) Select key issues for analysis based on RMA purposes, (iii) Explain the relevance of secondary data and information and identify sources to collect them, (iv) Select markets and key informants (v) Develop appropriate checklists for key informant interviews and (vi) Plan the appropriate timing and duration of the RMA.

1.	Area Selection
2.	Product Selection
3.	<b>Design of Market Survey</b>
4.	Implementation of Market Survey
5.	Analysis of Data and Information
6.	Report Writing
7.	From Analysis to Action

This chapter provides some guidelines for the design of rapid market surveys. This is a critical stage in the RMA as careful planning and preparation will generate useful information, sound analysis of relevant issues, and appropriate recommendations for intervention.

#### 3.1 Team Selection

A key step in the design of an RMA is the formation of the team that will plan and carry out the market survey. This team will be responsible for collecting data and information, conducting the analysis, and writing the final report.

The composition of the RMA team can vary, depending on the resources available and the objective of the market assessment. However, the RMA team should not exceed five or six members and interview teams should consist of no more than 2-3 people, to enable open and more personal discussion of potentially sensitive commercial information. Often teams of 1-2 people are most efficient in this type of data collection.

The entire team should be involved in the design and implementation of rapid market. Where possible, team members should have different and complementary skills and expertise.

Ideally, at least one person in the team should have a strong background in market research and the analysis of agricultural commodities. One team member should have strong technical knowledge about the commodity under study, including production, post-harvest, and processing issues. One or more team members may already have some contacts in the trading community (i.e., traders, transporters and processors who are working with the target commodity). Team members should be motivated and have good facilitation and interviewing skills.

Where possible, the participation of relevant national, provincial, and/or district government staff should be considered. This can contribute to mainstreaming RMA as a decision-making tool within government and enhance the influence of the market survey on future policy and market development interventions. Extension workers can also take part in the market appraisal or conduct a market survey as their routine work.

The team must have a leader; this person is often the person with most experience in marketing and economic analysis. The leader will be responsible for major decision making, and be responsible for the final report, in particular the recommendations to the survey clients. The team leader, must have a clear understanding of the purpose of the study and play a lead role in training staff and making sure that they fully understand the types of information that is required from the survey and help the survey team with a sound understanding of the sector or market chain that will be studied before they go to the field.

Some or all the participants joining an RMA team must be trained on the market assessment method and have attended refresher sessions to enhance and or update their communication, facilitation, interviewing, documentation and analytical skills prior to the survey.

### 3.2 Identification of Key Issues for Analysis

Market chains are complex systems involving a range of activities, actors, relationships and regulations. To be efficient in the information gathering stage, the survey must focus on the key purpose of the RMA, and design the interview process to address the most relevant issues. Particular attention should be given to any specific requests for information by the client, from a commissioning agency and possibly from future beneficiary groups.

For example, a farmer group that normally sells fresh cassava roots may want to know more about processing methods, processors and the prospects for dried cassava and technologies associated with storage of dried cassava products. In this case, the survey group should ensure that questions address both fresh and processed good and that survey team members are well briefed in these areas before they go to the field. This will help the team members discuss relevant issues with market chain actors from an informed position. To help make decisions on the focus of the analysis, the survey team should build a survey checklist similar to that provided in **Annex 2**. A well prepared survey team is essential in discussing marketing options.

### 3.3 Literature Review

One or several team members should undertake this task. Alternatively, a consultant can be hired for this purpose. This has to be decided based on the resources and time available, as well as the analytical skills of team members.

Secondary data and information is cheaper and quicker to collect than primary data, and is often more accurate. For example, quantitative data is frequently available from government statistics and previous studies, enabling the team to gain a good understanding of local production levels, seasonality and historical trends in demand, supply, and prices for a specific product. In addition, detailed information on export markets can sometimes be obtained from existing sources without having to visit those markets.

The literature review should precede the collection of primary data and information. This will enable the team to gain an initial understanding of the production and marketing system for the focus commodity, and to identify issues that have not yet been sufficiently researched. This will then lead to better planning of the fieldwork.

Possible sources of secondary data and information include studies, official statistics, government and NGO reports, documentation from projects, and specialized magazines, bulletins, and newsletters. These can be obtained from statistical departments; ministries of agriculture, trade or finance; donor agencies; NGOs; and/or rural development projects. They may also be available on the internet. Newspaper articles and TV and radio programs may provide useful information as well.

At times, there will be plenty of secondary data and information about the target product. At other times, existing data and information will be scarce. Hence, the literature review may take two to three days or several weeks.

### **3.4 Selection of Markets and Key Informants**

The RMA team has to decide from an early stage in the design, the type and number of markets that will be visited, and the type and number of key informants who will be interviewed. Choices will depend on the time and resources available, the purpose of the RMA, and the type and amount of information required.

Two types of key informants should be interviewed:

**Market participants:** These are the actors involved in the production, marketing, and processing of the agricultural commodity under analysis. Examples of market participants include input suppliers, farmers, traders, transporters, storage service providers, processing firms, importers, and exporters.

**Knowledgeable observers/ key informants:** In most RMA studies, there are a small number of insightful, knowledgeable people who do not participate in the production or marketing of the

commodity but can offer a broad, and sometimes detailed, perspective on the sub-sector. These individuals might be an academic or researcher, a retired food industry manager, a trade association official, or staff from relevant government departments, donor agencies, and NGOs.

When selecting key informants, the RMA team must answer these three questions:

**Sample unit: who should be interviewed?** A localized RMA will focus on village, commune, and perhaps district and provincial markets. Local input retailers, farmers, collectors, traders, and processors will have to be interviewed, along with visiting traders from other areas. Extension officers and staff from local government agencies and development projects can also be interviewed as knowledgeable observers.

In contrast, a broader and better-resourced RMA will cover all the critical nodes in the market chain, from producer to retailer and exporter. All major types of markets (village, district, and national) should be visited. In addition, a sample of all main actors in the market chain should be interviewed. Other key informants will include policy-makers, researchers, technical and administrative staff from government and non-government agencies, and representatives from donor agencies. **Annex 3** at the end of this guide presents a table with different key informants, their advantages and disadvantages.

**Sample size. How many people should be interviewed in each key informant category?** As a general rule, a minimum of three to five interviews should be conducted for each stage of the marketing chain. A rule of thumb indication of the right sample size at each stage, is when the RMA team starts to gather a consistent set of responses.

The geographical scope of the survey will influence sample size. Hence, national surveys will require a larger number of interviews than regional or local surveys.

The heterogeneity or diversity of market participants at each stage of the market chain will also influence the number of interviews. The

more diverse they are with respect to location, size, organization, product mix and technology, the greater the need to increase the size of the sample.

**Sampling procedure. How will key informants be selected for interview?** The team can opt for a purely random sampling, i.e., interviewing people that are available, or the team may start by interviewing larger or well known / respected traders and processors within a specific market chain as they are likely to have an excellent insight into the market dynamics. In many cases, it is worth asking the interviewees to recommend other key market players to interview as the larger players in a market will be well networked and will know who else plays a significant role in the market chain being studied.

Whichever method is selected it is most important to ensure that the sample includes different types of market participants in each category, i.e. poor and rich, male and female farmers, informal and formal traders, small and large processors, small

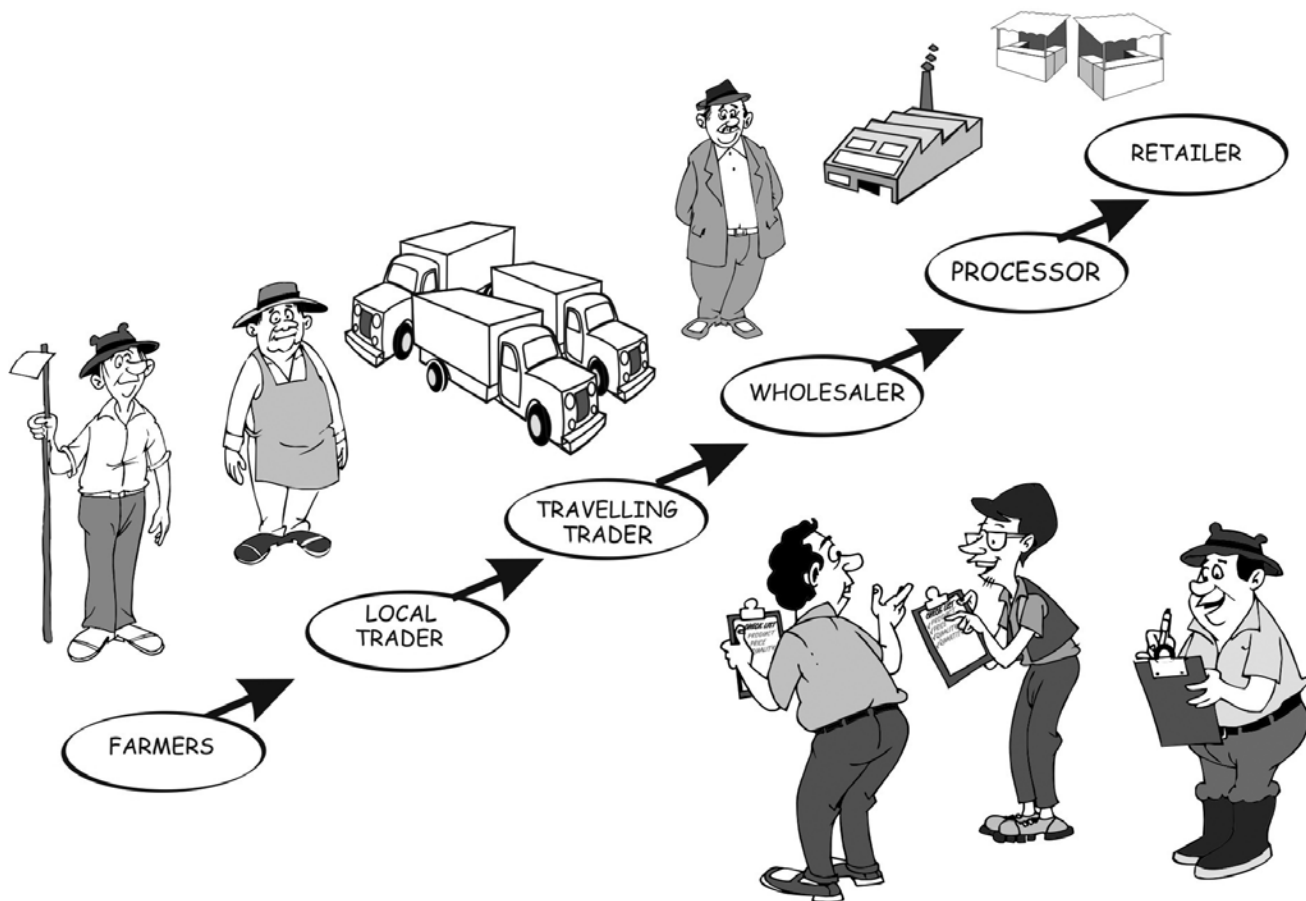
retailers and large supermarket chains, and so on, so that a broad response to the sector is gained.

The initial choice of markets and key informants is not treated as definite, but subject to change during the fieldwork. As the fieldwork progresses, the RMA team may feel the need to interview additional key informants in order to improve the quality of the data and information gathered and gain improved understanding of key issues. The team may also become aware of new markets and key informants as the fieldwork progresses.

### 3.5 Preparation of Checklists

Checklists are essentially abbreviated questionnaires which are used by the interview team as a guide to major issues that need to be discussed. The issues and questions included in the checklists will focus on the major purposes and issues of the RMA that were identified in the section “identification of the survey contents”.

Using a checklist is different from a formal



questionnaire. While a structured questionnaire consists of a series of carefully prepared questions, asked in a logical order and often have a list of fixed responses. Checklists serve as a prompt for a semi-structured interview with an individual or focus group discussions. A team often works with one person leading the conversation and another person writing down the response. The skill in doing semi-structured interviews is the ability to seemingly have a normal conversation with the interviewee, while you are collecting detailed information and probing the person for really valuable information.

Normally it is necessary to prepare different checklists for different types of key informant. This is because each type of key informant is particularly knowledgeable about specific issues, according to their position and function within the marketing system (see **Annex 3**). For example, farmers may be able to provide useful information about local input supply and market channels, but lack a clear understanding of processing, the export trade, and key policy and regulatory issues. Transporters may be knowledgeable about product flows, the state of road infrastructure, and the availability and cost of transport services, but unaware of prices, storage practices, and marketing arrangements between different market chain actors. **Annex 4** provides examples of checklists: (i) for input suppliers, (ii) for producers, (iii) for wholesalers, and (iiii) for processors.

It is recommended to test the checklist with several people before using it for field work to see whether the questions are understood, the time allocated is appropriate, the order of the content is logical, and then make revisions where necessary.

### **3.6 Planning. Timing and Duration of the Market Survey**

The timing and duration of the RMA depends on the target product, the number of market places visited, the number of key informants selected, and the type of information required.

The RMA team needs to consider the most appropriate period for conducting the market

assessment. The peak marketing season is usually the best time to find traders, observe transactions, and collect price data. On the other hand, producers may be in their farms harvesting the crop, and therefore absent from the community. Traders may also be very busy conducting their business.

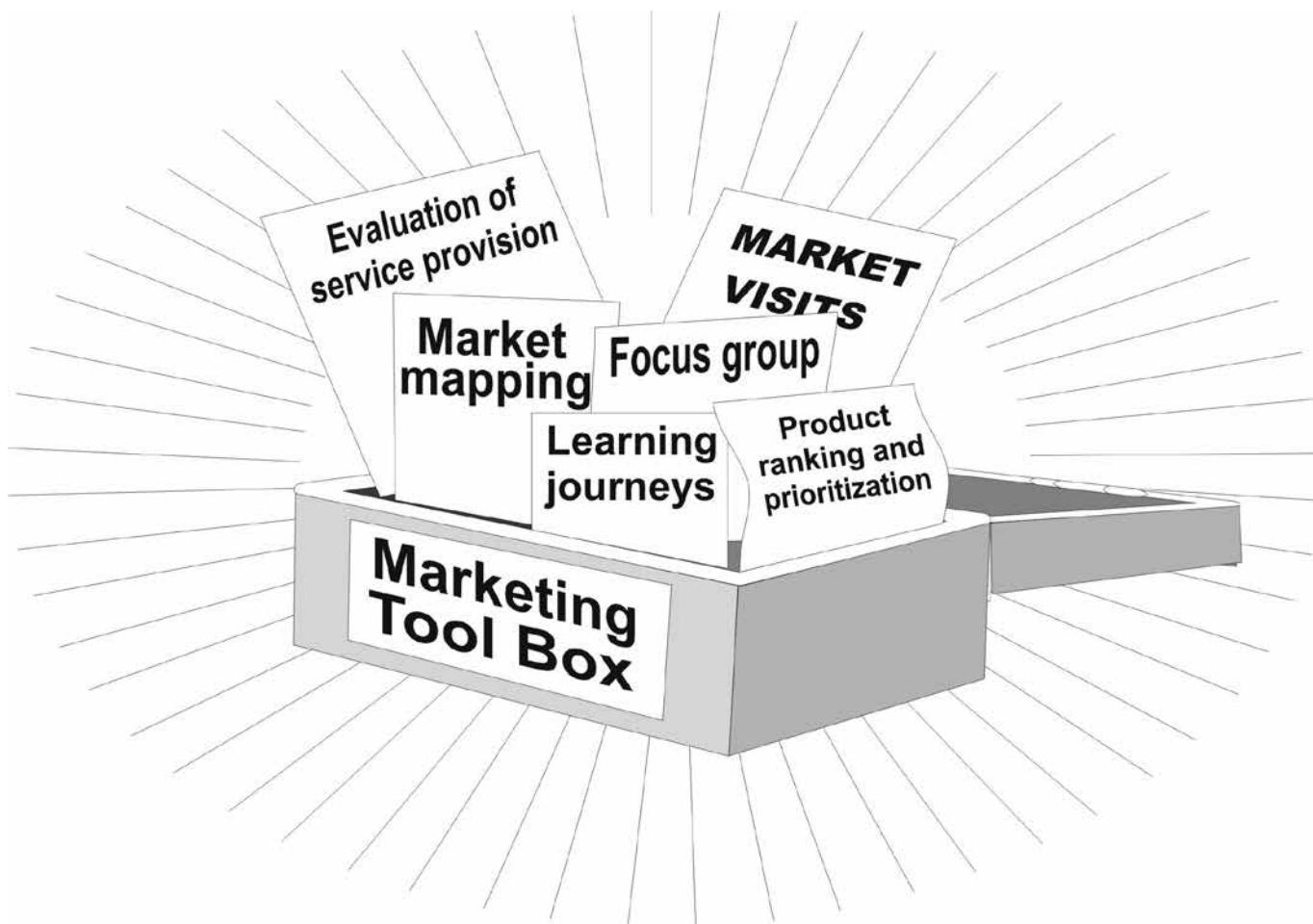
Consequently, when interviewing market participants, the team must carefully choose the periods of the day when they are available. For example, most trade in perishable products takes place during the night and very early hours of the morning. These periods may be the best times for interviews, if the objective is to observe transactions, but far from ideal for interviewing busy people.

The duration of the exercise can vary significantly. Two to four days may be sufficient when the objective is to collect information about a specific product within one or two local markets. A more complex market survey, for example at the national level, would involve several groups of people and could take between four and ten weeks to finalize. One team or several teams can undertake this type of assessment as part of their work routine.

The design of the RMA terminates with drawing up a schedule for all the subsequent steps:

- Implementation of market survey
- Analysis of data and information
- Report writing
- From analysis to action

### 3.7 METHODS AND TOOLS FOR RAPID DATA COLLECTION



#### Learning objectives

*After studying this chapter and conducting the recommended exercises, the reader should have (i) a good understanding of the main participatory tools required, (ii) have trained interested partners in the use of these tools and (iii) pilot tested unfamiliar tools.*

This chapter provides a review of some methods and tools that can be used by the survey team for collecting data from a range of actors in the market chain, including farmers, traders, processors and retailers. These people operate in different worlds and thus require different ways of interaction. The following section provides some basic tools to assist the market analyst to match approaches with specific situations. The basic tools include:

- Focus groups
- Product ranking and prioritization
- Historical calendars
- Market mapping
- Evaluation of service provision
- Market visits
- Learning journeys
- Semi-structured interviews
- Structured interviews
- Direct Observation

These tools can be used either alone or in combination, and the survey team should decide which tools are best suited for the scale and scope of the marketing survey to be undertaken. No survey would use all of these tools. Instead the survey team should select those tools that are most appropriate to meet the needs of the purpose or “Terms of Reference” of the survey.



### **3.8 Focus Group Discussions with Producers**

Focus group discussions are probably the most appropriate method for interviewing small-scale producers. This enables the RMA team to involve a greater number of producers in the discussion and to gather a variety of views in a short period of time.

Focus group discussions are similar to individual semi-structured interviews in that both are based on checklists and centered on specific issues. The main difference is that several people participate simultaneously in the focus group discussion.

Group discussions with producers and other members of the community will need to be organized in advance. This should be done through a local government or non-government agency already working in the sample villages. The village leaders will need to be informed about the visit and its purposes. They can play an important role in mobilizing farmers to attend the discussion.

Discussions should be as informal as possible. Facilitation skills are essential to ensure that participants feel comfortable and express their views openly. It is important to prevent some individuals from dominating the discussion. Wide participation is critical if differences across household categories and gender groups are to be well understood. This typically means that one person in the interview team leads the discussion, one person writes down the results and another person ensures that the main issues in the checklist are covered or that specific issues based on comments raised which are of particular interest to the discussion are fully understood.

Sometimes it is better to have separate men and women farmers focus groups so as to be able to get a better understanding of the different roles that women and men play in production and marketing activities.

#### **3.8.1 Tools to be used within focus groups**

Having established the focus group, there are a number of tools that can be used in this situation to assist the survey team to gather data efficiently but in ways that facilitates information exchange and reduces extractive and intrusive questioning.

**Product ranking and prioritization:** This method can be used with farmer groups to determine the range and priority of products in the survey area. Products can be categorized according to types: for example, food security, income, high value, nutrition, women's income and medicinal uses. To find the rank order of the products within each of these categories, farmers can be asked to vote or put a stone next to the most important product, for example in terms of income.

You may be working with people who only have a low level of education, so where ever possible use pictures and symbols so that farmers who cannot read well can participate.

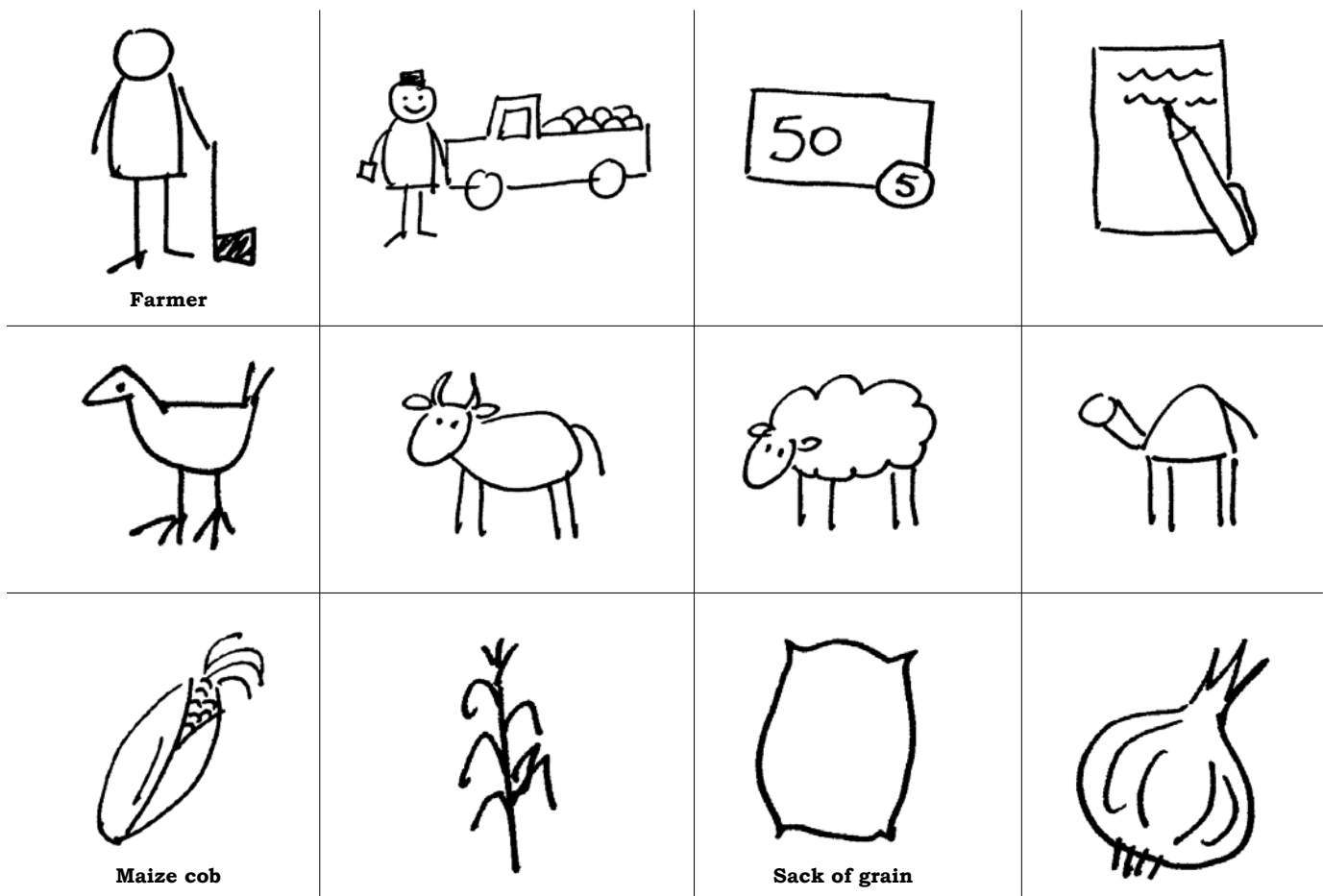


Figure 14. Examples of simple drawings

Here are some tips on how to help people and these may help with educated people too!

- Say things **clearly**, and repeat if necessary. Do not use technical jargon.
- **Ask people questions** to find out if they are following the conversation.
- **Make the learning fun!** Try to keep the group members interested and engaged. Keep them happy.
- Use lines or dots rather than **numbers** if people are having difficulties following figures. For example, instead of  $3 + 5 = 8$  you can write  $||| + ||||| = |||||$
- Use **objects** (such as sticks and stones) as counters, rather than numbers.
- Use **leaves or seeds** to represent different crops and trees.
- Use **pictures** as well as words. For example, instead of just “maize” (corn), draw a picture of a maize plant or corncob. Your pictures do

not have to be professional – you can use stick drawings like the ones in Figure 14.

When using numbers you can substitute numbers for lines.

When prioritizing products it must be clear to the participants that the product with the most votes will be considered as the most important. Results should be discussed with farmers to confirm them and be sure that all agree with the results. This means of ranking can also be used to identify priority constraints in production and marketing activities.

Another method to determine priorities is to rank pairs of products, as illustrated in Table 4. With this method, farmers can examine pairs of crops or different constraints and indicate which is more important than the other. Here the meaning of “importance” needs to be clarified so

that people know what they are voting for. Other essential information to be gathered includes:

- The number of people in the group who produce the products being discussed
- Market locations for this product
- Market demand (give season supply units)
- Traders involved

Table 4. Importance of crops for income within the group

	Maize	Beans	Rice	Chillies
Maize				
Beans				
Rice				
Chillies				

**Historical Calendars with a Focus on Marketing:**

Historical calendars can be useful in providing a background to the changes that have occurred in an area and how this has affected the marketing practices of farmers and local entrepreneurs over the past 5–10 years. The key questions to ask are: Did the community benefit from the new infrastructure or an innovation? How has the market changed over the past 4-5 years? How have the farmers responded to dynamic market conditions? Learning how the community has adapted to change will provide the survey team with a better understanding of the community’s strengths, opportunities, and attitudes toward risk, and provide insight into how changes are linked with market options and innovation. It also helps the community to recognize what they have learned and gained from the changes that have occurred over time.

As agriculture is based on natural resources, the facilitator should also try to record any changes that have taken place in the resource base, particularly in terms of quality. One question to ask, for example: “Have yields dropped because of soil degradation and/or new policies on land size holdings? **Table 5** shows a historical calendar made for Mbuule Village in Tanzania.

Table 5. Historical calendar for Village Mbuule

Time	Event	Impact
1990	Road built by Chinese in 1982	Enabled us to get to nearby towns and sell our beans to more traders
1995	Major famine in 1987, due to el Nino	Lost all livestock and received food aid
2000	New school opened in the village	All children went to school Labor prices increased
2002	Government informed us about coffee	Many farmers planted all their farms with coffee
2005	Coffee prices fell to low levels	Farmers pulled out coffee NGO’s introduced fruit trees
2007	First time we saw color TV Started our farmer self-help group	, started merry-go-round savings scheme to help with funeral rites. Many people lost relatives to HIV/AIDs
2008	Catholic Relief Services started new projects on health and gender.	Seed fairs enabled partners to gain a range of new varieties
2009	Microfinance opened office in nearby town	We lost money in loan system because some members defaulted. Lost livestock.
2010	Market linkage project arrived and conducted a village mapping exercise	Village group started experimentation with grains and vegetables
2012	More people worked with vegetables as prices were good and started to work with “Golden Egg Traders” to sell produce	Started to listen to market information services to learn more about markets

Source authors

**Market Mapping:** A simple method to assist farmers in expressing their understanding and constraints within the market chain is to ask them to draw a map on a large piece of paper, (or a flip chart), that will allow them to express their understanding of people involved in the market chain, their roles, functions, and price changes along the chain. This information can be supplemented with the farmers’ understanding of services being provided at different stages and the quality of these services, See **Figure 15**.

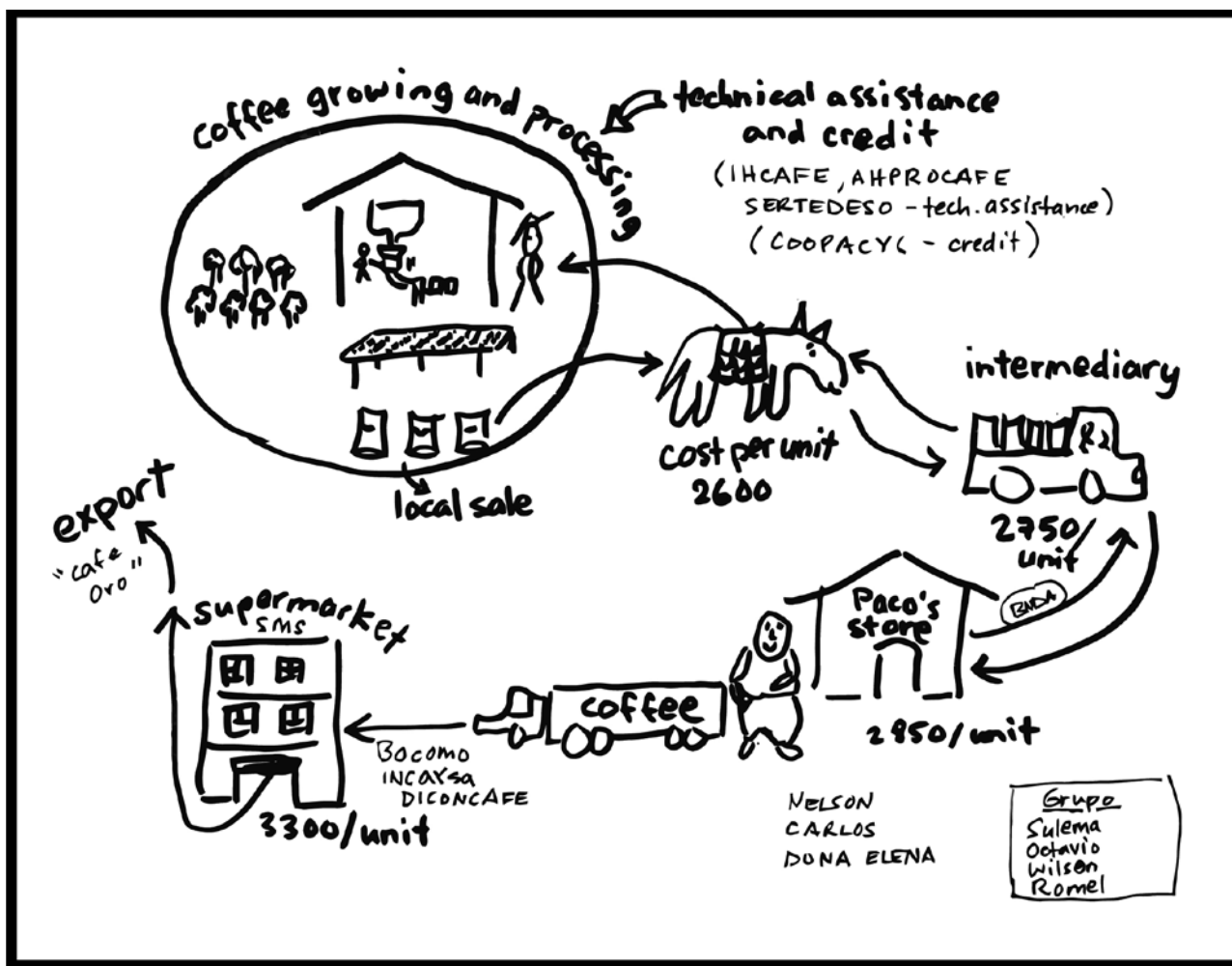


Figure 15. Market mapping method to assist in expressing market chains

**Evaluation chart for Service Provision:** This tool is used to create an inventory of service providers and where possible to evaluate the availability and quality of services provided in the project area. Unlike secondary data that provides averaged information, this tool aims to find out from farmers if public services and other private business support services are available, if they use them and what is their opinion as to their quality.

This tool provides a picture of services that the community can access. The inventory can be done from an historical calendar perspective and the facilitator should gather information on the value and quality of services being offered. This discussion should be used to study trends in service provision, how these have changed, and how farmers perceive or approve of the changes being made. Are the services free or require

payment? Which services are missing? Who are the best service providers to link up with in any agro-enterprise project? It is important to try and capture not only the formal service providers but also those people that provide informal services. For example, traders that lend money or provide information on prices in different markets. **Table 6** shows an inventory of services received by Ttaago Village in Tanzania.

**Market Visits:** All market surveys will include visits to markets. However, this approach is mentioned as it can be used to introduce specific partners or clients into the analytical process. In part this is done as a capacity-building process so that for example farmers, who visit markets regularly but have not approached the market in a systematic manner, can learn how to discuss market prices with traders and learn more about what traders need in terms of price, quality,

quantity and regularity of buying. These types of visit are simple to arrange and provide farmers with new insights in how they can improve their market prospects. The benefits of this process are quickly realized and farmers can use this in their subsequent market development with other products. Market visits can be arranged to expose farmers to local markets, but also to expose rural traders and farmers to more distant markets. The market visit approach generally requires more organization as the distance and number of participants increase, therefore the method should be used practically and farmers should be informed about how to engage traders and how to record basic information for assessment later.

**Learning Journeys:** This method builds on the idea of a market visit but expands the exposure to arrange visits with target chain actors along the chain, hence visits with farmers, local collectors, traveling traders, processors, wholesalers, aggregators and retailers. The approach is

commonly used by larger buyers, such as large industrial processors, supermarket buyers who may have strong relations with their direct supplier but a weak understanding about the operations of the market channel beyond this point.

The learning journey is a method used to bring together, for example, the corporate procurement manager of a supermarket chain, their aggregator, a more local trader and in some cases a representative of the farmers. The group then selects a product of interest and literally travels in a vehicle from the supermarket floor along their market chain back to meet with farmers from a major production zones to observe who is involved in the chain, their activities, costs and challenges. This method is proving to be particularly successful as a first step in linking smallholder farmers to high-value retail markets, as it provides actors in the market chain with a view to the requirements that poor small-holder

### INSTITUTIONAL INVENTORY OF SERVICES RECEIVED TTAAGO VILLAGE

NAME OF ORGANIZATION	ROLES	TIME ARRIVED	RANK
Vanya Agr. Dev. Project	Credit ( Seeds, fertilizers) Agricultural development	1982	☺☺☺☺☺
Crops Agric. Research	Research - demonstration on improved varieties of beans	1991	☺☺☺
Local Government	General administration	1990	☺☺☺☺☺
Taanwero	Pest Control of army worm	Only Came 1998	☺☺
MUVAHIL	A new CBO initiated by Sanya ADP as a federation of 235 groups	July 2003	☺☺☺☺☺
DIDO	Agricultural extension, training, demonstrations, linking with other partners	1985	☺☺☺☺☺☺☺
Agri - Service	Sunflower processing, marketing of pigeon peas. Promised to link farmers to external markets of pigeon peas	2002	☺☺
Action 2000	Just started with quality protein maize not sure about market potential	2003	☺

Table 6. Institutional inventory of services received by Ttaago village.

farmers must meet in order to supply high-value markets.

The learning journey approach provides the opportunity for corporate buyers to gather information and reflect on how their current business models affect the ability of small-holder farmers to remain in this type of business. Gathering this information enables all the parties in the experience to reflect on barriers and entry points to improving value chain communications, business relationships and market access. The learning journey is often a first step for value chain actors to evaluate opportunities for change together. This learning and review opportunity, within the learning journey framework, allows people within a chain to assess if, for example, it makes business sense for the corporate agency to consider how to redesign their business models to include business practices that support the specific needs of business with smallholder producers. In other cases, it may stimulate buyers to think about new business practices that are more equitable, more pro-poor, but also make sound business sense.

The experience also provides insights to other market chain actors, such as farmers and local collectors, about how they can best position themselves to be more attractive business partners to larger buyers. From the discussions and thinking around these points, the individual chain actors start to understand their roles within the chain and how they relate to other actors, the resulting conversations can then focus on how they might work with a chain-wide view to improve their business together, rather than as a point business within a chain.

### 3.9 Semi-Structured Interviews with Key Informants

Individual, semi-structured interviews with key informants (i.e. knowledgeable observers, market participants and service providers) constitute the main primary data and information-collection method. These interviews are based on carefully prepared checklists. These provide guidelines for discussion, helping the interviewer remember the key issues and direct the interview. Some examples of checklists are presented in Annex 4.

Number of interviews. The sample size will depend on the purposes of the survey, its geographical scope, the structure of the commodity sub-sector, and the time and resources available.

While knowledgeable observers are a very useful source of data and information, market participants will constitute the majority of key informants. Service providers, such as transporters and storage facility owners, should also be interviewed.

There are no fixed rules regarding the number of interviews with market participants. As mentioned in the previous chapter, a minimum of three to five should be interviewed at each stage of the marketing chain. But when market participants are very heterogeneous or diverse, there is a need to increase the sample size. A good indication of the right sample size for each stage of the marketing chain is when the RMA team starts to gather a consistent set of responses.



Figure 16. Make interviews enjoyable and avoid interrogation

#### Skills required for key informant interviews.

The difficulties in conducting a good semi-structured interview, and the concentration and energy required, are often overlooked, **Figure 16**. Key informant interviews require strong interpersonal and interviewing skills, as well as an inquisitive mind.

Interviewers must be confident, knowledgeable about the topics under discussion, have good improvisation skills, and pay attention to detail.

They must be able to earn the interviewee's trust, create a friendly and relaxed atmosphere, and maintain a lively and engaging discussion. While not everybody has all these skills, they can be to a large extent acquired through experience and practice.

**Some tips.** Semi-structured interviews should not be organized mechanically, but conducted as discussions around particular topics. They are flexible in that they allow key informants to discuss the issues in their own words. The questions asked will then depend on the answers obtained.

Semi-structured interviews of knowledgeable observers differ slightly from those with market participants. Indeed, while the discussions with knowledgeable observers should be fairly open, similar to brainstorming, interviews with market participants and service providers should be more structured, with greater use of checklists. These checklists should not be treated as definite. If need be, they can be adapted after testing them during one or two interviews.

During the interviews, the questions asked should be simple, clear, carefully phrased, and follow a logical and appropriate sequence. For example, sensitive questions should not be asked during the initial stages of the interview, but left for later. Market participants may regard some issues as sensitive and may be reluctant to discuss them until they are confident that the interviewer is well intentioned and will not use the information inappropriately. Examples of sensitive areas of enquiry include taxation, labor, costs, and sales pricing.

Interviewers must also know when to probe deeper into specific issues or move to another topic. When the answer is unclear or perceived as incomplete or too general, there is a need for further questioning. Some key informants are more knowledgeable than others, and can provide much more detailed answers about specific issues. The interviewer must therefore be able to judge the amount of information that the key informant is capable of providing. Exact quantification is often difficult, but it is normally possible to obtain approximate figures or values.

Great care is needed to avoid influencing the answer or suggesting the reply. However, interviewers should not take the answers provided at face value. As the fieldwork progresses, team members will become more aware of the key issues, and should therefore be in a position to bring their own analysis into the discussion and question some answers that are perceived as inaccurate. The interviewer can in this way gain some authority and earn greater respect from the key informant.

It is very important to emphasize that key informants are usually very busy. A semi-structured interview rarely lasts for less than 30 minutes and can go on for one hour. If the key informant cannot devote such time or is becoming too tired, to the point where the quality of the discussion is being compromised, it is better to terminate the interview. Sometimes it is possible to schedule a second interview for another day. Other times, the RMA team will need to rely on other key informants to go through the issues that have not been properly discussed during some of the interviews.

While personal contact is by far the best method of interviewing, sometimes this is not possible because of distance and time and resource constraints. In other words, it may be difficult to access some key informants. In such cases, team members may opt to conduct the interview over the phone. Sometimes there may also be a need to contact by phone some key informants who were previously interviewed to obtain some missing information or discuss a particular issue that was overlooked during the previous interview.

### **3.10 Structured Interviews**

A structured survey as the name suggests, is a fixed set of questions that are posed to interviewees in a sequential manner, each interview covering all the same questions. An example of a simple structured questionnaire is given in **Annex 5**. Due to the rapid nature of RMA, the use of standard structured interviews, with their associated large sample sizes is not common. However, there may be situations where a more systematic approach, as offered by structured surveys, is useful to investigate a specific issue of interest.

For example, if more information is required on a specific type of business transaction or more information is needed to determine the demand for a new type of service, then there are clear advantages in gaining a series of responses on the same subject from diverse actors. The use of new online survey tools such as “Survey Monkey” ([www.surveymonkey.com/](http://www.surveymonkey.com/)) or IFormBuilder, [www.iformbuilder.com/](http://www.iformbuilder.com/) provide examples of where online structured surveys can be built, for gathering information on people’s perceptions or preferences. In product development and product marketing studies, simple structured surveys are particularly important and we will revisit this issue in Step 7, From Analysis to Action.

### **3.11 Direct Observation.**

This method consists of checking the views of market participants and the information provided against their actual behavior. Direct observation methods should be employed during visits to villages, market centers, processing facilities, warehouses, and so on. Through these visits, the team can observe production activities, post-harvest handling, sorting and grading practices, storage technologies, transport of produce, and transactions. This will enable the team to compare what key informants are saying, for example regarding their scale of operation or the quality of produce handled, with how they are organized and behave.

It is important to note that direct observation is not only a validation method, but can also be used to collect additional data and information. Much can be learned from simple observation. For example, the variety and quality of produce can be inspected and the storage and processing technologies identified. Moreover, direct observation may enable the team to estimate the number of suppliers and buyers in particular markets, the volumes traded or processed, existing storage and processing capacities, and so on.

A summary list of participatory methods and tools for rapid data collection is shown in **Table 7**.



Table 7. Methods and Tools for Rapid Data Collection

PRA Tools	Why used	When to use	Time
Focus groups	To gain information on a specific issue or product from a “representative” group of people that can provide information on behalf of a community. Can also be used with consumers if information on their perception about certain products is required.	At any stage in the analysis that provides an opportunity to gather information from representative groups in the market chain, such as farmers, traders, consumers etc....	2-3 hours,
Ranking, and weighting	To find out what farmers are growing and the priority of these products in relation to income and market linkages. Also used to rank constraints in production and marketing.	At the participatory diagnosis phase to select and prioritize products for further market investigation	2-3 hours
Historical calendars	To find out when major events happened in the community over the past 10-15 years, who has supported the community, what went well / what did not work.	At the participatory diagnosis phase to find out what has worked, list local service providers and evaluate their value to the community.	2-3 hours
Market mapping	Enables farmers, traders and service providers with a simple means to express their current understanding of their market links and relationships for specific products.	Having selected a product, this method is used to map out the production and marketing links and relationships	2 hours
Evaluation of BDS	To gain an inventory and quality assessment of service providers that work(ed) in the project area & identify successful innovations	At the outset of study to discover existing services and how these support market access	2 hours
Market visits	All market surveys will collect information from a range of marketplaces. This method however, enables the team to incorporate chain actors such as farmers or extension officers into the process to expose them to basic market analysis	In situations where market surveys include a high degree of participation of for example farmers and for capacity building processes	1-3 hours depending on survey scope
Learning journeys	Method that enables actors from along the chain to come together and follow products down the market chain, to experience and appreciate the constraints and opportunities of each actor	Commonly used by larger corporate buyers who are unfamiliar with their market chain beyond their direct suppliers.	1 week
Semi-structured interview	Rapid, flexible investigative method used to gather data from diverse actors and determine critical issues particularly in regard to opportunities, constraints efficiencies and incentives	Throughout an RMA to gather information from all actors within the market chain, about access to services.	1 hour per interviewee
Structured interviews	Focused study approach to gather information in a standardized manner and compare responses to common questions across defined response groups, i.e., rich/poor, farmers/trader etc..	Before or after a semi-structured study to gain insights on more specific issues	1 hour
Direct observation	Method used to compare interviewee’s information against their behavior or marketing activities.	To clarify information that is unclear, to confirm scale and scope of an activity	15 mins

### Exercise 3.1 Team Composition

<b>Assumption</b>	Purposes of RMA have been identified and one product has been selected.
<b>Objective</b>	To help participants to set up the most suitable team for conducting an RMA.
<b>Task</b>	<i>Set up a team to conduct the RMA for your selected product.</i>
<b>Suggested procedure</b>	Work in groups. In each group:  - Identify who should be involved in your RMA team;  - Specify their roles.
<b>Expected outputs</b>	A table with team composition.
<b>Presentation</b>	On flipchart.
<b>Due</b>	Each group has 10 minutes for preparation. The plenary group then walks around each of the smaller presentation groups, a process called a “Gallery Walk”, where the teams are asked to read out the activities and ideas, for general review.

### Exercise 3.2 Information Needs

<b>Assumption</b>	<p>Purposes of the RMA have been identified.</p> <p>Products have been ranked and selected.</p> <p>RMA team has been formed.</p>
<b>Objective</b>	<p>To help participants identify the information required to achieve the RMA.</p>
<b>Task</b>	<p><i>Identify the type of information that needs to be collected when conducting the RMA for the chosen product.</i></p>
<b>Suggested procedure</b>	<p>Work in groups. In each group:</p> <ul style="list-style-type: none"> <li>- Refer back to the purposes of the RMA and the selected product.</li> <li>- Identify the types of information that need to be collected, using Annex A as reference.</li> </ul>
<b>Expected outputs</b>	<p>A list of information needs for the RMA of the selected product.</p>
<b>Presentation</b>	<p>On flipchart.</p>
<b>Due</b>	<p>Each group has 25 minutes for preparation and 5 minutes for presentation.</p>

### Exercise 3.3 Selection of Key Informants and Preparation of Checklists

<b>Assumption</b>	<p>Basic concepts have been provided.</p> <p>Product for rapid market appraisal has been selected.</p> <p>Information needs have been identified.</p>
<b>Objective</b>	<p>To help participants identify key informants and the type of information that will be collected from each of them.</p>
<b>Task</b>	<p><i>Develop checklists for semi-structured interviews with different market participants/key informants.</i></p>
<b>Suggested procedure</b>	<p>Maintain three groups to work on the products you have selected.</p> <p>Identify the market participants/key informants you will interview when conducting the RMA for the selected product. Use Annex B as reference.</p> <p>Develop a matrix of three columns, including <i>names/types of market participants, where these can be found, and the type of information that can be obtained from them.</i></p>
<b>Expected outputs</b>	<p>A matrix with possible market participants/key informants and respective information that will be collected from each type of market participant/key informant.</p>
<b>Presentation</b>	<p>On flipchart.</p>
<b>Due</b>	<p>Each group has 45 minutes for preparation and 5 minutes for presentation. There will be 15 minutes for discussion and fine-tuning of checklists.</p>

## STEP 4. IMPLEMENTING A MARKET SURVEY



### Learning objectives

After studying this chapter and conducting the exercises recommended, the learner should be able to: (i) identify the survey procedures, (ii) identify the appropriate number of interviews, (iii) apply appropriate approaches to contact key informants and (iv) apply methods of cross-checking the collected information and data

carefully, but this will not ensure proper data and information collection. The quality of the data and information gathered will depend on the ability of team members to interact with key informants, facilitate and direct the discussions, and employ observation and interviewing skills. Below we provide some guidelines and tips to help those involved in an RMA to apply data and information collection methods effectively.

1.	Area Selection
2.	Product Selection
3.	Design of Market Survey
4.	Implementation of Market Survey
5.	Analysis of Data and Information
6.	Report Writing
7.	From Analysis to Action

This chapter provides guidelines for the application of market survey methods with (i) focus groups with producers, (ii) semi-structured interviews with individuals and (iii) direct observation.

Market research is about finding new opportunities. Therefore the process of data collection and analysis go hand in hand – a blend of art, investigation and science. The RMA team may have planned

**Market analysis is a dynamic investigative process not a passive recording of multiple responses to similar questions. Market researchers need to analyze data as they record and collate responses.**



#### 4.1 Investigative market research

Collecting market information is not a passive process of obtaining responses to the same questions and then reviewing statistical divergence. It is a process of investigation to draw out information that will lead to new business options, or finding ways to overcome critical constraints in a market chain. It is also about finding future business partners.

#### 4.2 Contacting key informants

The method of contact will vary across key informants. It can be done informally by telephone or email, or formally by writing. Formal letters with the logo of the implementing organization or local authorities can be very effective in reassuring the key informants that you are a *bonafide* researcher, which may help to gain their trust and cooperation.

In other cases, you will be required to cold call, i.e. to arrive at a specific location and ask people if they can be interviewed. When contacting key informants, it is very important to explain the likely duration of the interview, as well as its purposes. In addition, the confidentiality of the information provided must be emphasized. Transparency is critical to avoid a situation where key informants are reluctant to participate in the interview and disclose information for fear that this will be used inappropriately.

#### 4.3 Survey sequence

The first option is to start by interviewing exporters or traders in wholesale and terminal

markets, and then interview actors at lower levels of the market chain, down to the producer. This will enable the team to gain a wide perspective of the marketing system before engaging with local market participants.

A second option is to start with focus group discussions at community level, and then move up the market chain. The team first interviews local traders and processors, then market participants at regional level, and finally actors at the top end of the market chain, including traders and processors in destination markets as well as exporters and importers.

#### 4.4 Cross-checking data and information

The importance of checking the validity of the information and views provided by key informants cannot be overemphasized. Market participants may have their own agendas and interests, and this may influence the accuracy of the information provided and affect their views on particular issues. Three methods are commonly used to check the quality and validity of the data and information collected during fieldwork.

**Mirror imaging.** This type of interviewing consists of asking the same set of questions to informants at adjacent stages in the marketing chain, and then checking the consistency of their answers. Strong divergence in responses may require further probing.

**Triangulation.** This process involves interviewing informants with different perspectives to arrive at a better understanding of particular issues. Triangulation enables the RMA team to understand certain aspects of the marketing system through a process of approximation.

**Observation.** This consists of checking the views of market participants and the information provided against their actual behavior. Direct observation methods should be employed during visits to villages, market centers, processing facilities, warehouses, and so on. Through these visits, the team can observe production activities, post-harvest handling, sorting and grading practices, storage technologies, transport of produce, and transactions. This will enable the

team to compare what key informants are saying, for example regarding their scale of operation or the quality of produce handled, with how they are organized and how they behave.

It is important to note that direct observation is not only a validation method, but can also be used to collect additional data and information. For example, much can be learned by watching to see how a market operates, or observing the number of trucks that come into a factory at a specific time.

**Supervision of interviewers.** Supervision of interviewers is recommended, particularly in terms of the types of information they are collecting. Where ever possible data should be evaluated while the team is still in the field, as it is expensive to go back to the field, when a problem in the data is only observed when all the interviews have been done.

Following up with field staff can be done by visiting team members and some key informants to confirm that they were indeed interviewed and that key issues were discussed, confirmation of interviews can also be done by phone.

### Exercise 4.1 Preparation for a Market visit and survey checklist

<b>Assumption</b>	<p>Basic concepts in marketing have been provided.</p> <p>Product for RMA has been selected.</p> <p>Information needs have been identified.</p> <p>Market participants/key informants have been selected and respective checklists developed.</p>
<b>Objective</b>	<p>To provide an understanding of how to conduct market visits and semi-structured interviews.</p>
<b>Task</b>	<p><i>Prepare for market visit and semi-structured interviews.</i></p>
<b>Suggested procedure</b>	<p>Maintain three groups to work on the products you have selected.</p> <p>Decide on the type and number of market participants that will be interviewed (maximum of five per group).</p> <p>Form sub-group for conducting survey (if necessary) and assign specific tasks (asking questions, taking notes, etc) to each member.</p> <p>Make appointment with the key informant in advance, if necessary.</p>
<b>Expected outputs</b>	<p>A concrete action plan for conducting the survey in the real market.</p>
<b>Presentation</b>	<p>None.</p>
<b>Due</b>	<p>Each group has 20 minutes for preparation. There will be 15 minutes for discussion and fine-tuning of action plans.</p>



### Exercise 4.2 Visit to a market and Interview of Key Informants

<b>Assumption</b>	Market visit has been planned and interview checklists have been developed.
<b>Objective</b>	Provide an opportunity for participants to practice RMA activities.
<b>Task</b>	<i>Collect relevant information during the market visit</i>
<b>Suggested procedure</b>	Maintain working in three groups.  Go to the nearest market to observe, interview, and take note of relevant information.
<b>Expected outputs</b>	Information relating to the selected product is collected and recorded in participants' note books.
<b>Presentation</b>	None.
<b>Due</b>	Half a day (3-3.5 hours).

### Exercise 4.3 Reflections on a Market Visit

<b>Assumption</b>	Market visit and semi-structured interviews of key informants have been conducted.
<b>Objective</b>	Provide an opportunity for participants to reflect on their performance when using RMA tools.
<b>Task</b>	<i>Identify the difficulties faced when applying RMA tools in the real world and develop recommendations to address such problems in the future.</i>
<b>Suggested procedure</b>	<p>Maintain working in three groups.</p> <p>List the tools/skills you have applied in you market visit.</p> <p>Identify the difficulties you faced when applying each tool/skill.</p> <p>Prepare a list of recommendations to address such problems in the future.</p>
<b>Expected outputs</b>	A matrix with difficulties faced and recommendations.
<b>Presentation</b>	On flipchart.
<b>Due</b>	30 minutes for preparation, 5 minutes for presentation per group, and 15 minutes for open discussion.

## STEP 5. METHODS AND TOOLS FOR ANALYZING MARKET DATA



### Learning objectives

After studying this chapter and conducting the exercises recommended, the reader should (i) have a good understanding of the main participatory tools required for analyzing market information, and (ii) be in a position to provide basic training and coordination of analytical process with interested partners.

This chapter provides a review of some methods and tools that can be used by a market survey team for collecting data from a range of actors in the market chain, including farmer, traders, processors and retailers. These people operate in different worlds and thus require different ways of interaction. The following section provides some basic tools to assist the market analyst to match approaches with specific situations. The basic tools include:

- Trend analysis (price, production and perceptions of sales growth)
- Projections for growth
- Market volume analysis
- Profitability analysis
- Margin analysis
- SWOT
- Problem tree
- Solution tree
- Scenario building

### 5.1 Trend Analysis

Based on a combination of secondary and primary information, the market survey team can gather information on trends in prices and market growth for a selected product. Market information services are a good source of this type of information as they collect price data over long periods of time. Time series data can be used in a simple linear regression analysis, available in Micro-soft excel, to show whether prices for the selected product are increasing, staying the same or decreasing. Care should be taken when undertaking price trend analyses, as the value of money changes over time, this is caused by inflation. If the analysis needs to remove the effects of inflation, and compare “real price” trends, raw price data needs to be deflated using a CPI index<sup>4</sup>. Once all of the data has been deflated, conclusions on regression analysis are considered to be more reliable. This is especially the case in countries that are experiencing high levels of inflation. For example in 2010, in Ethiopia, the rate of inflation was 20-25% for food products, to compare data from year to year, a deflation process, helps the marketing team to compare like with like across years.

Trends in production can be analyzed based on time series data from local and national agricultural statistics. If this is not available, then one approach to gaining an estimate of trends in production and prices is to review the information

<sup>4</sup> CPI Consumer Price Index – The CPI is a value given to a basket of commodities. Over time, the value of money tends to depreciate against the amount of produce that can be purchased. Therefore an index is given to the value of money over time, which can be used to compare real or deflated price trends.

given by farmer groups on their historical calendars. Traders can also provide useful information on their perceptions of whether they are selling more or less of a commodity, and if more or fewer traders are dealing with a particular product over time. For example in Ethiopia, over the past 10 years there has been a dramatic increase in the amount of maize that is grown and consumed in the country, as people have switched their food habits away from the traditional staple food, called Tef, which is low in terms of yield and hence expensive to buy in the markets, to higher yielding and lower cost maize.

Careful questioning of traders can provide a reasonable picture of basic growth trends in the market. This is an important issue to define as agricultural interventions should target growth market.

#### **Tips: Why are growth markets important?**

A common problem that occurs in agricultural projects is the focus on increasing competitiveness within a market rather than on reducing poverty. Let us consider a situation where **Climbing beans** are traditionally produced by farmers in the Village of Rhum. An agricultural project is started nearby and focuses their attention on the Village of Wahum, providing the farmers with technologies that increase their competitiveness. Over time the farmers in Wahum, are able to sell more **Climbing beans** than the farmers in Rhum. If the market is size stays the same or even decreases in size, producers in both Rhum and Wahum are likely to get poorer as a result of increasing production to supply a limited market.

If the market size does not change during the intervention period, Wahum will take market share from Rhum and although Wahum farmers will gain, overall poverty levels in the area do not change, the incomes simply shifts from Rhum to the village of Wahum, or worse, incomes for both villages start to decline. It is only in the case where the market size is growing that both Villages will gain when more supply enters the market. Many projects do not take this into account and therefore can give a false impression of poverty reduction within an area as they may only report on their village of interest and be unaware of the problems caused in neighboring villages.

## **5.2 Projections**

Following trend analysis of existing market prices or volumes, market researchers can also use regression techniques to indicate future directions

of markets. To do this type of analysis, the researcher needs to make certain assumptions and obtain multipliers for specific market drivers that will affect the future demand. The simplest form of this type of analysis is to project future demand based on changing population. This analysis is based on current levels of consumption multiplied by national growth rates over time.

For example, rice production in Vietnam was approximately 39.1 million metric tons (mt) in 2009/10 (26.1 million mt, milled basis). Vietnam used to be a major exporter of rice, but with increasing population these exports are declining. Depending on the amount exported in a given year, we will estimate a 5% export level, the total consumption level would be 2,479,000 mt. Given a growth rate of 2.4%, the demand for rice on a population growth rate alone will increase by approximately 59,508 mt / year. In other cases, demand for certain products, may be in decline due to other drivers such as increasing income, which enables consumers to buy preferred substitute products, causing a decline in the demand for the inferior good. This type of analysis is useful to gain an understanding of future demands and therefore whether investment in that sector is justified.

## **5.3 Market Volume Analysis**

Using a combination of secondary and primary data, the marketing team should develop an estimate of the size of the market being analyzed. This usually requires a combination of information based on (i) production data and (ii) sales or export data for the selected product. Sources of secondary data may include household survey information of the target project area, sub-national data from district or provincial government sources and national data sets. For major food and export products, this data is often included in annual Government summary statistics, developed for the budget or are held with organizations such as the World Bank and FAO. Care should be taken with these global information sources because the accuracy of the data does not always take into account seasonal variations. It is therefore recommended to compare global figures with local information given by larger traders. It should also

be noted that if production data is used in the analysis of market volume, the analyst should take into account the ratio of product used by the household and that sold into the market. This information can be obtained from household data and to a degree through focus groups with farmers.

Depending on the scope of the market survey, the primary data collection should aim to gather information on the amounts or volumes of the selected product that are traded in the survey area. Market volume information usually cannot be found from one source; the market team or analyst will be required to ask several traders about the amounts of product that are traded through the main markets and by the main traders themselves in the target area, or at the target markets. Through a process of asking several buyers and sellers, the marketing team can gain an idea of the actual amount traded.

To give an example within one market, an analyst can first of all find out how many traders sell a specific product, such as cabbages. If the market team finds out there are 20 traders of cabbages in the market, the team can then interview 5 or 6 traders to find out who is the largest trader, and the amounts they sell, by week, by month and eventually gain an idea of annual buying and selling of cabbages within the market.

For larger market surveys, the marketing team can identify the largest markets within the survey area and survey the largest traders within each of the markets to determine flow of produce through the markets. By repeating questions to several traders, the marketing team can work towards an estimate of market volume. Mirroring, i.e. repeated questioning with traders at a similar level and triangulation, with generally works by comparing responses across and between different types of traders should start to reveal an estimate of the market volume.

**GROSS MARGIN ANALYSIS FOR CLIMBING BEANS: INCOME/ACRE**

Costs/ acre	Shillings	Notes
Land preparation	40,000	Animals hired for ploughing
Seeds	24,000	New variety
Planting	5,000	
Staking - Supports	60,000	240,000 for staking materials but will be used over 4 seasons
Weeding x 3	15,000	Used mainly family labor Some costs not included
Fertiliser	25,000	
Pesticides	6,000	
Labor for harvesting	18,000	
Packaging	1,000	
Transport to market	5,000	
Market fees	1,000	
<b>TOTAL COSTS/ACRE</b>	<b>200,000</b>	
Harvest,kg	1,200	
Market price, Sh/kg	750	
Income/acre	900,000	
<b>GROSS MARGIN</b>	<b>700,000</b>	

Figure 17. Gross margin analysis for bean production

## 5.4 Profitability Analysis

Probably the most critical aspect of marketing is to provide customer satisfaction at a profit. However, many farmers do not keep good records about their costs and sales and often are not sure about their actual profit margins. It is very important therefore to have a clear idea about current levels of profitability and, based on this information, the likely gains in profitability that will occur with investment in new market interventions. The simplest form of financial analysis is a gross margin analysis, as shown in **Figure 17**. This provides the information for a business/enterprise venture, typically over a one-year period. This approach can also be used also as a means of verification of profit at the end of the season, to confirm whether the plan accurately met the forecasted figures.

Financial data can also be projected over time, so that the business investor can see how costs and profits change over time. In many cases, the initial period of investment means that profits are low in the first one to three years, due to the costs of start up. However, profits generally increase as loans and capital outlays are paid off.

To review profitability over time a slightly more complicated financial analysis can be performed using methods such as the (i) Internal Rate of Return and (ii) Net Present Value. These methods give the investor an idea of how profit will change over a fixed time frame, such as the next 1-5 years. These types of analysis, can be done using Microsoft Excel, which has specially formulated macros and tutorials to explain how to undertake these types of analysis.

## 5.5 Margin Analysis

It is often assumed that farmers are exploited by traders and receive a disproportionately low amount of the final market price compared with other chain participants such as traders, processors and retailers. This point can only be verified through an analysis of the marketing margins along the chain. Once gathered, this information will highlight where in the marketing chain value is being added to the product and where profits are being made.

The market researcher can undertake this simple but revealing analysis through a systematic collection of buying prices, marketing/transaction costs and selling prices for each participant in the market chain from the farmer to the consumer. Comparing these costs and determining the percentage of the final market price that each market actor obtains will provide a basic measure of the efficiency of the marketing system. In competitive market chains, marketing costs and profits are relatively low. The difference between retail and farm-gate prices is therefore moderate, and farmers receive a reasonable share of the price paid by consumers. If this is not the case, then additional research may be required to define precisely why certain market chain actors are extracting an exceptional level of profit. Note that market research often requires a process of iterative analysis in certain areas to make sense of the information. An example of market margins is given in section 2.11.

## 5.6 SWOT Analysis

When a market survey is being used to identify a market opportunity for a specific group of producers, SWOT can be used to evaluate the Strengths, Weaknesses, Opportunities, and Threats, for a target agro-enterprise. For best results, SWOT analysis needs to have a clear objective, which fits well with visioning tools that are often used when working with farmers who want to make a shift, for example, from producing low levels of poor quality produce that has little demand in the market, into a higher volume of better quality produce for an alternative market.

For example chickpea growers, living near Mwanza in northern Tanzania, want to increase their supply of Red beans to the town. The switch in product and production sales is therefore a primary point for using this type of analysis. SWOT can be used to evaluate whether the farmers will be competitive against existing suppliers? The basic elements of a SWOT are shown in Table 8 and the key issues related to the SWOT categories are shown in Table 9.

Table 8. SWOT Matrix general headings

SWOT Matrix	Helpful (to achieving the objective)	Harmful (to achieving the objective)
Internal (attributes of the organization)	Strengths	Weaknesses
External (attributes of the external environment)	Opportunities	Threats

Table 9. SWOT Matrix Issues to be addressed

Issues to review as part of the product / agro-enterprise analysis	
<b>Strengths and weaknesses</b>	Financial and intellectual resources, location, customer service, efficiency, infrastructure, quality, staff, management, price, delivery time, cost, capacity, relationships with customers, brand strength, local language knowledge, ethics, principles
<b>Opportunities and threats</b>	Political/legal, market trends, economic conditions, expectations of stakeholders, technology, public expectations, competitors and competitive actions, bad PR, criticism, global markets, security, climate change

SWOT analysis can be used by the marketing team to create profiles of competitors, which are compared with the target agro-enterprise group, using SWOT analysis to focus on their relative competitive strengths and weaknesses. Depending on the detail of the exercise, the marketing team can use this method to examine competitors' costs, sources of profits, resources and competencies, competitive positioning, product differentiation, business linkages and other factors. If the marketing team can define the current market situation and the existing agro-enterprises, this can assist the marketing team, to identify a niche for the client in the market and or strategies that would best suit the client group to be competitive within the market given the profiles of competitor groups, companies and other regions.

### 5.7 Problem tree analysis

Problem and Solution trees are participatory tools that can help an RMA team to think through a specific challenge and identify the range of problems that prevent or impede a goal being achieved. In the marketing context, the problem tree can be used to identify problems that reduce market performance for a specific product in a selected market chain. The problem tree exercise begins with a brainstorming session in which participants list all problems that affect market performance for a selected product and work out the relationships between problems. In a group situation, it is useful for group members to write one problem on a card, so that cards can be moved according to their importance.

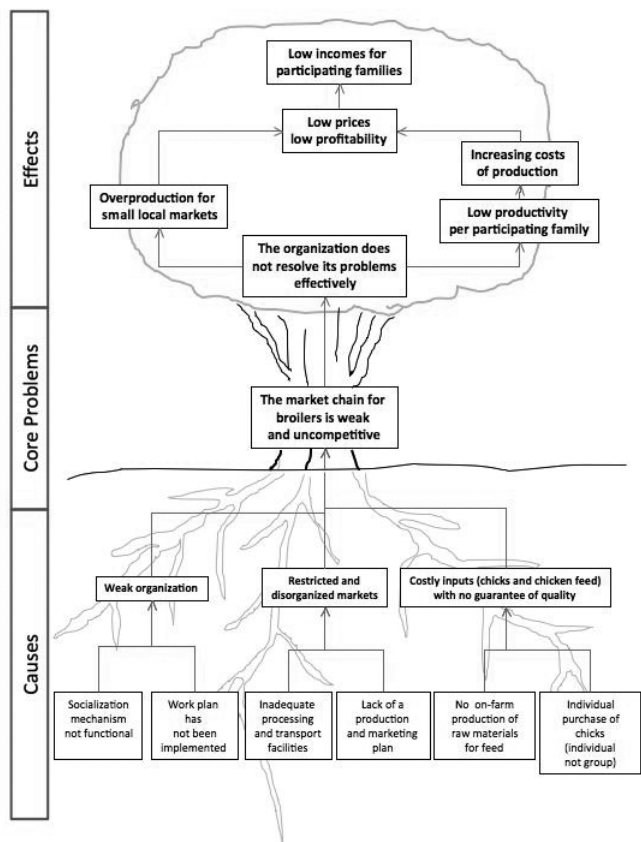
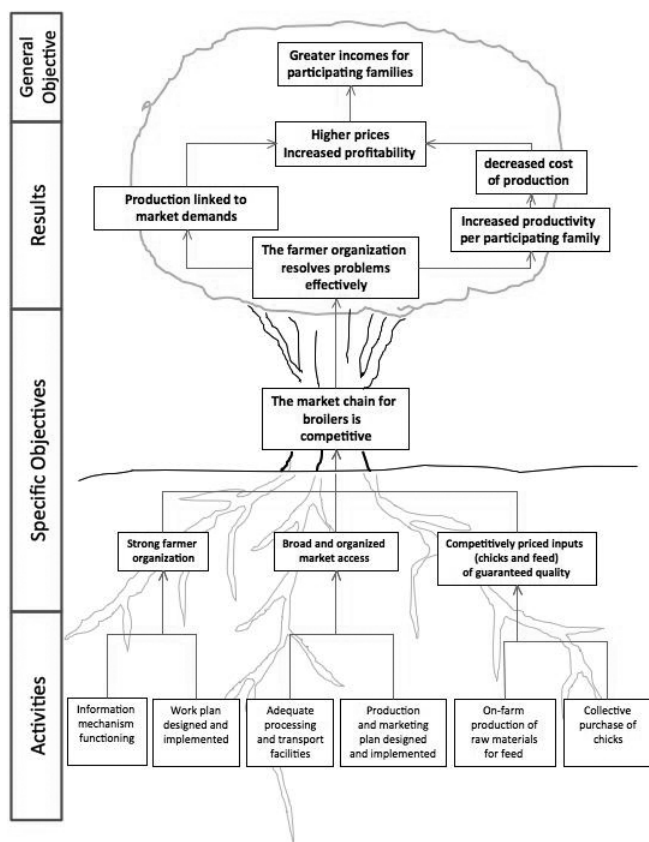


Figure 18. Problem tree

Once all the problems have been shared and discussed, the second task is to arrange the cards into a logical hierarchy and draw links between them. The group should work towards a priority problem that is identified as the “core problem”, i.e., it is linked to most other problems. In the example below, the core problem was defined as limited competitiveness of chickens and this was related to lack of on-farm inputs for chicken feed.

The next stage is for related problems and issues to be divided into cause and effects based on the core problem. To link this to the tree analogy, problems are considered as roots and effects as branches. The discussion should try to find all cause and effect relations and move the cards accordingly. There can be more causes to one effect or more effects to one cause. Links should be clearly shown on the diagram to show cause-effect relationships and horizontal links to show joint causes and combined effects, **Figure 18**.



Adapted from Lundy et al, 2007  
Figure 19. Solution tree

## 5.8 Solution tree

In this exercise, the group takes the problem tree and inverts all the problems into positive objective statements. Through this process the central problem becomes the main objective. This process of converting problems into solutions, builds a hierarchy of development objectives and interventions. The problem and solution tree provides a simplified view of cause and effect relationships. In this way, the RMA team can identify ways in which the farmer group can prepare their target market options and implementation plans to tackle key issues. Essentially the solution tree is used as the basis for the design of an intervention program, by inverting the problem tree the main problem is transformed into the general objective. The direct causes of the problem become specific objectives and causes can be translated into targets. The lower level causes of problems are then turned into solutions and these become activities for specific interventions. The information in **Figure 19** illustrates a solution tree for improving market competitiveness of chickens.



## 5.9 Scenario building

Scenario building is a technique used to lay out potential plans for specific types of client. This method requires the RMA team to identify the most promising agro-enterprise opportunities for target client types. For example, selecting opportunities for a cluster of farmer groups requires the RMA team to match local assets, skills and leadership qualities with investment and market access options. The scenario also needs to provide a simple plan outlining the scale or volume of the target market, buyers, quality issues, supply issues and investment requirements. The plan should also identify potential partners involved, their responsibilities, and the likely gains and risks.

As an example, the RMA team who worked with potato farmers in south western Uganda, considered three to four market options for the farmers. These included

- Sales of potatoes into the local market
- Sales of potato into the nearest large city, 80 km from the farms
- Sales of potato into a fast food restaurant in the capital city 400 km away
- Sales of potato into the wholesale market in the capital city

Scenarios can be developed to highlight market opportunities for a range of clients including BDS options, niche market options, export market options and market linkage options to supply industrial and or high-value markets.

The potential market scenarios presented must all be based on findings and results from the RMA. The scenarios created in this section are not intended to be detailed plans and their purpose at this stage is to highlight options for presentation to the farmers.

A summary of tools used for data analysis is given in **Table 10**.

Table 10. Methods for Analyzing Market Data

Analytical Methods	Why is this method used?
Trend Analysis	To gain a better understanding of the changes in the market over time.
Market Volume analysis	To gain an understanding of the size of the market that is being evaluated.
Profitability Analysis	Tools such as gross margin analysis, internal rate of return and net present value used determine the profitability of an existing enterprise or proposed business.
Margin Analysis	To provide a measure of the efficiency of a market systems.
Projections	Method to predict changes in demand for a selected product based on specific market drivers, such as population growth, changing incomes, urbanization and consumer habits.
SWOT	This is a strategic planning tool used to evaluate the Strengths, Weaknesses, Opportunities, and Threats in a project, business venture, or any other situation of an organization or individual requiring a decision in pursuit of an objective
Problem Tree	To identify and prioritize problems and to map out problem causality.
Solution Tree	To find solutions to the problems identified and through this process to develop a series of interventions to overcome the problems in a systematic manner.
Scenario Building	Technique used to lay out potential plans for specific types of client. This method requires the analyst to identify most promising agro-enterprise opportunities and then provide information on target market, investment needs, potential partners, likely gains and risks.

## STEP 6. ANALYSIS OF DATA AND INFORMATION



### Learning objectives

After reading this chapter, the learner should be able to: (i) Adopt a step-by-step approach to the analysis of the data and information collected during fieldwork, (ii) Analyze the topics studied, (iii) highlight key questions that need to be answered during the analysis and (iv) develop appropriate recommendations based on the analysis.

1	Area Selection
2	Product Selection
3	Design of Market Survey
4	Implementation of Market Survey
5	Analysis of Data and Information
6	Report Writing
7	From Analysis to Action

The following sections provide a guide to the types of questions that the research team should attempt to address during the analytical stage. The analysis should be practical and based on the scope and type of survey and the analytical team should focus their attention on the most important issues as outlined in their terms of reference.

### 6.1 Discussion of Findings

The data and information collected during the RMA market survey should be analyzed continuously, as more information is collected. The fieldwork and the analysis of data and information should be conducted in parallel. At the end of each day in the field, or alternatively, after every two or three days of fieldwork, the team should get together to share and discuss the data and the

emerging findings. These discussions are usually informal discussions but can be more formal presentations, which may include the use of charts and diagrams, for example at end of week round up sessions.

Regular meetings to discuss findings allow the RMA team to quickly identify inconsistencies and inaccuracies in the data and information collected, as well as information gaps. Field activities can then be promptly revised to address these problems. Such meetings also provide an opportunity for involving all team members in the analysis of different issues.

#### Tips for the marketing team

To help keep the marketing team focused, team meetings should be short and organized before the members go for dinner.

One or more members of the team should be responsible for recording the data and information collected, and putting it on paper on a daily basis in a structured and clear way. This will ensure that data and information are properly recorded, while facilitating their subsequent processing and analysis.

## **6.2 Initial Understanding of the Marketing System**

During the early stages of data and information analysis, it is critical to gain some understanding of the marketing system for the product being studied. Both secondary and primary data and information should be used to describe the marketing system.

The following questions should be answered during this initial phase:

- What are the basic structure of the marketing chain?
- What are the different channels and key stages in the chain?
- Where are the main production areas for the product?
- Where are the main wholesale, processing and consumption centers?
- What are the scales of operation at each stage of the marketing chain?

## **6.3 Preliminary Diagram of the Marketing Chain**

It is useful at this point to sketch a diagram of the marketing chain. A simple example was shown in **Figure 7**. You could rework this diagram to include the different channels observed in the survey work and add in new participants at each stage, with their functions. Another map could be drawn showing the main roads in the survey area, to show the main flows for the studied commodity, from production sites to the markets and areas of consumption. This map could show roads, lakes, rivers and location of the main markets, so that group members can see where key activities are taking place.

Drawing such diagrams during the initial stages of the analysis helps the RMA team to process, analyze, and visualize the data and information collected. It also makes it easier to identify areas where further information is required. The marketing chain diagram can then be refined while fieldwork progresses and the analysis further developed.

## **6.4 Topical analysis**

Topics or variable groups for analyzing depend on the RMA purposes. However for a comprehensive RMA, the topics or variable groups should consider the issues outlined below.

### ***Supply and Demand trends***

Key questions:

- What are the trends in supply and demand, both in terms of quantity and quality?
- Which domestic and export market segments are growing faster? Which ones are in decline?
- Which market channels have more promising growth prospects?
- What are the driving forces behind these trends?

### ***Price trends and behavior***

Key questions:

- How do prices vary within the year? Are there clear seasonal patterns? What are the factors explaining these patterns?
- What are the recent trends in real prices, for example over the past five years? Are real prices rising or declining, and why?
- Are these trends likely to change in the future? If so, why?
- Which market segments enjoy most favorable price prospects, and why?

Using a price chart will help to visualize the price trend. Those charts can also be included in the report to support the analysis.

## **Market requirements**

Key questions:

- What are the product requirements of different markets and participants?
- What are their needs with regards to volume, regularity of supply, time and location of deliveries, quality specifications, and so on?

## **Market participants and their behavior**

Key questions:

- Who are the market participants?
- What role do they play in the marketing system and which functions do they perform?
- How well do they perform these functions?
- And how do they relate to each other?
- How do they coordinate horizontally, for example through farmer organizations and private sector associations?
- What are the different marketing and contractual arrangements between market participants at different stages of the market chain?
- What is the extent and forms of informal credit flows between market participants?
- Is there vertical integration in the marketing system, whereby firms operate at different levels of the market chain, such as agricultural production and processing?

### **Tips on price analysis**

Great care is needed when drawing conclusions from margin analysis. Policy and other interventions are often based on oversimplified assumptions about the costs incurred and the profits made by marketing enterprises. When the price paid by consumers is well above the price received by farmers, it is often assumed that market intermediaries are making excessive profits at the expense of producers. This may not be the case. The reasons why margins are high may lie in the considerable marketing costs and risks incurred by traders and processors. These agents may actually make periodic losses due to adverse price fluctuations and product deterioration, and the overall profit generated from their activity may actually be a fair remuneration for their entrepreneurial role.

## **Efficiency of the marketing system**

Finally, it is very important at this stage to develop a sound analysis of the efficiency of the marketing system. Key questions to answer include:

- How is marketing system performing?
- Are producers and market participants supplying what consumers want?
- Is the system responding to the changing needs of market participants and consumers?
- Is produce flowing regularly and at a relatively low cost from surplus (production) areas to deficit (consumption) areas?
- Is produce being stored appropriately or imported for consumption during the off-season periods when there is little domestic production?
- Are processors employing efficient technologies that minimize costs while assuring good product quality?
- Are there significant post-harvest product losses at different stages of the marketing chain?
- Is there strong competition at different stages of the marketing chain?
- An analysis of marketing costs and margins is also essential to determine sources of inefficiency (see Box 1). Which marketing and processing costs are too high?
- Is there scope for lowering these costs?
- Are producers and other market participants receiving a fair share of the benefits generated by the production and marketing of these commodities?

- In other words, are some market participants realizing excessive profits at the expense of others? Are producers receiving a reasonable share of the export or retail price?

### ***Policy and Institutional Environment***

In some RMA studies, the policy environment may be relevant, if this is the case, here are some

Key questions:

- Are relevant policies, laws and regulations suitable? How they are being implemented?
- How does local policy affect the structure and performance of the marketing system?
- How do local policies contribute to, or hinder, the development of the marketing system?

## **6.5 Constraints and Opportunities**

While doing analysis on above topics, attention should be paid to constraints and opportunities that each market participant has. Below are some examples of typical constraints that market participants may face:

- Location of farmers is not well suited to supply a target market against existing competition.
- Poor economic infrastructure (roads, railway, ports, power and water supply, communications, warehouse and cold chain facilities, and so on)
- Limited land area of target farmers, not enough farmers can produce this product at the volumes required to supply target market opportunities.
- Weak horizontal cooperation amongst farmers and agribusiness firms
- Poor access to appropriate production and post-harvest technologies, such as seeds, fertilizer, irrigation, storage facilities.
- Lack of access to formal and informal credit
- Limited access to good quality and affordable support services in areas such as market information, input supply, repair services, transport, storage and processing, and so on.
- Inadequate policies and regulations

When analyzing the causes of the problem, it is important to define the real cause. This will lead to suitable and effective interventions. For example, one constraint is lacking access to governmental credit. The real cause of this constraint may not come from the lack of credit program but from inadequate information provision. Tools such as the problem tree can assist in making logical decisions and developing more effective interventions.

## 6.6 Recommendations for Interventions

One of the ways to develop interventions is to apply the “Objective tree” methodology as outlined in the previous chapter. The next step is to analyze the feasibility of recommended interventions. This can be done either before or after writing the report but a critical analysis of objectives must be done in prior to discussing the RMA results. The priority of the interventions should also be clarified with related stakeholders.

Key questions:

- Has this intervention/solution been applied before?
- What is the timeframe for the intervention?
- What level of resources are required?
- If it has been applied, what are the reasons for its successes or failures?
- If it failed, what must be done to ensure success?

For new interventions, the RMA group should review their feasibility by using the Feasibility Matrix shown in **Table 11**. This matrix will assist in answering the following questions:

- What can each stakeholder contribute (human or financial resources, etc.) to the implementation of the intervention/solution?
- What is the potential benefit (short and long term) of the intervention/solution for each stakeholder?
- What does each stakeholder need to do to ensure the long-term and sustainable benefit?
- What are the risks or difficulties of each stakeholder when implementing the intervention/solution?

Depending on the depth of the analysis, more questions could be made. For example, there might be additional questions related to costs for each stakeholder.

## 6.7 Filling in the gaps

As was mentioned in the section on data collection, analysis often reveals gaps in the data, false trails, or exciting opportunities. This will require the RMA team to implement short follow up research with selected stakeholders in order to improve recommendations for interventions.

Table 11. An example of the feasibility matrix

Problem: Limited market opportunities for seed potatoes Recommended solution/intervention: Production and marketing of both seed and ware potatoes to growth high value markets, using new varieties, irrigation and storage facilities.				
<b>Related potential stakeholders participating in the implementation of the intervention</b>	<b>Contribution</b>	<b>Potential benefit (short and long term)</b>	<b>What should be done to ensure the sustainability of the intervention?</b>	<b>Possible risks or difficulties</b>
Farmer group	Land, labor, management	Increase in productivity, quality and income		Drought, mismanagement Lack of discipline
Extension / NGO	Provision of training in use of new technologies. Cost share in testing new methods	Increased skills and ability to adapt to existing and new challenges	Work with more than one extension agency	Short term support
Research	Pilot testing of new technologies	Improved yields, better disease resistance and ability for year round production	Introduction of new varieties, methods and irrigation	Lack of funds to support process
Input supply merchant	Improve access to fertilizer, and agro-chemicals	Long term supply of essential inputs to boost yields	Clear business planning that includes input supply	Inability to supply at competitive or affordable price
Micro-finance agency	Provision of loan options to meet long production cycle	Access to reliable and lower cost finance than moneylenders	Building relationship with MFI to develop and promote new loan options for farmers	Low repayment rates, better option for loans
Buyer	Provision of agreement for year round procurement	Steady income	Constant focus on improving production and sales performance	Quality criteria too high, volumes not met, alternative buyer

## STEP 7. WRITING A RMA REPORT



### Learning objectives

After reading this chapter, the learner should be able to develop an RMA report with appropriate structure and clear content that present correctly the findings of the survey.

1.	Area Selection
2.	Product Selection
3.	Design of Market Survey
4.	Implementation of Market Survey
5.	Analysis of Data and Information
6.	Report Writing
7.	From Analysis to Action

### 7.1 Timing

Writing the RMA report should begin towards the final stages of data analysis. At this stage, the RMA team should have developed a sound understanding of the key issues.

### 7.2 Responsibilities

The Team Leader should be the main report author. S/he should be responsible for coordinating report writing and editing the draft and final versions. The allocation of tasks among different team members

will depend on their specific skills and experience and their availability. All team members should provide comments to draft versions before these are sent to other reviewers. In addition, some members can be responsible for writing specific sections or preparing some annexes of the report.

### 7.3 Purpose and audience

The structure, writing style and content of the report will depend on its purpose and its audience. A report aimed at providing the basic findings of the survey for farmers to upgrade their production, handling and marketing activities is clearly different from a report targeting a processing company, a retail organization or a donor.

The report should be understandable to the target audience. For farmers or field-based staff, the report should focus on a few of the most important issues, i.e., product, price, profit, target market and buyer. The presentation should be clear with limited marketing jargon. The report must emphasize the key points that the farmers need to address with comparisons of products, so that they can see why one product or market is recommended compared with another. In most cases this will compare the existing situation with the proposed situation.

When preparing a market report for a broader stakeholder's group, or a potential lender, or investor, then more details should be added. For this second type of audience, a short written report could be circulated before the meeting and this report should have all the financial analysis.



## **7.4 Structure**

Market reports generally have a structure as shown below:-

- executive summary,
- introduction
- target clients for the study
- methodology
- key findings
- specific recommendations to the target clients
- conclusions

The report should clearly identify how the results can be used by target clients in their planned agro-enterprise projects. In more formal written documents, the report should also contain sections with references and annexes. An example of a possible report structure is shown in Annex 6. The outline in Annex 6 is a reference, and decisions about the most appropriate report structure should be left to the study authors.

## **7.5 Report for farmers**

When working with farmer groups, the report should be written so that it can be presented orally, with clear pictures and basic data. The written report should be 2-3 pages long. The RMA team also should prepare presentation materials on flip charts that highlight the main findings. The report should focus on market opportunities and major risks. The report needs to be simple enough that farmers understand the main issues, See section 8.2, but not so simple that you miss the essential pieces of business information.

Flip chart presentation information should focus on highlights as indicated below:-

- Products, with details such specific variety,
- Market, with details such market types and distance from production site
- Prices being offered at target market(s)
- Costs of production
- Profit, what is the expected change in profit
- Production cycle, length of season
- Key risks

The flip chart materials should have clear pictures which help to explain the main points so that illiterate farmers also get a better understanding of the results.

## **7.6 Report for a wider audience**

When presenting RMA findings to a wider audience such as a project management team, other NGO's, or potential investors, the report should provide detailed information about the survey methodology and give clear evidence of demand evaluations and financial details. The report should also highlight any innovations that the target user groups could take advantage of, to make them more competitive in the marketplace.

## **7.7 Content and Style of a written report**

The report should be written in a concise form and focus on the critical issues only. Data and information that does not contribute to an understanding of the key issues should be left out. Repetition should be kept to a minimum.

Quantitative data can be very useful in supporting and illustrating the analysis, but it should be presented in a condensed and digestible form through the use of tables, graphs, and charts. Diagrams showing spatial product flows or representing the marketing chain, among others, also help readers to digest a significant amount of information. Some readers may want to access more detailed data and background information, and therefore these can be included in the annexes.

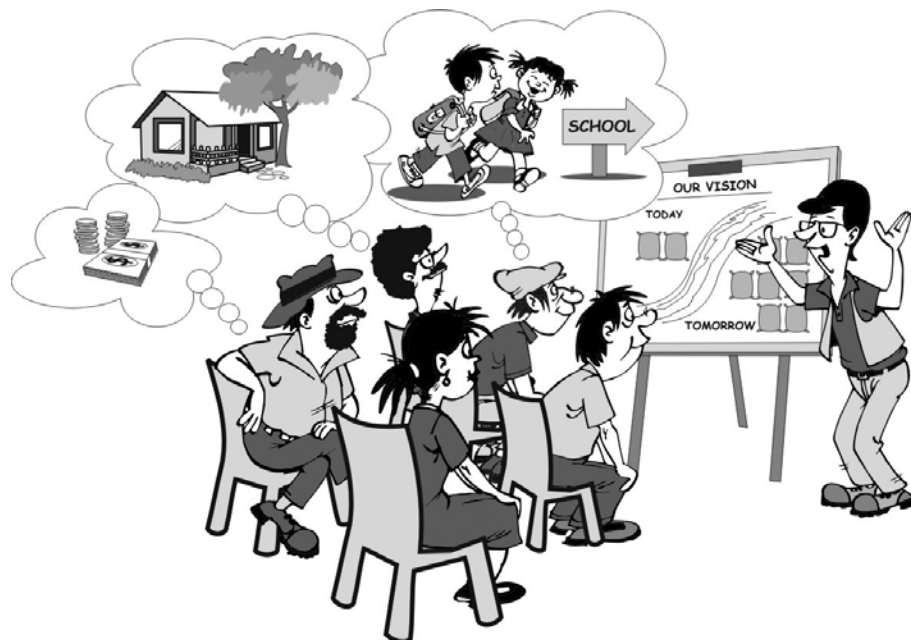
The use of photos is not essential, but can improve presentation. Photos help readers visualize markets, transactions, post-harvest practices, processing technologies, means of transport, product appearance, equipment and so on. They can be especially useful when the target audience is not very familiar with the studied commodity and marketing system. Photos also make reading more pleasant and entertaining, which can be important in cases where the target audience is not used to reading analytical reports.

Finally, in order to facilitate reading, it is important that the authors of the report follow a standardized style. For example, the same font type and size, page margins, and table and graph formats and numbering should be followed throughout the different sections of the report. All reports should have a contents page and where required references.

### **7.8 Responses and Editing**

It is important that a first draft of the report be shared with a number of people who are experienced in similar type of studies or knowledgeable about the commodity and marketing system. These first reviewers can provide useful feedback and comments on the quality of the analysis and presentation. Sharing a draft of the report can sometimes lead to significant improvements in the quality of the presentation, especially the parts that are not clear.

## STEP 8. FROM ANALYSIS TO ACTION



### Learning objectives

After studying this chapter and conducting the exercises recommended, the reader should (i) have a good understanding of the tools required, (ii) have trained interested partners in the use of these tools.

1	Area Selection
2	Product Selection
3	Design of Market Survey
4	Implementation of Market Survey
5	Analysis of Data and Information
6	Report Writing
7	From Analysis to Action

This chapter provides a review of methods and tools that can be used by marketing and intervention teams to apply the information gained through an RMA to move from analysis to action. The type of methods used in this step will depend on the actors of change that are being targeted and the scale of planned intervention. The actors of change may be a number of farmer groups, a combination of marketing actors in a market chain, (farmer, traders, processors and retailers) or the manager of a processing company. The basic tools include:-

- Visioning
- Exchange visits
- Market visits for deal making
- Identifying chain champions
- Market agent “go between”
- Learning journeys revisited
- Developing a business plan and associated intervention plan
- Piloting

### 8.1 Visioning

Visioning is a method that can be used with partners, local entrepreneurs and farmer groups to assist them in working with the market data. The visioning process helps to lay the framework for a plan of action that takes into account the clients assets, skills and aspirations for change. Visioning typically starts with a facilitator and a target farmer group or investor group, who hold a brainstorming session about the status of their current situation for a selected product and how they will change to achieve a better outcome. This process of outlining the current situation and the goal situation, applies to all activities related to pre-production, production, postharvest and marketing. See **Table 12**.

Table 12. Issues that need to be addressed in activity building to meet vision

Inputs supply	Production	Postharvest	Marketing	BDS
<ul style="list-style-type: none"> <li>• Seed inputs</li> <li>• Irrigation</li> <li>• Fertilizer</li> <li>• Pesticides</li> <li>• Other inputs</li> </ul>	<ul style="list-style-type: none"> <li>• Area of land to be planted</li> <li>• Tools to be used hoes, animals or tractors</li> <li>• Agronomic practices (seed type, variety, planting density, weeding methods)</li> <li>• Monitoring of fields, particularly for higher value enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• How to harvest, when and by whom?</li> <li>• Storage options and facilities</li> <li>• Sorting, grading, packing, and labeling</li> </ul>	<ul style="list-style-type: none"> <li>• How the group will market its produce</li> <li>• Transport, and delivery schedules</li> <li>• Payment terms</li> <li>• How the money shall be shared in the group</li> <li>• Investment plans for the group and savings mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Which services are the most important</li> <li>• Which services need to be strengthened</li> <li>• Should services be paid and, if so, how</li> </ul>

The group will first of all describe the current situation. When there is consensus in the group, about where they are today, the next stage is to develop an idea or a “vision” of how the group would like to see their future business outlook for the selected product. This activity allows the group to “see” what they would like to achieve over a specific time frame. Typically the facilitator of this type of exercise will tell the group to select a time horizon of between 3 and 5 years, depending on the type of product being evaluated, and provide a vision of how their business will appear after that amount of time.

It is often the case that the aims of the group are fairly ambitious over the longest time frame. The role of the facilitator is then to take the group through a process of reducing the time horizon. As the timeframe is reduced, the group needs to prioritize issues and activities that need to be achieved within this period. The group also needs to identify who will be responsible for these activities. Each reduction in time brings in a greater degree of reality to the vision, until you get down to a 6-12 month plan. The ideas from this

experience can be used as the basic elements of a business and intervention plan.

The results developed from a visioning process generally include a list of activities that are required for the group to meet their vision. These activities should be systematically divided into short, medium, and long-term issues. Planning processes based on visioning then start by listing the set of activities that need to be changed to achieve success. For a farmer group, the changes required tend to fall into the following categories: input supply, production, post-harvest handling, marketing, and business development services. These issues should focus on the identified market opportunity and the level of detail, depending on purchasing conditions, that are given by the buyer.

Note that the same can be done for livestock enterprises.

The facilitator can then lead the group through a final process of making decisions on what can be achieved, using available assets, local skills and resources and also what can be achieved

Table 13. Activity options to shift from today’s situation to a desired state

	Today, where we are	Short term activities	Medium term activities	Long term activities	Where we want to be
What can be achieved with existing resources?	<b>2 metric tons of bean production and sales</b>	<ul style="list-style-type: none"> <li>• Organize producer groups</li> <li>• Access seed of new varieties</li> <li>• Prepare implementation plan</li> </ul>	<ul style="list-style-type: none"> <li>• Start savings group</li> <li>• Buy a mobile phone</li> <li>• Build trust with target buyers</li> </ul>	<ul style="list-style-type: none"> <li>• Link to lending agency</li> <li>• Build a seed store</li> <li>• Hire transport for distant markets</li> </ul>	<i>10 metric tons of bean production and sales</i>
What activities or interventions require external resources?	<b>Limited business skills</b>	<ul style="list-style-type: none"> <li>• Training in market analysis</li> <li>• Write business plan</li> </ul>	<ul style="list-style-type: none"> <li>• Training in savings and loans options</li> <li>• Test irrigation method</li> </ul>	<ul style="list-style-type: none"> <li>• Build grain store</li> <li>• Build drying area</li> </ul>	<i>Capacity to do a market survey and prepare a business plan</i>

only with external support. This information can be further refined by providing information on service providers who have the skills to assist with any given problem. See **Table 13**.

## **8.2 Exchange visits**

In some cases, rather than focusing efforts on re-creating a new situation, a more efficient and perhaps enjoyable approach is to take a group that is seeking ways to upgrade its activities to another that has already made investments and has improved their productivity and competitiveness. For farmers, this is often the quickest way of transferring ideas, because they can relate more easily to people from a similar background, there are no language or power relation issues, and they can ask detailed questions about how changes in production and marketing systems were made, what were the pitfalls and what should the new group focus on to achieve success.

The process of “exchange visit” is, not limited only to farmer-to-farmer exchanges, similar events can be applied to local technology usage. Exchange visits can also be organized to expose local business entrepreneurs about new processing or storage equipment. Similarly, quality issues may be the focus of an exchange visit in order to show farmers and local traders, the quality requirements of higher value, formal markets, compared with the quality of existing products in local informal markets. The key point with exchange visits is that “seeing is believing,” and this can be a powerful way to transfer ideas quickly about how to upgrade activities within a business and within a market chain.

## **8.3 Market visits for deal making**

In the previous chapter, we considered market visits as a tool for gathering information. In this context, the market visit can be adapted to seek and establish trading relations between farmers and traders. This type of visit should focus on meetings with traders interested in establishing business deals and in this case, the producer groups should clarify the conditions of the deal in terms of quality, quantity, regularity of supply, terms of payment being offered and details on packaging, etc., as required. Often the farmers

can return to traders who indicated they would be interested to access produce from local farmers.

## **8.4 Learning Journeys revisited**

In the previous survey the idea of a learning journey was discussed as a means of collecting information along a market chain and also offering diverse market actors with a space in which they could discuss their ideas and ambitions. This same technique can be adapted to intervention planning and cross-fertilization of ideas, but rather than focusing on one point in the market chain, as is done with an exchange visit, the learning journey approach can be used for a target group to observe how interlinked changes can be applied throughout a market chain in order to make it more efficient, secure and more profitable. This systemic marketing approach is particularly important for groups intending to invest in high-value market products, and for situations where an investor is seeking to develop new opportunities for business services to various market chain actors.

## **8.5 Identifying Chain Champions**

As part of the investigative nature of the RMA process, team members should actively try to identify people who are enthusiastic about upgrading their market chain. Ideally these people should be influential or having investment capacity within the market chain, such as a large trader, or a processor, who can devote some time to working on critical constraint in the chain. Often these people are already working on their own to support improvements in the chain and they may see the RMA team and subsequent project investments as a vehicle to aid them in their quest for improved market performance. Given this situation, the team may then be able to develop a marketing scenario which provides a win-win situation that holds prospects for public and private sector investment in makes market chains work better for both producers, processors and sellers.

## **8.6 Market linkage agent “go-betweens”**

An effective method that many market linkage projects have adopted is to train a local community agent in collecting information about

markets and specific market chains. This person may work for a local input supply merchant, be a local collector, or be a person in the community who is seeking part time work in supporting new initiatives.

To be an effective “go between”, or liaison between buyers and sellers, this person will need to regularly visit buyers to ensure that they are happy with the goods they are receiving. If any changes are required, this information needs to be relayed back to the producers and suppliers, for example so that changes can be made to improve quality and increase sales. Very many business deals fall apart because suppliers do not follow up with their customers and may not be aware of poor quality issues with their products, or new innovations from competitors.

In addition to maintaining existing clients, the market go-between should also be on the lookout for new business deals, links to other service providers such as input dealers, market information, finance options and any new opportunities to help upgrade the production of a quality product. The go between also needs to watch out for changes in the market, such as price changes, competitor tactics and shifts in consumer demands.

As with all activities in the market chain, the role of a marketing go-between can only operate over the medium to long term if there are some incentives to perform this task and therefore it is important that the marketing go-between or market liaison person be paid a basic fee for their services and a “top up” commission based on sales, particularly for finding new market opportunities. As this may be a part time off-farm activity, the commission should be commensurate with trade, for example 5% of sales prices. Trust is critical for this type of role and farmer groups should always be in a position to monitor the activities of this person.

## **8.7 Developing a business plan and an intervention plan**

This requires that information from analytical reports be transformed into a series of basic steps that will realize a profitable business venture. The plan must be clear, logical and well targeted to convince an investor to support a project, whether

a bank to provide a loan or an NGO to provide credit or inputs.

For the group members, i.e., the farmers to fully understand the process, we recommend that a business plan is complemented with an implementation plan. The implementation plan will provide information about specific activities putting detail about the goals of the business plan will be operationalized and realized.

### **8.7.1 Writing a business plan**

Most business plans follows a general outline as shown below. The written document needs to tell a story as well as presenting the cold facts.

- i. Title, contents, contacts and any definitions
- ii. Executive summary
- iii. Introduction
- iv. Business Organization
- v. Product
- vi. Marketing strategy
  - Product
  - Price
  - Place
  - Promotion
- vii. Market risks
- viii. Business Operation Plan
- ix. Production Costs
- x. Income Streams
- xi. Profit and Loss Analysis
- xii. Financial requirements
- xiii. Conclusion

The business plan does not need to be too long, it can be 2-3 pages or 30 pages. As you can see from the business plan outline, the types of information required, are very similar to that gathered by an RMA. Therefore is should not take long to adapt the results from an RMA report, to prepare a large part of the business plan.

The business plan should essentially contain sufficient detail for a reader, who may be unfamiliar with your area, to understand the basic idea and be able to evaluate the viability of the business venture. Be sure to clearly state the project activities and expected outcomes of the enterprise; provide an easily understood outline of the financial requirements, including your costs and expected returns on the investment over at

least a 1 year period. The business plan should be clear and transparent – do not attempt to impress or confuse the reader, as this will be considered as a tactic to gloss over areas of concern.

The time required to write a business plan depends upon the scale of the planned agro-enterprise. For basic sales of an existing primary crop into a nearby market, the RMA will provide almost all of the information required for this exercise. The timeframe to write a business plan may be 2-3 days, but that is only when you have already undertaken an RMA, which may take two to three weeks, to collect the information required. Business plans may be shared as soon as available but, in any case, will be presented and discussed at the final session with all market chain actors. For a more detailed example of the format for a business plan, see Annex 7.

### 8.7.2 Financial analysis

One of the more challenging aspects of the RMA is the financial analysis for the enterprise and the investments required to enable target communities to enter into a new enterprise venture. The matrix in **Table 14** provides a starting point for planning financial requirements. The financial plan should work out the costs for an individual farmer to upgrade their activities to meet the requirements of the new business venture. These costs can then be transferred to the group of people involved at the production end of the process. There will be other costs associated with training, links to traders, processing upgrades, meetings etc...

The financial analysis should include costs for each activity. The team should use basic financial analysis such as the gross margin mentioned in section 5.4, to assess farm costs. The financial

analysis should also provide clear information about expected returns and also options for re-investment into the business. The plans should highlight what can be achieved with the existing funds from the market actors which will include their savings; and what can only be achieved with external funds.

The outline costs of the new enterprise should be complemented with a cash flow analysis. There are many methods for doing this type of analysis. The costs to develop an enterprise can be written up as a basic input and output sheet for one season or as a financial plan over a number of years.

Depending on the sophistication of the project, this financial analysis can be done by a team consisting of the market research group and the investors or with the help of a local accountant. Some financial tools are now available on Microsoft Excel, which has specially formulated macros and tutorials to explain how to undertake this type of analysis. For more details about how to write out the financial analysis, see Seven Steps of marketing, <http://www.crsprogramquality.org/publications/tag/agriculture-manualsuser-guides>

### 8.7.3 Implementation plan

In addition to preparing a business plan, the team should work with the farmer group members to develop an implementation plan. The implementation plan details all of the activities that need to be undertaken by the farmers, throughout the planning, production and sales cycle. Developing the implementation plan, should involve all the farmer group members, and may require additional meetings with traders. Attention to detail is important and the results

Table 14. Financial requirements and sequencing

Intervention financing	Time frame		
	Short-term activities	Medium-term activities	Long-term activities
Local resources	<ul style="list-style-type: none"> <li>Sufficient funds to buy local seed farmers can afford \$20 investments per acre</li> </ul>	<ul style="list-style-type: none"> <li>Buy improved seed</li> <li>Buy fertilizer</li> </ul>	<ul style="list-style-type: none"> <li>Upgrading traditional irrigation channels</li> </ul>
Local savings	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Set up savings and loan clubs</li> </ul>	
Partner resources	<ul style="list-style-type: none"> <li>Access training in good agricultural practices</li> </ul>		
External resources	<ul style="list-style-type: none"> <li>Require loans to buy fertilizer</li> </ul>		

of this meeting may have important implications for the operational and financial plans. Each activity should be linked to a cost and date when the activity should be completed.

Table 15. Planning matrix to identify key opportunities and challenges

Pre-production	All activities and finances required to obtain inputs such as market information, seeds, equipment purchase, irrigation, chemical purchase, fertilizer, land and soil preparation, bags, packaging, storage, factory site, utilities supply, etc., that are required prior to setting up the intervention and production of an identified product.
Production	All activities and finances required to transform inputs into the primary marketing product that will be sold to the client.
Post harvest	All activities and finances required to supply product to the client (customer) after harvesting or manufacture has taken place. This includes, handling, packaging, storage, finances related to storage, distribution, sales points
Marketing	All activities and finances required to ensure that product reaches identified clients, at the right time, place, price and quality. Also, to ensure that promotional activities are undertaken and that marketing strategy is followed within budget
Intervention organization	All management activities required to meet targets at each stage of the intervention plan, from pre-production, production, post-harvest and marketing. This element includes financial targets and making sure that goods, services, information and income proceed as planned and that intervention relationships at all stages are being managed effectively. This aspect also relates to monitoring intervention efficiency and identifying new intervention opportunities as they arise.

The specific activities can be broken down into matrices to indicate roles and responsibilities in the major intervention areas as shown in **Tables 16 and 17**.

Table 16. Planning matrix to identify key opportunities and challenges

	<b>Farmer group</b>	<b>Trader/ Entrepreneur</b>	<b>Government extension/NGO</b>	<b>Retailer/ Processing factory</b>
<b>Pre-production</b>	Old varieties lost market share. New variety needed arrangement of savings scheme.	Mrs. Rose is interested in buying new persimmon in bulk. Supply of inputs.	Farmers need access to new varieties.	
<b>Production</b>	New varieties needed.			
<b>Postharvest</b>	Storage facilities	Bulk sales of 5 metric tons. Need access to milling machine.	Linking farmer groups with contract buyer.	
<b>Marketing</b>	Target local market. Collective action.	Sell to Mr. Rampresh in first season.	Experiment for next season.	Contract with farmer group for 50 tons of produce to sell to Mr. Kajjuka.
<b>Business organization</b>	How will farmers be paid? Bank accounts in place.	Prices agreed, payment structures.	What are the cost benefits? Is this work focused on direct needs?	Contracts in place.

This process can also be applied to research opportunities if there are no readily available innovations to meet the critical points. At all times, the service providers should consider BDS, contractual arrangements and organizational needs within the selected market chains.



Table 17. Actions to be taken at specific points in the market chain.

What	Who	When	Completed
<b>Pre-production</b>			
Ensure seed potatoes are available for planting	NFG management	Jan	
Assign record keepers for costs	NFG management	Jan	
Ensure seed supplies are ready in the field for farmers	FG management NARO	2 May	
Prepare fields for planting	FG management, NGO	5 May and ongoing	
<b>Production</b>			
Stagger planting schedule within farmer group	NFG members, NGO	10 Jul	
Adjust planting spacing practices to produce larger potatoes	NFG members, Africare, NARO	10 Jul	
Train group members on ware potato management techniques	NFG members, Africare, NARO	15 Sep–Nov	
Link to research on seed of identified varieties for Nando's	NFG management, NARO	12 Sep and ongoing	
Multiply desired varieties	NFG members	10 Oct	
Identify and implement micro-irrigation on uplands	NFG management, Africare	2 Dec and ongoing	
<b>Post-harvest</b>			
Purchase weighing scale	NFG management	3 Jul	
Rent warehouse for storage	NFG management	25 Jul	
Train group members on sorting, grading, and packing	NFG members, Africare	20 Jul and ongoing	
<b>Marketing</b>			
Arrange transport and delivery first consignment to buyer	John		
Review quality feedback from buyers	FG John, NGO Paul		
Supply off-size products and rejects to secondary markets	John and Sydney		

For the intervention planning process, the team preparing the report should consider the following steps as an outline in the preparation of information, **Table 15**.

If the process aims to link farmers to markets, the planning process will include the following major areas of intervention:

### 8.8 Piloting and follow up

Having developed an intervention plan and obtained financial resources for implementation, the next stage is often to move to a pilot test. During the pilot stage, it is common to find that some of the assumptions made in the plan have slightly different outcomes than expected. This is because conditions change in the real world, markets

are dynamic, and the pilot process provides an opportunity to test ideas on a small-scale.

Changing conditions or technology performance may require that the business plan needs to be adapted during the intervention phase. It is particularly important that the people involved in the enterprise and the facilitators follow the market closely so that producers maximize their gains. Progress should be closely monitored by both the investors and the intervention teams so that both parties can evaluate whether the new approach in fact yields the desired increase in market access and income.

A summary list of methods and tools used for analysis to action is provided in **Table 18**.



Table 18. Methods for Moving from Analysis to Action

Analytical Methods	Why used
Visioning	Process of community recognizing where they are now and where they would like to be in 5 years, 3 years and 1 year. Use this process to build a common plan of action, based on aspirations
Exchange visits	This method is used for one group of market chain actors to observe how others have upgraded elements of their business.
Market visits for deal making	This method provides an opportunity for farmers to visit new markets and negotiate with traders for new business opportunities
Learning Journeys revisited	This method enables several market chain actors to work together on upgrading their activities within a chain but observing how more efficient chain actors have developed their business relations and integrated new innovations in a more systemic chain approach.
Identifying Chain champions	Basic tool that all RMA researchers should use in their work to identify people who are both influential and interested in upgrading chain activities.
Market linkage agents	Chain actors, often farmers or agents living in rural areas that take on a new task of strengthening longer term linkages between producers and buyers. Nascent BDS working on a sales commission basis.
Developing an intervention plan	Planning process that enables market researchers to work with chain participants to integrate RMA findings into an investment / intervention plan
Piloting	Option for small-scale testing of a new business opportunity, prior to scaling up, provides a chance to test ideas in the real world with limited investment and enable investors to fine tune ideas before going commercial.

## STEP 9. SHARING RESULTS WITH FARMERS AND STAKEHOLDERS



### Learning objectives

After this chapter, the participants are able to:

(i) organize and facilitate a workshop to discuss possible interventions, (ii) facilitate related stakeholders to develop the action plan for the implementation of the interventions in the participatory manner, (iii) use a series of methods to move from analysis to action.

The process of moving from analysis to action involves two main steps,

- (i) sharing information with the clients including farmer group members, and with interested stakeholders and
- (ii) using the results from the RMA with specific groups as a means to progress the findings into investments and on the ground activities.

The first step is to socialize the information gained through the RMA. This enables the RMA team to present the survey results to the clients. In many cases this will be a target set of farmer group(s), and other stakeholders in the marketing

plan. This presentation will lead to discussions and initial reactions. The aim of this process is to socialize ideas and work towards greater consensus about the recommendations. The findings of the survey need to provide results that can be easily understood by the main clients, and the presentation allows the team to assess if the information meets their needs.

If you are presenting the findings to an NGO supervisor committee, a local council committee or another type financial investor, it is often best to share the report as a draft before the meeting. This will allow people to digest the information before the meeting. If there is a formal presentation meeting, the results can be shared at a stakeholders' workshop so that a broader view and reaction can be gained about the results found and the recommended actions.

### 9.1 Presentation of results to farmers

Having completed the report, the RMA team should organize a meeting of the farmers, and present the main findings. This presentation should highlight the most critical points about

market opportunities and any major risks. The presenter should make sure farmers understand the main points and spend time on questions and answers.

The presentation of results should be supported by basic information written up with pictures on a flip chart paper, as shown in **Figure 20**. The type of information that farmers will want to know include things like,

- Products, with details such specific variety,
- Market, with details such market types and distance from production site
- Prices being offered at target market(s)
- Costs of production
- Profit, what is the level of profit
- Production cycle, length of season
- Key risks

The written information should be complemented with pictures so that illiterate farmers get a better understanding of the results.

## 9.2 Facilitating a general stakeholders' meeting

In some cases, the findings of the more detailed market survey report may be presented to a broader audience, such as a cooperative, or at a general stakeholders' workshop. These meetings may also include representatives from NGOs, agricultural project staff, donors, government agencies from research and trade, and private sector representatives from farmer associations, traders, retailers and processors. Essentially all the market chain actors and service providers who have shown interest in being involved.

The purpose of this meeting is to:

- Share more detailed information – to encourage broad usage of the results and involve more people in potential intervention planning
- Build support from outside – people who were not involved in the RMA get to know, and discuss openly about the findings as well as recommended solutions
- Gain consensus – use the meeting to gain wider agreement on key recommendations and prioritized interventions

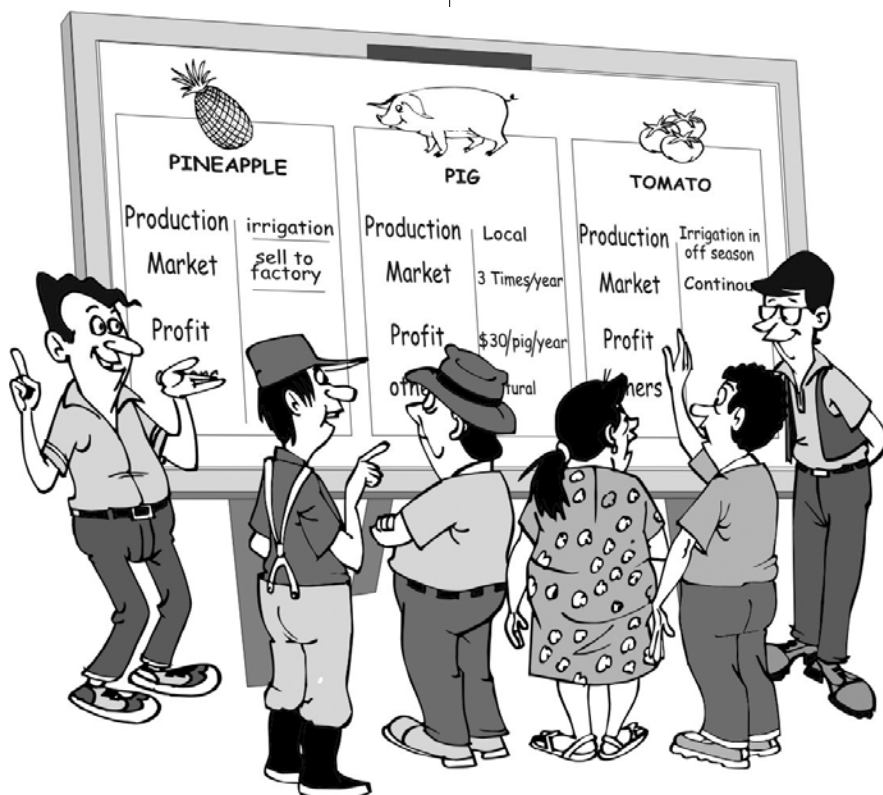


Figure 20. Presentation of RMA findings to farmers

- Guide priority interventions – work with members of this group to guide next steps in initiating new partnerships and developing action plans

### **Preparation**

The following things should be done:

**Timing and objectives:** The best time to organize the general stakeholders meeting is 1-2 weeks after completing the RMA survey, i.e., when the results are still fresh in the minds of people. It is important to select an appropriate day and time during the week so that most of people can participate. The invitation should be sent several days or one week before the workshop. If the bias of the meeting is towards the private sector, early meetings are often preferred, e.g. invite participants for a breakfast meeting or lunch meeting. If the focus of the meeting is more towards public sector, then a mid-morning meeting may be better attended.

The duration of the workshop should not be more than 1-2 hours. Aim for a 20 min presentation followed by 20-30 minutes of questions and answers. In some cases, you may want detailed feedback from the group in which case allow sufficient time for a presentation followed by a short break, an hour for group work and then a final hour for presenting results and ideas back to the plenary session. In some cases, group work may not be desirable and then the meeting will be confined to a presentation followed by a question and answer session.

**Content preparation:** Select and present key results by an appropriate means (flipchart or PowerPoint). Use appropriate illustrations when presenting the results. Emphasis should be given to the key constraints and possible interventions from the survey.

**Follow up:** Suggestions from this meeting should be captured by the RMA team and used in revising the draft report. Once completed, the report should then be circulated to key stakeholders, making sure to include all those who attended the presentation workshop.

Participants who have shown an interest in being involved in more detailed intervention planning should be provided with details for subsequent intervention meetings.

**Posting:** Where possible, the report should also be made available on a website so that others can use the results in their market planning.

### **9.3 Facilitating investor meetings**

In addition to sharing information with farmers and project participants, another set of meetings can be organized that focus on attracting additional investments. These presentations will not only present the basic market information, but spend more time to outline possible financial scenarios and investment recommendations from the RMA. If the team has developed more than one business option or scenario, separate meetings may be required to discuss these options with relevant target groups.

As with the stakeholders' meeting, the workshop should begin with the RMA team making a presentation of the RMA results. However, in this case, only the most relevant details from the survey should be presented to this more select group of market chain actors that have shown interest in being involved in developing specific intervention plans.

The objectives of the intervention workshop are:

- To share information – focusing on the information most relevant to the proposed area of intervention.
- To discuss and prioritize interventions and to develop an intervention plan of action.

**Time and solution:** The intervention meetings should be held after the general stakeholders meeting, taking into consideration the same issues as with the general stakeholders meeting (appropriate day and time, advance notice, etc.)

The duration of the workshop should be based on the product and scale of intervention. In some cases the timeframe required will depend upon the number of planned interventions that need to be discussed. It is recommended that the meeting should not be shorter than half a

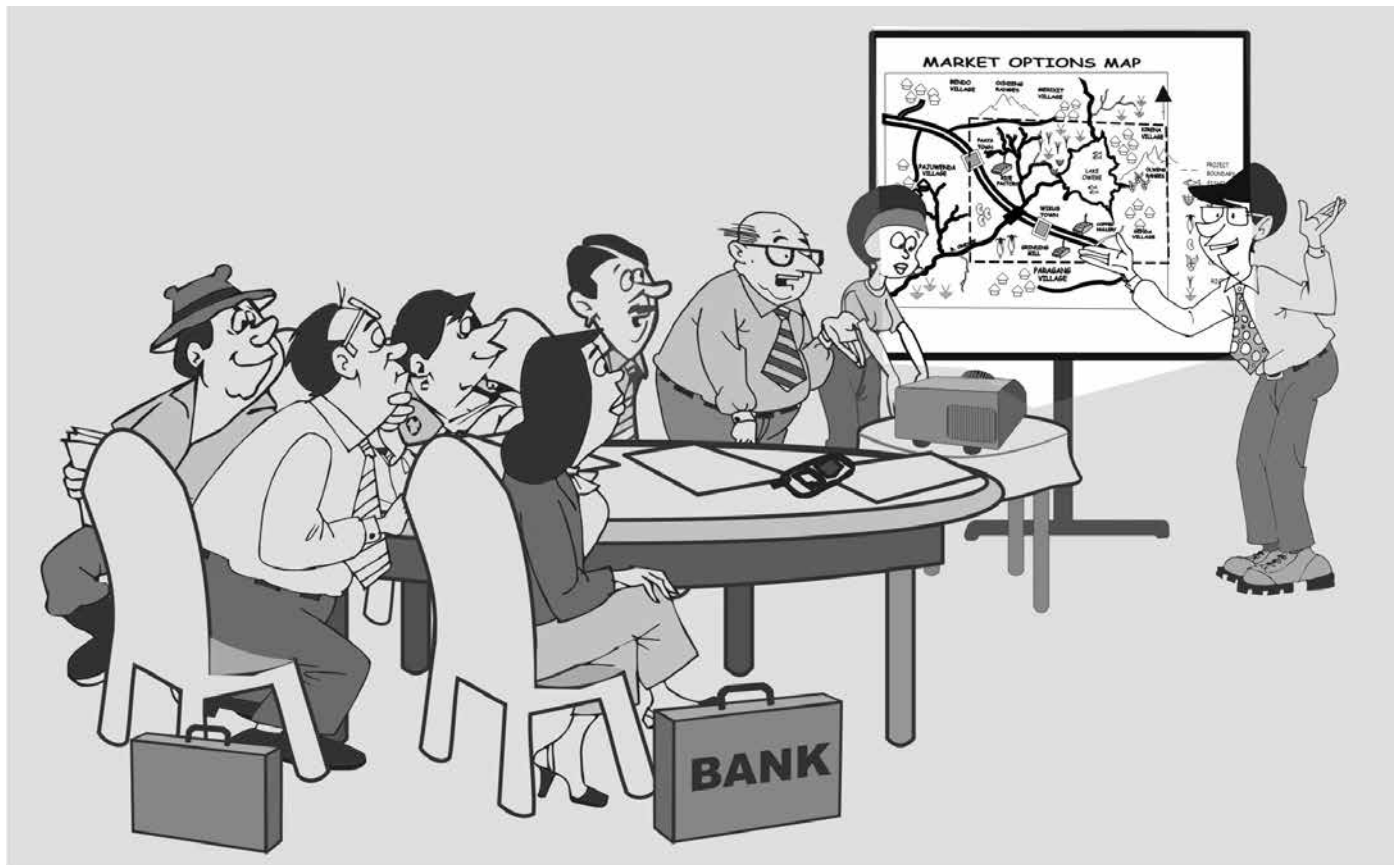


Figure 21. Presentation of the RMA findings to investors, policy makers and project managers

day and no longer than two days. In some cases, the workshop can be divided into two sections and organized over a two-week period with the first workshop focusing on sharing information, and the second on decision making. In this way, participants have more time to “digest” information and to consult with their colleagues or leaders regarding possible commitments.

**Content preparation:** Select and present key results by an appropriate means (flipchart or PowerPoint). Use simple but clear illustrations when presenting specific results. Emphasis should be given to the key constraints and possible interventions from the survey.

**Chairing and facilitating the workshop:** The chairmanship of the workshop should be given to a representative of the communities or local authorities to explain the objectives and program. The RMA team should present the findings, with support from partner field agents or project facilitators.

Organizing the workshop and prioritizing interventions

**Example for meeting program**

- (1) **Introduction:** The chairman should provide the opening talk, explaining the workshop objectives and program.
- (2) **Participants’ introduction:** Each member should introduce him/herself and explain his/her expectation from the workshop.
- (3) **Presentation:** The RMA team should present the key findings and problems or constraints in the marketing system, with clear illustrations of findings with results from the survey. This presentation can be enhanced by using simple visual tools such graphs, and tables. If a PowerPoint projector is available, the team should make full use of pictures to convey findings from the survey, indicating good and bad practices.

It is important to give time for the participants to contribute information and comments to support and enrich the findings by the RMA team. This type of interaction helps to gain buy-in from the meeting participants and involves them in the learning process. In many cases, the experience of this group can provide new insight and information that may have been missed in the rapid survey.

**(4) Prioritizing recommended interventions:**

The RMA team should present clear recommendations for interventions and a basic feasibility analysis for solutions to the participants to get their comments and contributions.

Use methods such as the **scoring matrix** shown in **Table 4** to identify and prioritize interventions and actions.

**(5) Group discussion:** Time should be allocated for group work so that participants can discuss ideas and integrate their views into an action plan.

The RMA team can also use methods such as the “problem tree” to define key constraints and then use the “solution tree” to provide intervention steps to address identified constraints or take advantage of a new market opportunity. Time should be given to enable ideas to be discussed fully by participants.

During each phase of the planning process, care should be taken to record all the answers and key points made by the workshop participants.

When all participants have agreed upon a course of action, it may be useful to draft a memorandum of collaboration that summarizes the key points discussed.

**(6) Decision making:** The next step in the planning workshop is to make decisions about specific activities and responsibilities, i.e., who does what, where, when and by whom? The following questions need to be addressed (See also previous chapter for more detailed planning matrix.)

- What needs to be achieved?
- What needs to be done in order to achieve it?
- How long will it take?
- When will it finish?
- What resources are required in terms of finance, human resources, and materials?
- Where will these resources come from?
- Who will take the main responsibility?
- Who will implement each specific activity?
- Where will the activity be implemented?
- Who will monitor progress?

During this stage, it is important to identify and gain agreement on which institutions or individuals should take the main responsibility for leadership and management in the intervention stage. This will help to avoid any potential conflicts that may emerge in the implementation phase.

It is advisable to establish or formalize new or existing community groups and/or organizations to implement any plans that are agreed. These organizations play important role in implementation of solutions and actions later on.

**(7) Monitoring.** A checklist is required to monitor progress and quality of outputs. This should be a process that includes monitoring by both investors and an oversight team. The monitoring should however, be commercially orientated, with emphasis place on sales, income and innovation.

To support the planning process, the facilitator should use the tools and methods outlined in the previous chapter.

- (8) **Meeting outputs:** The planning and investment meetings should end with a draft of commitments and conclusions. Members from the group should present the basic outline of the plan to the full group. The aim of these presentations is to help all participants to understand the main conclusions, relationships and activities that will take place.
- (9) **Closing the workshop:** The meeting should ideally end with brief final comments and an agreement to take the plan forward.
- (10) **Follow up:** The project teams will require additional meetings to finalize implementation plans and to make any financial agreements. Once this is done, the groups should invest and put into practice the ideas developed from the RMA.



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## ANNEX 1

# Criteria for Product Selection

Criteria	Rationale	Examples
1. Agro-climatic conditions	A region or country can only develop low-cost and good quality production of an agricultural commodity, and therefore compete in the market place, if natural conditions (rainfall patterns, underground water, soil quality, temperature levels and distribution throughout the year) are suited to the production of that commodity.	River deltas areas have suitable conditions for rice and fish production. Many upland areas are appropriate for the production of tree crops and non-timber forest products. In many of these areas, the availability of grass may enable the development of livestock.
2. Market Size	Large markets have greater capacity to absorb additional supplies than small markets. It is critical to avoid a situation where farmers are supported to produce and sell a certain commodity, but end up facing low and declining prices because the market is too small and therefore unable to absorb new supplies.  However, market size alone is not sufficient to ensure absorption capacity. Some markets may be large in size but already oversupplied.	Local markets in rural areas are generally small. Urban markets and export markets have much greater absorption capacity.  The market for most traditional export commodities is saturated. For example, there is excessive supply and very intense competition in the world market for coffee, tea, and cotton.
3. Market growth	Growing markets have much greater potential for absorbing additional supplies and generating remunerative opportunities than stagnant markets. Products sold in medium to high growth markets therefore merit special consideration.  A product for which demand is expanding at an annual rate of 5 percent or more can be listed in the high-growth category. Products enjoying a growth rate of 3 to 5 percent per annum belong to an intermediate category, while those for which demand is growing by less than 3 percent belong to the low-growth category.	Global demand for staples (e.g. rice) and traditional export commodities (e.g. cotton, coffee and tea) is relatively stagnant.  Export markets for organic and “ethical” products, fresh vegetables and fruits, flowers, cashew, spices, essential oils, and aromatic and medicinal plants are expanding rapidly.  Domestic markets for milk, fish, meat, fruit and vegetables also enjoy high growth rates.
4. Potential for targeting high-value market opportunities	Products sold in high-value markets should be considered for possible selection. Even when the overall demand for the product is stagnant, there may be remunerative and growing opportunities in certain market segments, such as the organic and ethical trade niches.  However, some high-value markets may be small and have very high entry barriers, including the need to grow the right varieties, meet stringent quality specifications and standards, certify the product, and trace its origin and source down the market chain.	Examples of high-value markets include organic and ethical trade products, medicinal herbs, spices, and exotic fruits and vegetables.
5. Potential for import-substitution or off-season marketing	Some products may enjoy good market prospects, even when overall demand is stagnant. For example, there may be opportunities for substituting imports with locally grown produce. Likewise, there may be remunerative opportunities for off-season production and marketing.	Off-season opportunities are more obvious in the case of seasonal and perishable produce, provided the required production technologies (e.g. seed) are available.

<b>Criteria</b>	<b>Rationale</b>	<b>Examples</b>
6. Current importance to rural livelihoods	<p>Products that play an important role in the livelihoods of the rural population merit special consideration. Improvements in the production and marketing of these commodities can generate significant employment and income benefits.</p>	<p>Fish and seafood products play a critical role in the livelihoods of coastal areas.</p> <p>Rice is of critical importance to the population of Vietnam as a whole, including both producers and consumers.</p> <p>Perishable products enjoying strong demand in urban areas (such as meat, milk, and vegetables) are often very important to the economy of peri-urban areas.</p> <p>NTFPs, cattle, poultry, tree crops, cassava, and maize (amongst many other products) can be very important to the livelihoods of farming households in upland areas.</p>
7. Potential for involving the poor	<p>Generally, the stronger the participation of the poor in the production and marketing of a commodity, the greater its poverty reduction potential.</p> <p>The poor are more likely to be involved in the production and marketing of agricultural commodities that have relatively limited investment and input needs, require traditional skills, can be produced on marginal land, are important for household consumption, and/or have low production and marketing risks.</p> <p>It is important to note, however, that some agricultural commodities that are not grown by poor farming households can still contribute significantly to poverty reduction through wage employment generation.</p>	<p>Examples of agricultural commodities where there is wide participation of the poor include rice, cassava, maize, groundnuts, poultry, handicrafts, and NTFPs.</p>
8. Potential for involving women	<p>The potential for involving women in production and marketing can be an important criterion for product selection, especially when the agencies involved in the RMA have clear gender equity concerns.</p> <p>The current and potential future importance of certain products to the livelihoods of women will depend on the traditional division of labor within the household and local economy.</p>	<p>Women are often more involved in the production and marketing of food crops than cash crops. Their role in cash cropping will depend very much on the local cultural and socio-economic context.</p>
9. Potential for diversification	<p>Agro-climatic conditions, availability of labor and skills, access to inputs, and links to potential markets could enable adoption of new products with potential to generate employment and income and contribute to poverty reduction.</p> <p>However, diversification into new commodities is generally riskier and more challenging than the development of existing production, especially as far as the poor are concerned.</p>	
10. Potential for value addition	<p>In some cases, an agricultural commodity is produced locally but processed in other regions. There could be potential for income generation and poverty reduction through the development of local processing.</p>	<p>Milk production, cassava starch or coffee processing, and the development of local honey brands are all examples of activities that add value to local production.</p>
11. Potential contribution to the conservation of natural resources	<p>Sustainability and environmental conservation issues should also be taken into consideration. Products directly or indirectly related to conservation may have good market potential and economic feasibility.</p>	<p>Live barriers of forage grasses may be economically feasible due to strong demand for livestock and animal products.</p>

## ANNEX 2

# List of Possible Issues for Investigation in an RMA

Areas for investigation	Issues	Reasons for investigating
1. Commodity characteristics	<ul style="list-style-type: none"> <li>a. Grades and end uses</li> <li>b. Degree of bulkiness, perishability</li> <li>c. Handling and storage requirements</li> <li>d. Degree/type of processing</li> <li>e. Type and magnitude of post-harvest losses</li> <li>f. Packaging methods and materials</li> </ul>	<ul style="list-style-type: none"> <li>i. Commodity characteristics influence the performance of the whole marketing system, including the type of marketing functions performed, how they are performed, and the relative cost at which they are performed.</li> <li>ii. The nature of the production process influences the timing and magnitude of producer sales and marketed flows.</li> <li>iii. Post-harvest losses are high in many countries. Identification of the causes and means of reducing these losses can expand food availability and improve the incomes of all participants in the marketing chain.</li> </ul>
2. Consumption patterns	<ul style="list-style-type: none"> <li>a. Seasonal and long-term trends in domestic and export markets.</li> <li>b. Consumption patterns for different socio-economic and ethnic groups.</li> <li>c. Future market prospects.</li> </ul>	<ul style="list-style-type: none"> <li>i. Demand drives (or pulls) production, processing and marketing.</li> <li>ii. The strength and seasonality of demand affect production and storage incentives, as well as the direction and size of product flows.</li> <li>iii. Long-term consumption trends and opportunities affect investment decisions by all participants in the marketing system.</li> </ul>
3. Supply situation	<ul style="list-style-type: none"> <li>a. Production by year and by region for recent years, noting trends and variability.</li> <li>b. Flows from major supply areas to major markets, including exports and imports.</li> </ul>	<ul style="list-style-type: none"> <li>i. Production levels and variability affect prices and risk levels.</li> <li>ii. Shifts in supply over time may indicate response to policies, technological change, the institutional environment, and so on.</li> </ul>
4. Prices	<ul style="list-style-type: none"> <li>a. Long-term trends in real prices at the farm-gate, wholesale and retail levels.</li> <li>b. Long-term trends in real export prices.</li> <li>c. Seasonal and cyclical trends in prices.</li> <li>d. Changes over time in input and output prices.</li> </ul>	<ul style="list-style-type: none"> <li>i. Prices provide a measure of incentives (profitability) facing participants in the marketing system.</li> <li>ii. Changing input and output prices may indicate shifts in production and marketing incentives.</li> <li>iii. The domestic pricing structure relative to international prices provides insight into regional and national comparative advantage.</li> </ul>
5. Organization of marketing systems	<ul style="list-style-type: none"> <li>a. Marketing channels and stages.</li> <li>b. Important assembly, wholesale and retail markets.</li> <li>c. Types, numbers, and geographical distribution of firms at key stages in the marketing system.</li> <li>d. Existence and importance of alternative institutional arrangements, such as contracts, vertical integration, direct marketing, cooperatives or associations, and open market sales.</li> </ul>	<ul style="list-style-type: none"> <li>i. The structure of the marketing system influences the conduct of participants, which in turn affects performance.</li> <li>ii. Analysts need to examine the benefits and costs of alternative institutional arrangements.</li> </ul>
6. Operation of marketing systems	<ul style="list-style-type: none"> <li>a. Practices and strategies of market participants regarding input purchases, and product sales, processing and storage.</li> <li>b. Vertical coordination mechanisms: sale arrangements, risk sharing, information dissemination.</li> <li>c. Sources, uses and distribution of production and marketing information.</li> <li>d. Responsiveness of market participants to shifting supply and demand and policy changes.</li> <li>e. Evidence of monopolistic or oligopolistic situations.</li> </ul>	<ul style="list-style-type: none"> <li>i. The behavior of market participants affects the performance of the marketing system.</li> <li>ii. Access to information affects the ability of different market participants to respond to changing market conditions.</li> <li>iii. Better vertical coordination can improve the matching of supply and demand and reduce risk.</li> </ul>

Areas for investigation	Issues	Reasons for investigating
7. Marketing infrastructure	<ul style="list-style-type: none"> <li>a. Transport infrastructure (roads, ports, airports, waterways, railway).</li> <li>b. Market places.</li> <li>c. Storage and processing facilities.</li> <li>d. Communications.</li> <li>e. Electricity.</li> <li>f. Water supply.</li> <li>g. Infrastructure adequacy and bottlenecks (evidence of excess or unutilized capacity).</li> </ul>	<ul style="list-style-type: none"> <li>i. In many countries, infrastructural constraints constitute severe bottlenecks to marketing.</li> <li>ii. Excess, underutilized capacity suggests uneconomic investments and deficient allocation of resources.</li> </ul>
8. Government, marketing institutions and policies	<ul style="list-style-type: none"> <li>a. Regulations: rules, input and product regulations, laws affecting marketing and trading, property rights.</li> <li>b. Public marketing institutions.</li> <li>c. Macroeconomic policies: price policies, exchange rate policies, labor policies, fiscal and monetary policies.</li> <li>d. Banking and credit policies.</li> </ul>	<ul style="list-style-type: none"> <li>i. The regulatory environment affects the incentives facing market participants and their behavior.</li> <li>ii. Public marketing institutions influence the organization, operation and performance of marketing systems.</li> <li>iii. Macroeconomic policies condition and shape the environment in which market participants make production and marketing decisions.</li> <li>iv. Banking and credit policies determine who has access to formal credit.</li> </ul>
9. International trade and commodity competitiveness	<ul style="list-style-type: none"> <li>a. Commodity exports and world market situation.</li> <li>b. Imports of the commodity or substitutes, and their impact on production, markets and prices.</li> <li>c. Trends in exports and imports.</li> <li>d. Likely changes in exports and imports, and emerging market opportunities or dependencies.</li> <li>e. Competitiveness of exports in particular foreign markets.</li> </ul>	<ul style="list-style-type: none"> <li>i. International trade affects production and marketing incentives and opportunities, consumption patterns and preferences, and the behavior of market participants.</li> <li>ii. International market conditions influence a country's comparative advantage in production and export of agricultural commodities.</li> </ul>

## ANNEX 3

# Advantages and Disadvantages of Different Key Informants

Key informant	Advantages	Disadvantages
1. Farmers	<ul style="list-style-type: none"> <li>a. Knowledge of input sources, production practices, production technologies, prices and marketed surplus in their own area.</li> <li>b. Knowledge of production and marketing constraints faced by producers in a given area.</li> </ul>	<ul style="list-style-type: none"> <li>i. Subsistence-oriented farmers may have limited knowledge of marketing opportunities.</li> </ul>
2. Collectors	<ul style="list-style-type: none"> <li>a. Detailed knowledge of exchange arrangements with producers and wholesalers.</li> <li>b. Knowledge of marketing opportunities, production, stocks, and prices in particular areas.</li> </ul>	<ul style="list-style-type: none"> <li>i. Knowledge rarely extends beyond relatively small geographical areas.</li> </ul>
3. Wholesalers	<ul style="list-style-type: none"> <li>a. Broad perspective of marketing systems.</li> <li>b. Knowledge of production, stocks, product flows, prices, and demand in different rural and urban areas.</li> <li>c. Good understanding of marketing constraints.</li> </ul>	<ul style="list-style-type: none"> <li>i. Extremely busy and often difficult to interview for more than a short period.</li> <li>ii. May be uncooperative informants for fear that the information provided may be disclosed to government officials or competitors.</li> </ul>
4. Institutional buyers (supermarket chains, schools, hospitals, military)	<ul style="list-style-type: none"> <li>a. Often major buyers of high-value commodities, such as fruit, vegetables, and livestock products.</li> <li>b. May have negotiated contractual arrangements with large wholesalers, processors or importers.</li> </ul>	<ul style="list-style-type: none"> <li>i. As buyers of final products, they may have limited knowledge of the upstream marketing system.</li> <li>ii. Often constitute a small proportion of final demand for staple commodities.</li> </ul>
5. Retailers	<ul style="list-style-type: none"> <li>a. Have better knowledge of consumer wants and needs than most other market participants</li> <li>b. Knowledge of wholesaler-retailer exchange arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>i. In many countries small retailers are relatively homogeneous, conservative and lack a perspective of the whole marketing system.</li> </ul>
6. Importers/exporters	<ul style="list-style-type: none"> <li>a. Knowledge of magnitude, timing and prices of imports and exports.</li> <li>b. Detailed understanding of import and export practices, procedures and regulations.</li> <li>c. Some knowledge of wholesale and retail distribution systems.</li> <li>d. Good understanding of the potential and constraints for success in export markets.</li> </ul>	<ul style="list-style-type: none"> <li>i. May know little about how commodities are assembled for export, or how they are distributed after importation.</li> <li>ii. May be unwilling to report export/import volumes and prices if involved in smuggling and under- or over-invoicing.</li> <li>iii. May be unwilling to share business practices if informal payments were made to obtain export or import rights.</li> </ul>
7. Managers of processing firms	<ul style="list-style-type: none"> <li>a. Have a broad perspective of marketing systems.</li> <li>b. Knowledge of production and prices in selected rural areas, and demand for processed products in urban markets.</li> <li>c. Detailed knowledge of marketing arrangements and risk-sharing mechanisms with producers, producer groups, and buyers of processed commodities.</li> </ul>	<ul style="list-style-type: none"> <li>i. May be uncooperative respondents due to fear that the information provided might be disclosed to government officials or competitors.</li> <li>ii. Will often under-report production in order to evade taxation.</li> </ul>
8. Transporters	<ul style="list-style-type: none"> <li>a. Knowledge of direction and magnitude of product flows.</li> <li>b. Familiar with the structure of commodity trade. Can often identify large-volume traders and processors.</li> <li>c. Can provide transport cost data, which are often a significant proportion of total marketing costs.</li> </ul>	<ul style="list-style-type: none"> <li>i. Do not actually participate in trade, so may lack knowledge of trading practices and commodity prices.</li> </ul>

<b>Key informant</b>	<b>Advantages</b>	<b>Disadvantages</b>
9. Input producers and suppliers	<ul style="list-style-type: none"> <li>a. Knowledge of input demand in different regions.</li> <li>b. Knowledge of input supply, flows and prices at the wholesale and retail level.</li> </ul>	<ul style="list-style-type: none"> <li>i. Suppliers who adulterate inputs (e.g. fertilizer) may be uncooperative informants.</li> <li>ii. Lack knowledge about marketing systems for agricultural commodities.</li> </ul>
10. Extension officers	<ul style="list-style-type: none"> <li>a. Are familiar with farmers' production and marketing practices and strategies.</li> <li>b. May have good information about marketing arrangements between producers and input suppliers, and between producers and buyers.</li> <li>c. Detailed knowledge of local farms, including size, distribution, production technologies adopted, food security situation, and range of marketed products.</li> <li>d. May have good understanding of the production and marketing constraints affecting farmers in the local area.</li> </ul>	<ul style="list-style-type: none"> <li>i. Limited knowledge of marketing systems beyond the local area.</li> <li>ii. May be a biased source of information regarding production practices and technology utilization.</li> <li>iii. May have limited knowledge due to poor pay conditions and low mobility within their area of operation.</li> </ul>
11. Government officers	<ul style="list-style-type: none"> <li>a. Good knowledge of the policy and regulatory framework.</li> <li>b. Can provide an understanding of government strategies and priorities for the development of specific commodity sub-sectors.</li> <li>c. May have an historical perspective of the commodity sub-sector.</li> </ul>	<ul style="list-style-type: none"> <li>i. Often lack detailed knowledge of agricultural commodity sub-sectors.</li> <li>ii. May hold pre-conceived ideas of the constraints affecting the sub-sector and the solutions required to address them.</li> </ul>
12. Bank officers	Have detailed knowledge of the factors constraining access to formal credit by different market participants.	<ul style="list-style-type: none"> <li>i. May not have much contact with, and understanding of, most participants in the market chain.</li> </ul>
13. Academics and Researchers	<ul style="list-style-type: none"> <li>a. Knowledge of literature and secondary data sources, and their reliability.</li> <li>b. May have a good understanding of marketing systems and conceptual issues.</li> </ul>	<p>May have a narrow perspective and biased perceptions linked to their discipline.</p> <p>May lack detailed knowledge of the business objectives, practices, and problems of participants at different stages of the marketing system.</p>

## ANNEX 4

# Examples of Question Checklists for Different Actors and Service Providers

<b>Input Traders</b>	
1. Background information	<ul style="list-style-type: none"><li>a. Location</li><li>b. Years in operation</li><li>c. Type of inputs and other products traded</li></ul>
2. Procurement and sale of inputs	<ul style="list-style-type: none"><li>a. Volumes traded per type of input (month, year)</li><li>b. Seasonality in input sales</li><li>c. Suppliers of inputs and their location</li><li>d. Buyers of inputs and their location</li><li>e. <b>Current wholesale and retail prices for different inputs</b></li></ul>
3. Trends	<ul style="list-style-type: none"><li>a. Trends in input sales (say over the past 3 years) and reasons behind these trends</li><li>b. Perception of future input demand trends (say over the next 3 years) and key driving factors</li><li>c. Trends in input prices (say over the past 3 years) and reasons behind these trends</li><li>d. Perception of future price trends (say over the next 3 years) and key factors that are likely to drive these trends</li></ul>
4. Transactions	<ul style="list-style-type: none"><li>a. Buying arrangements/conditions: e.g. sales on credit, prompt cash payment, etc</li><li>b. Selling arrangements/conditions: e.g. sales on credit, prompt cash payment, payment in kind, etc</li></ul>
5. Policies and regulations	<ul style="list-style-type: none"><li>a. Key policies and regulations, and their influence on the development of input trading</li></ul>
6. Constraints and opportunities	<ul style="list-style-type: none"><li>a. Key constraints to the development of the input trading business</li><li>b. Solutions to these problems</li><li>c. Key opportunities to develop the wholesale business</li><li>d. Factors that could enable this development</li><li>e. Recommendations for improving access to inputs by farmers</li></ul>



**Farmers**

1. Production	<ul style="list-style-type: none"><li>a. Total cultivated areas across different farming household types</li><li>b. Cultivated areas for the commodity studied per type of farming household</li><li>c. Production technologies and practices (e.g. input use) across different types of farming household</li><li>d. Typical production volumes across different types of farming household</li><li>e. Seasonality in production</li><li>f. Gender division of labor in production</li></ul>
2. Post-harvest and marketing	<ul style="list-style-type: none"><li>a. Post-harvest practices and technologies at farm level (drying, cleaning, sorting, storage, etc)</li><li>b. Share of production typically sold in the market across different types of farming household</li><li>c. Seasonality in marketing and underlying reasons</li><li>d. Buyers (neighbors, collectors, assembly traders, wholesalers, processors, retailers, etc) and their relative importance</li><li>e. Places of sale (farm-gate, village market, commune market, district market) and their relative importance</li><li>f. Advantages and disadvantages of different markets and buyers</li><li>g. Gender division of labor in post-harvest and marketing activities</li></ul>
3. Production and demand trends	<ul style="list-style-type: none"><li>a. Production trends (say over the past 3 years) and key factors behind these trends.</li><li>b. Demand trends (say over the past 3 years) and key factors behind these trends.</li><li>c. Major changes in demand (e.g. with regards to variety, quality, etc)</li><li>d. Expectations regarding future production and demand trends (say over the next 3 years)</li></ul>
4. Prices	<ul style="list-style-type: none"><li>a. Current selling prices at different locations (farm-gate, village markets, etc)</li><li>b. Influence of produce quality (variety, moisture content, cleanliness, grades, etc) on prices</li><li>c. Degree of price volatility within seasons</li><li>d. Degree of price variations across seasons</li><li>e. Price trends (say over the past 3 years) and key factors behind price trends</li><li>f. Perception of future price trends (say over the next 3 years) and key driving factors</li></ul>
5. Transactions	<ul style="list-style-type: none"><li>a. Selling arrangements (cash or barter basis, prompt or delayed payment, etc)</li><li>b. Bargaining position vis-à-vis buyers</li><li>c. Horizontal coordination/cooperation between producers (individual versus group sales)</li><li>d. Buyer requirements (product quality, regularity of supply, volumes, place of delivery, etc)</li><li>e. Embedded service provision by buyers (market information, credit, inputs, technical assistance, contracts, etc)</li></ul>
6. Access to services	<ul style="list-style-type: none"><li>a. Input supply (sources, quality and affordability of inputs, problems, etc)</li><li>b. Market information (sources, reliability, problems, etc)</li><li>c. Technical advice on production, post-harvest and marketing (sources, reliability, problems, etc)</li><li>d. Processing (availability, problems, etc)</li><li>e. Storage (availability, cost, problems, etc)</li><li>f. Transport (availability, cost, problems, etc)</li><li>g. Finance (sources, cost, problems, etc)</li><li>h. Other services</li></ul>
7. Policies and regulations	<ul style="list-style-type: none"><li>a. Perception of key policies and regulations, and their impact on production and marketing of the commodity under study.</li></ul>
8. Constraints and opportunities	<ul style="list-style-type: none"><li>a. Key constraints to production of the commodity under study.</li><li>b. Key constraints to marketing of the commodity under study.</li><li>c. Key opportunities in the production and marketing of the commodity under study.</li><li>d. Proposed solutions to address constraints and enable access to opportunities.</li></ul>

## Wholesalers

1. Background information	<ul style="list-style-type: none"> <li>a. Location</li> <li>b. Years in operation</li> <li>c. Number and type of commodities traded</li> <li>d. Number of employees</li> </ul>
2. Sources of produce	<ul style="list-style-type: none"> <li>a. Geographical origin of produce purchased.</li> <li>b. Relative importance (in terms of volumes) of different supplying areas by season.</li> <li>c. Differences between supplying regions with regards to quality of produce.</li> <li>d. Major suppliers (individual producers, farmer groups or cooperatives, collectors, assembly traders, other wholesalers, etc).</li> <li>e. Relative importance of different suppliers according to volumes and regularity of supply.</li> <li>f. Differences between suppliers with regards to quality.</li> <li>g. Advantages and disadvantages of different supplying areas and suppliers.</li> </ul>
3. Destination of produce	<ul style="list-style-type: none"> <li>a. Destination markets for the produce.</li> <li>b. Relative importance (in terms of volume) of different destination markets.</li> <li>c. Major buyers (other wholesalers, retailers, processors, supermarkets, exporters, etc).</li> <li>d. Relative importance of major buyers according to volumes purchased and regularity of purchase.</li> <li>e. Product requirements according to type of buyer.</li> <li>f. Advantages and disadvantages of different markets and buyers.</li> </ul>
4. Demand and supply trends	<ul style="list-style-type: none"> <li>a. Production and supply trends (say over the past 3 years) and key factors behind these trends.</li> <li>b. Differences between different areas with regards to production trends.</li> <li>c. Demand trends (say over the past 3 years) and key factors behind these trends.</li> <li>d. Differences between different markets (urban/rural, regional/national/export) with regards to demand trends.</li> <li>e. Expectations regarding future supply and demand trends (say over the next 3 years).</li> </ul>
5. Prices	<ul style="list-style-type: none"> <li>a. Current wholesale purchasing prices.</li> <li>b. Current wholesale selling prices.</li> <li>c. Degree of price volatility within the season.</li> <li>d. Influence of produce quality (variety, moisture content, cleanliness, grades, etc) on prices.</li> <li>e. Seasonal pricing patterns and factors behind seasonality.</li> <li>f. Price trends (say over the past 3 years) and key factors behind price trends.</li> <li>g. Perception of future price trends (say over the next 3 years) and key driving factors.</li> </ul>
6. Transactions	<ul style="list-style-type: none"> <li>a. Volumes purchased (per week, month, season, and year).</li> <li>b. Value added to produce (cleaning, drying, sorting, grading, packaging, etc).</li> <li>c. Places of purchase (farm, assembly market, warehouse, etc).</li> <li>d. Places of sale (warehouse, wholesale markets, ex-factory, etc).</li> <li>e. Use of buying agents (other traders, such as collectors and assembly traders).</li> <li>f. Payment procedures, both when purchasing and selling (cash or barter basis, prompt or delayed payment, etc).</li> <li>g. Other terms and condition for purchases and sales.</li> </ul>
7. Storage	<ul style="list-style-type: none"> <li>a. Type of storage facilities.</li> <li>b. Storage capacity.</li> <li>c. Storage management practices.</li> <li>d. Normal storage period.</li> <li>e. Reasons for storing produce.</li> <li>f. Profitability of storage activities.</li> <li>g. Ownership of storage facilities (owned or rented).</li> </ul>

**Wholesalers**

8. Support services	<ul style="list-style-type: none"><li>a. Transport (means of transport used and capacity; ownership of transport vehicles; availability and cost of rented transport; etc).</li><li>b. Market information (sources; reliability; problems; etc)</li><li>c. Credit (sources and their relative importance; frequency; cost; problems; etc)</li><li>d. Other support services.</li></ul>
9. Support infrastructure	<ul style="list-style-type: none"><li>a. Quality of road infrastructure.</li><li>b. Quality of market infrastructure.</li><li>c. Quality and cost of power supply and other utilities.</li><li>d. Assessment of other key support infrastructure.</li></ul>
10. Policies and regulations	<ul style="list-style-type: none"><li>a. Key policies and regulations (foreign exchange, labor, land, credit, taxation, registration, fees on produce flow, imports and exports, etc).</li><li>b. Impact of policies and regulations on the marketing system.</li><li>c. Necessary policy and regulatory changes.</li></ul>
11. Marketing costs and risks	<ul style="list-style-type: none"><li>a. Main marketing costs (labor, transport, credit, communications, product losses, etc).</li><li>b. Marketing costs per unit of produce (say 100 kilograms): collection, handling, transport, storage, credit, packaging, taxes, etc.</li><li>c. Main marketing risks (product losses, availability and quality of produce, contract default, price fluctuations, etc).</li></ul>
12. Key constraints and opportunities	<ul style="list-style-type: none"><li>a. Key constraints to the development of the wholesale business.</li><li>b. Solutions to these problems.</li><li>c. Key opportunities to develop the wholesale business.</li><li>d. Factors that could enable access to opportunities.</li></ul>

**Agro-Processors**

1. Background information	a. Location. b. Years in operation.
2. Scale of operation	a. Type of processing technology. b. Processing capacity (per shift, numbers of shifts). c. Volumes processed (per month, season, annum). d. Number of workers (permanent, seasonal, casual, and part-time).
3. Sources of produce	a. Geographical origin of produce purchased. b. Relative importance (in terms of volumes) of different supplying areas by season. c. Differences between supplying regions with regards to quality of produce. d. Major suppliers (individual producers, farmer groups or cooperatives, collectors, assembly traders, other wholesalers, etc). e. Relative importance of different suppliers according to volumes and regularity of supply. f. Differences between suppliers with regards to quality. g. Advantages and disadvantages of different supplying areas and suppliers.
4. Destination of processed produce	a. Destination markets. b. Relative importance (in terms of volume) of different destination markets. c. Major buyers (wholesalers, small retailers, supermarkets, exporters, etc). d. Relative importance of major buyers according to volumes purchased and regularity of purchase. e. Product requirements according to type of buyer. f. Advantages and disadvantages of different markets and buyers.
5. Demand and supply trends	a. Trends in raw material supply (say over the past 3 years) and key factors behind these trends. b. Differences between supplying areas with regards to production trends. c. Demand trends for the processed product (say over the past 3 years) and key factors behind these trends. d. Differences between different markets (urban/rural, regional/national/export) with regards to demand trends. e. Expectations regarding future supply and demand trends (say over the next 3 years).
6. Prices	a. Current prices for purchased (unprocessed) produce. b. Current prices for processed product. c. Degree of price volatility for unprocessed and processed produce within the season. d. Influence of quality (variety, moisture content, cleanliness, grades, etc) on the price of purchased (unprocessed) produce. e. Influence of quality on the price of processed produce f. Seasonal pricing patterns and factors behind seasonality for unprocessed and processed produce. g. Past price trends (say over the past 3 or 5 years) for unprocessed and processed produce, and key factors behind these trends. h. Perception of future price trends (say over the next 3 to 5 years) for unprocessed and processed produce, and key driving factors.
7. Transactions	a. Volumes of produce purchased (per week, month, season, and year). b. Volumes of processed product sold (per month, season, and year). c. Places of purchase (farm, assembly market, wholesale market, factory, etc). d. Places of sale. e. Use of buying agents. f. Use of selling agents. g. Payment procedures, both when purchasing and selling (prompt or delayed payment, etc). h. Other terms and condition for purchases and sales.
8. Storage	a. Type of storage facilities. b. Storage capacity. c. Storage management practices. d. Volumes stored. e. Normal storage period.
9. Support services	a. Transport (means of transport used and capacity; ownership of vehicles; availability and cost of rented transport; etc). b. Technology (access to and cost of equipment, spare parts, maintenance and repair services, etc). c. Utilities (quality and cost of power and water supply). d. Consultancy services (access and quality). e. Market information (sources; reliability; problems; etc) f. Credit (sources and their relative importance; frequency; cost; other conditions; problems; etc) g. Other support services.

**Agro-Processors**

10. Policies and regulations	<p>a. Key policies and regulations (foreign exchange, labor, land, credit, taxation, registration, fees on produce flow, imports and exports, etc).</p> <p>b. Impact of policies and regulations on the whole marketing system.</p> <p>c. Necessary policy and regulatory changes.</p>
11. Processing costs	<p>a. Main processing costs (produce, labor, transport, credit, energy, water, repairs, communications, product losses, taxes, etc).</p> <p>b. Processing costs per unit of output.</p>
12. Constraints and opportunities	<p>a. Key constraints to the development of the processing activity.</p> <p>b. Solutions to these problems.</p> <p>c. Key business opportunities.</p> <p>d. Factors that could enable access to these opportunities.</p>

## ANNEX 5

# Key Points to be Evaluated in a Market Chain Study

Dimensions of the market study	<ul style="list-style-type: none"> <li>• Map of area, market chain, channel, product flows in selected study</li> <li>• Rapid Overview of the Economic Status of the Countries</li> <li>• Macro-Economic Developments</li> <li>• Trade and Competitiveness: Recent Reforms, Performance and Market Access</li> </ul>
Product Case Studies and Analyses:	<ul style="list-style-type: none"> <li>• Production zones</li> <li>• Importance of the product to earnings, rural livelihoods, poverty alleviation and economic growth</li> <li>• Principle production and marketing constraints limiting the product export expansion</li> <li>• Medium and long term market outlooks across the product, for national, regional and export trade</li> </ul>
Clients for study	<ul style="list-style-type: none"> <li>• Exporter, commercial buyers, processors, farmer association, service provide</li> </ul>
Demand analysis	<ul style="list-style-type: none"> <li>• Growth categories (exponential growth, steadily increasing demand, stagnant)</li> <li>• Market size (estimate volume of the market, key segments products, segments buyers)</li> <li>• Market opportunities identified by market type, (local, district, national, regional, export)</li> <li>• Price trends over past 5-10 years</li> <li>• Volume trends over similar period</li> <li>• Principal buyers of this product, competitors and the advantages they enjoy</li> <li>• Market barriers</li> <li>• Market requirements in this product area what customers / importers will pay for</li> <li>• Quality and health standards that have to be met</li> <li>• Processing and packaging requirements</li> <li>• Volume and delivery time requirements</li> <li>• Product differentiation needed to succeed.</li> </ul>
Supply analysis	<ul style="list-style-type: none"> <li>• Analyze the market chain including:-</li> <li>• Production costs, and margins down the market chain and assess possible changes that would overcome any bottlenecks within the system</li> <li>• Principle constraints to production of this commodity</li> <li>• Costs of production</li> <li>• Finance / credit</li> <li>• Quality control measures</li> </ul>
Major challenges to market entry within markets identified	<ul style="list-style-type: none"> <li>• Organization</li> <li>• Technology</li> <li>• Services</li> <li>• Policy</li> </ul>
Institutional and market barriers	<ul style="list-style-type: none"> <li>• Marketing barriers (local, national and regional)</li> <li>• Finance</li> <li>• Price information</li> <li>• Grades and standards, health certifications</li> <li>• Market linkages</li> </ul>
Institutional and policy constraints	<ul style="list-style-type: none"> <li>• Private sector organization / institutional set-up along the production / marketing chain</li> <li>• Government barriers</li> <li>• Trade barriers</li> </ul>
Regional comparison of comparative / competitive advantages	<ul style="list-style-type: none"> <li>• Highlight most competitive areas and products</li> <li>• Provide an analysis of areas with comparative advantage, that is being exploited and other areas that may have comparative advantage but is not able to realize this potential</li> <li>• Given that future R&amp;D investment is limited, provide suggestions of where specific types of investment would provide most economic gain.</li> </ul>
The way forward: Production and market growth strategies for the product market chain	<ul style="list-style-type: none"> <li>• Development strategies for the sub-sector on national and regional advantage basis:-</li> <li>• Growth markets and product areas</li> <li>• Priority requirements (changes in production, processing and quality control and enhancement, product differentiation, technology and investment.</li> <li>• Respective roles and actions of private and public sectors</li> <li>• Short term and longer term actions needed (balancing poverty reduction and growth objectives)</li> </ul>

<p>Priority Government intervention to support the production and export development strategy</p>	<ul style="list-style-type: none"> <li>• Areas where government / donors will have greatest impact growth from this market chain</li> <li>• Infrastructure development</li> <li>• Improved planting material / product improvement</li> <li>• Processing and processing efficiency</li> <li>• Market information</li> <li>• Attracting foreign investment and technology</li> <li>• Policy, legislative and institutional support</li> <li>• Indicative costing / timing / phasing/ prioritization of these proposals</li> <li>• Areas where donor assistance might be best applied.</li> </ul>
<p>Conclusions</p>	<ul style="list-style-type: none"> <li>• Major finding, recommendations and steps in interventions for future R&amp;D / commercial applications</li> </ul>

## ANNEX 6

# Example of RMA Report Structure

<b>Acknowledgments</b>	In the acknowledgements, the authors of the report credit the contribution that different people have made to the study, for example by funding it or by providing documentation, information, and comments. Special thanks are due to people who have made a particularly significant contribution to the success of the appraisal.
<b>Table of Contents</b>	The Table of Contents lists the different sections and chapters of the report in sequential form, including the annexes, and the starting page for each section/chapter.
<b>List of Tables</b>	List of the different tables presented in the report and the respective pages.
<b>List of Figures</b>	List of the different figures presented in the report and the respective pages.
<b>List of Diagrams</b>	List of the different diagrams presented in the report and the respective pages.
<b>Acronyms</b>	Abbreviations or acronyms are should be listed for easy reference.
<b>Glossary</b>	Several technical terms are used in RMA reports. It is useful to include a glossary with a brief explanation of key terms and expressions to enhance understanding of the text.
<b>Executive Summary</b>	The summary of findings is one of the most important sections of a report. Many readers face significant time constraints and therefore will only read the Executive Summary. This section should provide a clear summary of the report. While a brief description of the RMA purposes and the methods used should be provided, the emphasis should lie in the key findings, conclusions and recommendations.
<b>Introduction</b>	The introduction provides background information regarding the RMA. It describes the context of the study, including funding and implementing agencies, the team involved, and the duration of the exercise. In addition, the introductory section should include a problem statement and outline the purpose and objectives of the RMA. The structure of the report is also summarized in the introduction.
<b>Methodology</b>	This chapter explains the RMA methodology, with a particular emphasis on the methods or tools used for data collection and analysis. The chapter should describe the sources of secondary and primary data and information; the methods and procedures for selecting markets and key informants (sampling); the number and type of markets and facilities visited; and the number and type of interviews conducted.
<b>Middle sections</b>	Analysis and findings
<b>Conclusions</b>	The key findings of the RMA and their implications are summarized in this chapter. It is important that these conclusions are based on hard evidence gathered during the appraisal, rather than on the subjective opinions of team members or key informants.
<b>Recommendations</b>	These should be presented to meet the needs of clearly identified clients of the rapid market survey. If the study is being done for an entrepreneur, the study should provide clear evidence of opportunities and challenges for his or her business investment options. Similarly, if the target beneficiaries are farmers, the market opportunities should be presented in a way that makes sense to their investment bracket. Typically recommendations are made, in three areas, (i) market opportunities (given by market type, local, national, regional, export, (ii) technical, and policy related. The recommendations should be concise and easily interpreted.
<b>References</b>	Secondary information sources should be listed in a references' section. These sources may include studies, reports, data time series, and web pages. Sources should be listed by author or organization, and in alphabetical order.
<b>Annexes</b>	The number of annexes will vary according to the information that the report authors wish to make available. RMA reports normally include one annex listing the people interviewed and another outlining the fieldwork schedule. Additional annexes may contain interview checklists and questionnaires, statistical data, figures, graphs, copies of legislation, case studies, photos, and other material.



## Basic Business Plan

	<b>Subsections</b>	<b>Related questions</b>
<b>1. Introduction</b>	Project Name:	Name of the agro-enterprise team and goal of the business
	Address:	What is your contact address
	Phone number:	What is your phone number
<b>2. Business Organization</b>	Vision or Goal:	What is the Vision or objective of the enterprise? With SALES TARGETS
	Describe business:	How long has this group been in existence? Is the group registered?
	Name key positions in business:	Chair, treasurer, secretary, lead farmer, market agent, other
	Number of members by gender:	Number of men and number of women
	Current savings/ bank statement:	Latest financial statement, savings levels,
<b>3. Product</b>	Product Name:	What product will you sell? Drop Down
	Existing / New:	Is this an existing product or new product for your group?
	Benefits to buyer:	Why is the buyer interested in product? Is it cheaper, better quality, local, other benefit or advantage?
<b>4. Marketing strategy Introduction</b>	Define Target Market:	Define target market (local, district, national, supermarket)
	Location:	How far is this market from the production site (km)
	Market type:	Is this an existing market or a new market for your group?
	Describe Customers	Type of trader, or processor, who is your buyer?
<b>Product</b>	Describe key product attributes:	What are the attributes of the product (variety, quality, packaging, etc.)?
<b>Price</b>	Describe price setting:	How will the price be established? Offer price, contract price,
<b>Place</b>	How will you get product to market:	Sales team, street vending, carry, pick up, cycle, lorry, donkey
<b>Promotion</b>	How will you promote your product:	Voice, phone, through trader, person to person contacts, other
<b>5. Market RISKS</b>	Identify key risks to plan:	Indicate key challenges to the action plan? And how can they be overcome?
	What risk mitigation plans:	Are there ways of minimizing the risks?
<b>6. Business Operation Plan</b>	Describe you business flow:	Describe the stepwise activities from production to sale
	Pre-production activities:	Pre-production: input procurement, nursery,
	Production activities:	Production activities: plowing, sowing, weeding,
	Post harvest activities:	Postharvest activities: drying, sorting storage etc.
	Marketing activities:	Marketing activities: buyer linkage, negotiation, transport
	Essential partners:	Partners may include extension, input supplier, transporter
	What assets are essential to plan:	Key assets include land, labor, staff, crops, processing methods,
<b>7. Production Costs</b>	<b>Total material costs</b>	Calculate costs / season / year
	<b>Total Labor costs</b>	Calculate costs / season / year

	<b>Subsections</b>	<b>Related questions</b>
<b>8. Income Streams</b>	Project sales volumes	Planned Sales volumes / Give clear units of sale bag – 100kg
	Project sales price	Selling price of product Give dollar conversion, 250 shillings / bag \$1 =
	Estimate season income:	Estimate seasonal sales
<b>9. Profit and Loss Analysis</b>	Gross Margin:	Calculate Gross Margin and Net Income
<b>Fine tuning</b>	Strategies to increase profit:	What changes can be made to increase Gross Margin and Net Income?
<b>10. Financial requirements</b>	Start up capital requirements:	How much capital do you need to start the business?
	Capital funds available:	How much capital do you and your members/partners have?
	Capital funds required:	How much capital are you lacking?
	Method to raise funds:	How can raise the funds that you are lacking?