



Enhancing access to markets for smallholder farmers: looking forward year 2015

Concept Paper

Commissioned by VECO Tanzania and prepared by Match Maker Associates Ltd

Discussion Document for VECO Tanzania national stakeholders' workshop on
smallholder farmers access to markets: looking forward year 2015.
22nd and 23rd of March 2006, Protea Hotel Courtyard, Dar es Salaam, Tanzania.

Acronyms

AMF	Access to Markets Framework
AMSDP	Agricultural Marketing Systems Development Programme
BDS	Business Development Services
CBI	Centre for the Promotion of Imports from Developing Countries
COMESA	Common Market for Eastern and Southern Africa
COOIBO	A Belgian NGO
EAC	East Africa Community
Envirocare	Environment and Human Rights Organisation
ESA	East and Southern Africa
EU	European Union
EurepGAP	Euro-Retailer Produce Good Agricultural Practices
FAO	United Nations Food and Agriculture Organisation
FIDHUSCO	Fidahusseini & Company Limited
FLO	Fair Trade Labelling Organisation
HACCP	Hazard Analysis of Critical Control Points
HPI	Heifer Project International
IS	Institutional Strengthening
ITC	International Trade Centre
METL	Mohammed Enterprises Tanzania Limited
MFIs	Micro-Finance Institutions
MIS	Market Information Services
MMA	Match Maker Associates Limited, PSD Consultants
NGO	Non Government Organisation
OD	Organisation Development
PESTEEL	Political, Economical, Social, Technological, Environmental/Ethical and Legal
PSD	Private Sector Development
R&D	Research and Development
SADC	Southern Africa Development Community
SHF	Smallholder farmers
SME	Small and Medium Enterprises
SNV	Netherlands Development Organisation
SUA	Sokoine University of Agriculture
TCCIA	Tanzania Chamber of Commerce Industry and Agriculture
TRALAC	Trade and Law Centre in Southern Africa
UDEC	University of Dar es Salaam Entrepreneurship Centre
UDSM	University of Dar es Salaam
USA	United States of America
VECO	Vredeseilanden Country Office
WTO	World Trade Organisation

Table of Contents

ACRONYMS	II
TABLE OF CONTENTS	III
1.0 PREAMBLE	1
2.0 ACCESS TO MARKET	2
3.0 ACCESS TO MARKET “FRAMEWORK”	2
3.1 The Seller and Buyer	3
3.2 Key factors	4
3.3 Driving forces	7
3.4 Business services	9
3.4.1 Generic services	10
3.4.2 Embedded services	10
4.0 CHALLENGES FOR THE FUTURE	11
4.1 Assessment of smallholder farmers assets	11
4.2 Devising comprehensive approach in facilitation	11
4.3 Policy enforcement	11
4.4 Coping with market dynamism	11
BIBLIOGRAPHY	13
ANNEXES	14

1.0 Preamble

VECO Tanzania started in Tanzania as COOPIBO where it signed an agreement with the government of Tanzania in 1976 and started to work effectively in 1978. It is one of the first COOPIBO programs and celebrated its 25 years cooperation in food security and innovation in Tanzania in December 2003. Between 1978 and 1995 COOPIBO implemented in partnership with local governments' projects aimed at food security and rural housing.

Because of the changing social, economic and political environment and the shift in development paradigms, VECO Tanzania programs underwent gradually a restructuring between 1995 and 2001. Most development programs became independent service NGO's with their own governing structures and management. The requests from these new NGOs shifted equally in character. While in the past the focus had been on technical support towards agricultural programs with aim of increasing production towards food security, more and more the needs of the new NGO's changed to support in OD processes that will enable them to deliver sustainable services towards their farmers. One of the requested services that more and more farmers demand is related to marketing of their produce and establishing sustainable market outlet channels.

In its strategic long-term action plan 2003 – 2007, VECO Tanzania, in line with the emerging needs of the NGO sector in Tanzania, decided to extend its focus on supporting Tanzanian NGO's in three domains:

- The development of NGO's governance systems through OS/ID
- The development of social economic room for manoeuvre through support towards initiatives in economic processes in sustainable agriculture¹ such as e.g. marketing, bio-agriculture and savings and credit, supported by Tanzanian NGO's
- The creation of conditions for claim making power of farmers to take place through knowledge management and support to advocacy initiatives

A more sustainable agriculture will lead to rural livelihood improvements: people can be better off, have more food, be better organized, have access to external services and power structures, and have more choices in their lives. These impacts make it worthwhile for Vredeseilanden (VECO mother organisation) to invest in processes heading towards sustainable agriculture.

Vredeseilanden (VECO) wants to contribute to viable livelihoods of organised family farmers in the South and North, choosing family farmers as the starting point in the implementation of its ambition. Income from sustainable agriculture is a key element in livelihood improvement. VECO contributes to family farmers' empowerment to improve their position in whole agricultural commodity chains, from production to consumption. In these chains, consumer demand and markets are driving forces.

Enhancement of the active participation of smallholder farmers in the market is therefore central to VECO Tanzania's realization and progress towards the desired economic impact at household level. VECO Tanzania wants to build on its past successes in East Africa in the area of food security, and current marketing initiatives into a more elaborate and marketing focused programme. This concept paper is a continuous process of contextual analysis of Tanzania

¹ VECO Tanzania definition and understanding of sustainable agriculture is attached as Annex 1

with relation to access to markets for smallholder farmers. This paper consolidates various interviews with VECO stakeholders, a desk top study and literature review.

2.0 Access to market

The onslaught of globalisation and liberalisation has made the African economy more integrated with the global economy. With gradual disappearance of the protective shield, the domestic market is thrown open to international competition. Consequently, African agriculture has profoundly changed its role in global markets and national economies. Economic reforms have forced the withdrawal of the state from agricultural/commodity markets. Livelihoods have become increasingly commercialised. Rural households are restructuring the ways they manage their economic activities and are transforming their social relations. Access to markets in developing countries is becoming more difficult and therefore, is becoming of central focus to governments and development practitioners in the developing world.

The concept of *market access*, *access to markets* or *market linkages* has as many definitions as practitioners and is used interchangeably. Some definitions developed by practitioners during recent interviews include but not limited to the following;

“Market access is the concept that describe the sum total of all skills acquired through experience or training that enable a farmer to get and maintain regular customers to his/her produce ... in other words it is a long term marketing relationship between a seller and a buyer.”

“This is a concept whereby producers of a certain product or commodity can sell to certain market outlet/niche. The market outlet could be conventional market, specialty market, organic market or a fair trade markets. The linkage could be individually to a company or collectively through associations. ”

The essence of market access concept is geared towards improving access. This improvement can be achieved through coordination of various actors and market players (sellers and buyers) and when necessary supported/facilitated by an external party. Facilitator in *access to market* has a lot of questions needing answers before interventions. There are key issues on equity, poverty reduction, power differences between seller and buyer and risk of exclusion of smallholder farmers (SHF) and small and medium enterprises (SMEs). There are concerns about food security, environment and biodiversity, gender and competitiveness of SMEs and SHF in particular market or coordinated supply chain. There is also need for clarity whether the focus should be local, regional or international market.

3.0 Access to Market “Framework”

Access to market framework (AMF) is adopted here and used as a tool for analysing context (actors, factors and forces) under which access to market occurs. The framework is a device which helps at identifying position of actors and their respective roles in access to market processes. Once gaps and factors impoverishing access to markets are known, the framework becomes useful at designing intervention strategies which will remove impoverishing factors, capitalise on enhancing factors and develop roles of various actors which will make access to market achievable results.

Figure 1 below depicts a simplified interrelatedness of these actors, factors and forces. Firstly, the framework emphasises that smallholder farmers and buyers (market) require a comprehensive package and not only one or few components. It is necessary to note that the

buyers (local and international) too may require some of the services in order to play their role effectively. Secondly, a distinction is made between service providers in the different components and facilitators (essentially the capacity developers of service providers). The service providers could be from primarily private sector, but also from government and specialised NGOs. The facilitators have an option, if desirable, to intervene at the market side in order to understand how markets function so as to avoid distortional effects and be able to develop markets for services. The ultimate vision in this framework is that farmers and buyers will eventually work on business principles as trust and business experience develops.

Facilitators are there to develop capacity of local business services providers (as well as to create or promote awareness at community levels for such services), so that they can offer relevant services to either farmers or other market players. The end picture to judge success of facilitation is when the facilitator agenda becomes redundant, market forces play a role and that they withdraw and move on. Experience suggests that facilitation requires patience and commitment among development practitioners and government especially in rural areas where level of market development is so low. The issue of embedded services indeed depicts emergence of a fast market development. Innovative arrangements to involve the buyers in delivering embedded services to smallholder farmers as part of commercial transaction is being emphasised. Embedded services could include design assistance, product development, provision of inputs, agronomy training, pre-financing of purchase of agricultural equipment, etc.

The main features of the framework, therefore; include;

- *The market players* i.e. seller (in this case smallholder farmer) and buyer guided by marketing basic principle (demand and supply), and the environment in which they operated
- *Key factors* (including impoverishing factors, political, economical, social, technological, environmental and legal factors) which influence access to markets and/or creating market imperfection.
- *Driving forces* (socio-political, economic and marketing forces) including international forces external to the local environment.
- *Business services* (developed from Business Development Services (BDS) market development paradigm), which are required by market players to support their transaction to take place.

The environment in which the transaction occurs will embrace factors and forces which influence (positively or negatively) access to markets by SME and SHF.

3.1 The Seller and Buyer

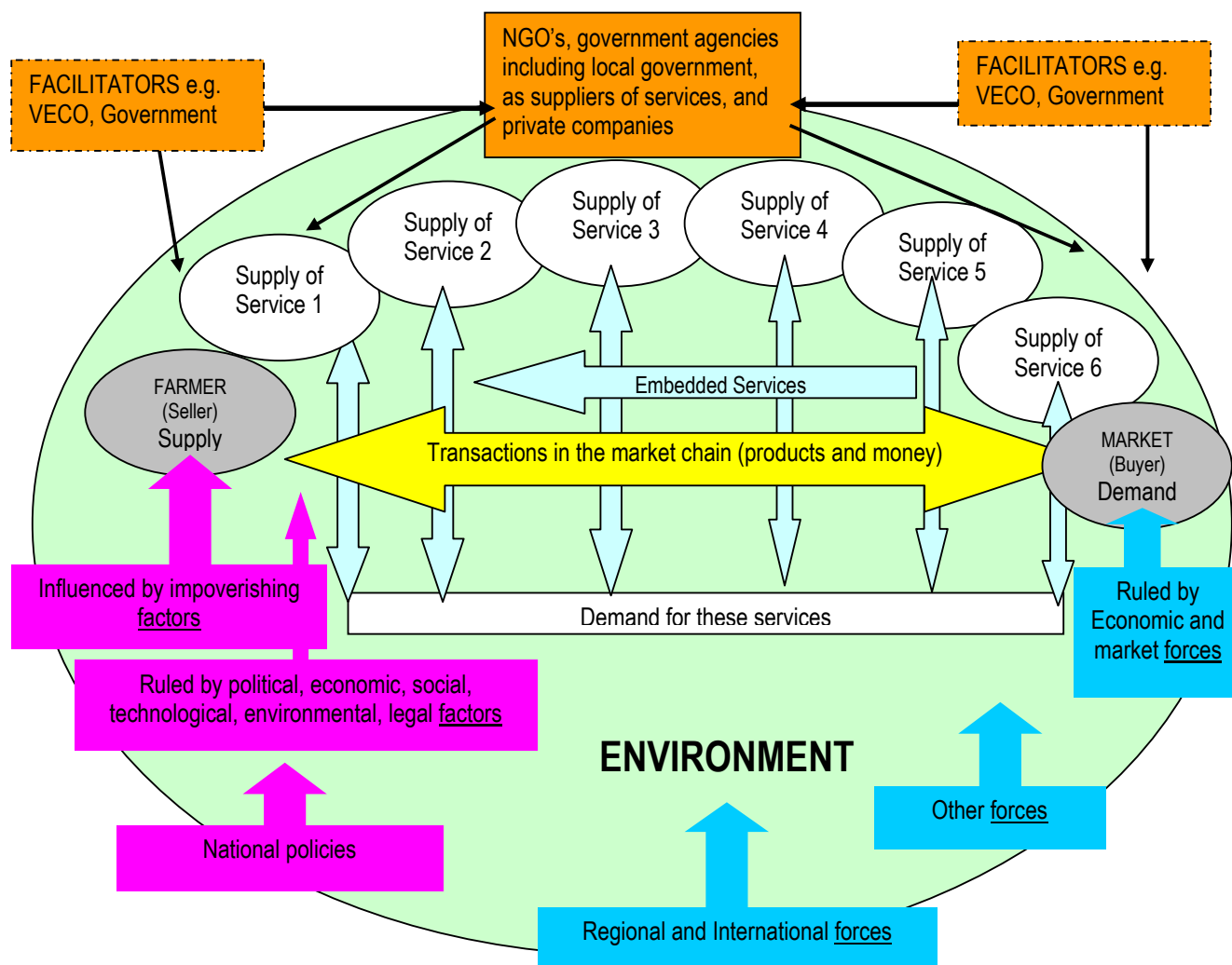
The primary actors in the market are sellers and buyers. The transaction between them is influenced by other actors, factors and forces in their proximity. Their transaction costs will go high or low depending on the influences of actors, factors and forces. Matching of demand and supply requirements is often the most critical challenge for the survival of any enterprise. The demand side of market linkages is where buyers are seeking raw materials in order to satisfy the requirements of the end users. On the other hand, the supply side of it is where farmers are seeking production support/ services and market outlets for their produce.

For any successful enterprise the following ingredients are crucial: Access to markets, access to resources/ inputs and managerial skills. The thrust of increased production and productivity on the side of farmers without taking into account the market requirements is often a frustration. The demand and supply of such ingredients is often in a disequilibrium state. Interventions to

bridge the gap are inevitable and the challenge is to facilitate it in such a way that market distortion is avoided.

There is also an issue of buyers versus sellers market. Typical trend in developing economies is where buyers market prevails. This has a number of features like price setting often by few, hence limited bargaining power on the side of producers etc. Inevitably this raises the need for a broker.

Figure 1: Market Linkages Facilitation Framework



Source: Adapted from VECO Tanzania literature and modified.

3.2 Key factors

Key factor in this context is defined as issues which will influence smallholder farmers' access to markets and which are within country control. A factor can have positive or negative impact (the future will tell), if something will have influence on the issue (negatively or positively) it is a factor. PEST analysis (now referred more as PESTEEL i.e. Political, Economical, Social, Technological, Environmental/Ethical and Legal analysis) can assist in identifying factors.

The main emphasis of this section is to identify the major factors affecting the 'access to markets' performance of sellers (SHF) and buyers (small and medium-sized enterprises (SMEs) and specifically agro industry enterprises (Agro-SMEs) and agribusinesses in Tanzania.

Literature shows that the 'access to markets' performance of SHF and Agro-SMEs has not changed significantly during the last decade. The managers, financial resources, the product characteristics, marketing activities, and trade relations; especially within the region (East Africa), with the European Union (EU) and USA, have played an important role on the 'access to market' performance. African SHF and Agro-SMEs realise strong competitive advantages due to competitive wage labour and favourable climate and soil conditions. There is also relatively good market growth potential in this region for the agricultural products.

In order to utilise these advantages fully and increase 'access to market' performance, there is need to improve the factors which affect performance in a negative manner. Lower 'access to markets' performance does not solely derive from external factors, geographical location, climate, and resource endowments as evidenced by relative success stories of SHF and Agro-SMEs in Kenya, Uganda and Ethiopia, which are largely similar to Tanzania in these respect.

A number of factors are cited by many practitioners as impoverishing smallholder farmers' access to markets in Tanzania. These include;

Policy thrust

Supportive policies influencing smallholder farmers' access to markets in Tanzania include

- Agricultural marketing policy
- Agriculture development policy
- SME Development policy

These and other related policies are backed up by the ruling party manifesto.

Infrastructure²

Rural infrastructure, in this context, includes investments that directly and indirectly affect productivity in agriculture and other rural non-farm activities. The main categories of economic infrastructural activity are investments in rural electrification, rural credit institutions, scientific agricultural research and extension, flood control and drainage, irrigation works, rural roads, rural transport, markets for inputs and outputs, storage structures and warehousing facilities, common property resources, and watershed development. In addition, it includes infrastructure for developing allied and non-farm activities like dairy development (i.e. improvement of diary animals, milk collection and chilling centres) and agro-processing and other village industries and crafts. While some infrastructures like irrigation, credit and agricultural research enable the adoption of new technology, some others, like transport, provide intermediate services to facilitate interaction between productive activities.

Social infrastructure includes activities like access to schools, primary health centres, safe piped drinking water, and sanitation; pavement of streets and building of community centres. While investment in economic infrastructure primarily plays a complementary role in increasing productivity of existing assets, generating more employment for labour and providing increased

² Infrastructure generally includes both physical and social overhead capital. In that broad sense, infrastructure would include public utilities, ports, water supplies and electricity transport, public utilities, schools and hospitals transport, power, law and order, education, public health, communications, water supply, irrigation, and drainage.

access to urban markets including labour markets, investment in social infrastructure results in creating a healthy working environment as well as facilitating human capital formation in rural areas.

Poor economic and social infrastructure can impede smallholder farmer access to market. This is because transaction costs will be high and therefore become un-affordable. Absence of institutional infrastructure (i.e. supportive regulatory environment, availability of service providers, etc.) also can impoverish smallholder farmer access to market. Even if good policies have been put in place, if they are not enforced, they can be useless.

Over reliance on rain fed agriculture

Most of Tanzanian smallholder farmers (SHF) rely solely on rain in their farming activities. During drought season, most of them fail to produce. The absence of irrigation schemes inculcates the whole situation. It has been established that Africa irrigates 4% of available irrigation land whereas its counterparts in Asia irrigates 40% of available land. It has been established that for some potential market opportunities available (for some product lines as e.g. paprika, passion fruits, and vanilla) complementary irrigation is necessary if the SHF is to reach economically viable volumes. This can be assured through construction of local dams and harvesting rain water.

Agronomy practice

Uncontrolled quality and availability of seeds has also lead SHF to use poor quality seeds which results in poor quality harvest. Unreliable supply of inputs has lead to rampant use of inferior quality seeds, uncontrolled pesticides, fertilisers, etc. Most of SHF in Tanzania are exposed to expensive integrated pest management techniques, mainly because of the ecological factors or use of inferior seeds or improper land use patterns e.g. horticultural producers in (especially tomatoes in Kilimanjaro and Arusha regions) use strong pesticides because of prevalent diseases. Stringent standards for EU and USA markets i.e. pesticide regulations, HACCP, EurepGAP³, quality, etc make it difficult for SHF to be accepted in such markets. There is less specialised extension service providers especially from the government (i.e. agronomy skills, business skills, 'process-specific' abilities) in regard to newly promoted high value crops, e.g. paprika, vanilla, hibiscus, speciality coffee as well as in mariculture e.g. hatcheries of prawns, fattening of mud crabs, to mention but a few. In some cases for instance in Mbeya region buyers offer extension services themselves as embedded services (e.g. spray pesticides) into farmers' fields and installing own pulping machines at village levels.

Access to capital

In Africa, and Tanzania in particular, the financial sector considers some activities putting them on high risk exposure when offering loans. These activities include farming, fishing, mariculture and food processing, to mention but a few. Banks are risk averse and cost of capital especially for SME and SHF is very high. The banks interest rates in Tanzania are among the highest in the region. Most SHF, therefore, find it difficult to access credit facility and always lack collateral if the facility is available. Linking to global value chains through exporters is difficult due to almost all above mentioned factors but also due to the high risk involved by the chain leader when deciding to include financially weak SHF into the chain.

³ The EurepGAP protocol defines the elements of good agricultural practices (GAP). It includes topics such as Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), Hazard Analysis and Critical Control Points (HACCP), worker health, safety, welfare and environmental pollution and conservation management.

Labour

The productive group of population in rural areas in Tanzania are moving to town centres (Urbanisation of poverty) where their skills are less needed and living behind old people and children. For instance vanilla in Kagera region is labour intensive crop but labour scarcity has caused production and yield to be low. During pollination some farmers are forced to use children and at times this interferes with school timetable.

Post harvest handling, packaging and processing technologies

Tanzania lacks an established vibrant distribution system that can handle post harvest handling, packaging and processing prior to export. Most farmers' produce is wasted due to poor post harvest handling and storage and when it comes to horticultural products, excess production beyond local market consumption capacity is wasted. These wastes account for as high as 50% of total harvest (Africa average) whereas in other developing countries (Asia average) the waste is as low as 25%⁴.

3.3 Driving forces

Driving force in this context is defined & considered to be outside our direct country control. Driving forces can consist, for example, of certain political or economical/market trends, technological developments or large scale environmental degradation. To deal with one's own question or to make one's own decision, however, it is important to recognise and understand these driving forces and their impact.

Current market forces have become extensive and they touch all levels of society from the smallest remote household to the international trade organisations. They are dynamic, complex, with numerous actors and playing fields that are not levelled. There are a few strong actors that determine the rules in the market place and these make it increasingly difficult for smallholder farmers to participate equitably. The result has been increased poverty in the face of increased production. The driving forces behind the current situation of smallholder farmers' access to market include;

Global markets conditionalities

Coordinated supply chains are rapidly increasing in importance especially in global food markets. These global value chains are commercial tools for competitive strategies, assuring quality food safety and better logistics. They serve high end markets, especially in industrial/developed countries, but increasingly also in developing countries in urban areas with relative high incomes. However, the share of production in developing countries marketed through coordinated supply chains is still small.

There is a widespread fear that smallholder farmers will be excluded from coordinated supply chains. Empirical evidence is mixed; there are abundant examples of successful inclusion (horticulture in Arusha, cereals and pulses from Morogoro, Dodoma, Ruvuma, Shinyanga) as well as of painful exclusion (fruits and vegetable producers in Morogoro, Mwanza, Kagera, marine products in the Tanzania Coastal belt, etc). In some cases, economies of scale and scope are such that only large enterprises can compete successfully in global markets (mariculture, fisheries, horticulture, etc), but in many other cases there is no level playing field. Analysis of forces that contribute to inclusion or exclusion in global chains indicates that there are market failures contributed by (relative) weak competitiveness of smallholder farmers.

⁴ Extract from NEPAD report chapter 7 'Going for Growth and Poverty Alleviation'

Hence public and development practitioners' intervention can be warranted. Issues of concern for drivers of coordinated supply chains include;

- Cost, benefits and risk
- Control and management
- Food safety
- Economies of scale and scope
- Investment climate i.e. Governance and geography (cost, benefits and risk), logistics (infrastructure)
- Sectoral focus: Natural resources, agriculture (food chains), manufacturing, etc.

Information technology revolution

Information technology (IT) development is changing the way information flows between countries. Marketing places are quickly substituted by 'marketing spaces' on the Internet. Movement of orders and money (transactions) are changing drastically and market information is becoming easily available 'just a click' away. In Tanzanian context this gives more powers to buyers and to a large extent less or limited (bargaining) power to the smallholder farmers. Accessibility to information technology at farmer household level is still a dream yet to be achieved. IT is giving buyers an upper hand and better bargaining power. The current trend by most exporters in Tanzania can be seen to be flexible but ad hoc; at the moment most of them if not all scan what is available from farmers and what is demanded by the world markets. Through their analysis (risk, cost and benefits) they decide what to buy, how much to buy and what not to buy; at what price and where and to whom to sell. Farmers remain price takers and risk takers, sometimes not sure whether they will sell next year crop.

Regional socio-economic trends

Tanzania is in the middle of reformulating the East Africa Community (EAC) and the consequences of the cooperation could influence smallholder farmers' access to markets. The zero-tariff (Customs Union) now allows free movement of products within the region and competitiveness of SME and smallholder farmers will be influenced. To a large extent, our neighbours (Kenya and Uganda) have comparative advantages in the way their farmers have been exposed to liberalised markets. Their regulatory systems are much better developed compared to Tanzania.

Tanzania has withdrawn from the Common Market for Eastern and Southern Africa (COMESA) in 2001 because of what it describes as the "high membership costs" of being in both the Southern Africa Development Community (SADC) and COMESA. Because of that decision, it is estimated that industries in Tanzania have lost at least US\$80 million to Kenya and Uganda slowing growth of about 30 major manufacturing firms.

It is, however, proper to observe that Tanzania benefits from being part of the latter (SADC) and that this outweighs such costs. The country exported goods worth about US\$144 million and US\$148 million in 2003 and 2004 respectively, while it exported goods worth US\$39 million and US\$118 million to SADC over the same periods (TRALAC, 2006).

The circumstances under which Tanzania pulled out of COMESA have now changed as political developments in DR Congo, Sudan and Somalia present the possibility of a big market emerging in those countries. Tanzania is strategically located in the COMESA region. It has infrastructure linkages with seven neighbouring countries, some of which are members of both SADC and COMESA, making it a major transit facilitator by rail, road and water. It is

understood that the Ministry of Industry, Trade and Marketing has proposed to the government that the country rejoin COMESA.

COMESA also has the distinction of being the fastest scheme with the EAC being the runner-up and SADC struggling on behind. As mentioned earlier, the EAC has managed to become a Customs Union in 2005, while COMESA launched its Free Trade Area (FTA) in 2000, but with only nine of the twenty COMESA members participating in the agreement. In contrast, SADC only plans to implement an FTA in 2008. (TRALAC, 2006)

Organic and fair trade (niche) markets

Fair Trade and organic farming movement have been in existence for more than 40 years; trading and campaigning movement between Southern producers and Northern buyers and consumers has been limited. Characteristics of Fair Trade, market size and segmentation as well as the key organizations are fluctuating. The future trends of these markets will definitely influence access to markets for smallholder farmers.

3.4 Business services

The competition based Business Development Services (BDS) market development paradigm shift among others emphasises that the objectives of outreach and sustainability can only be achieved in well-developed markets for BDS and not by direct provision of services by donors and governments. In addition the BDS approach calls for clear articulation of the demand for services (enterprise level), the supply of services (providers) and facilitators (public and or private non-profit/development practitioner). BDS include a wide range of services like management training, technology transfer, product development & quality control, business plan development, input supply, market information and credit supply, etc, etc. With donors, development practitioners, government and private sector companies all involved in this field, the BDS market development concept prescribes that a delineation of functions is being made between donors, facilitators, service providers and clients/beneficiaries. Key in this approach is that the market function will not be distorted. Therefore the supply of business development services should be based on a commercial transaction between a BDS supplier and an enterprise as client.

The role of development practitioners and/or government agencies is to facilitate the development of such commercial market for BDS. They can do this by developing the capacity of commercial BDS suppliers, by facilitating the removal of market imperfections at both the supply and demand side (barriers to entry, lack of market intelligence, impeding regulations) and promotion of producer and trader organizations. The role of donors is just to provide funds (grants or loans) to facilitators and loans to BDS suppliers and to assess the efficient and effective use of it. The role of national governments is to provide an enabling political-economic environment.

The capacity development approach (empowerment) presupposes that interventions should be influenced by the understanding of the critical services required by the target group to address their capacity gaps in order to bring about the desired level of impact, in this case, the ability to access market opportunities. Capacity development intervention, therefore; is geared at facilitating organisations and at delivering relevant services that would reverse impoverishing forces that negatively influence access to markets. Once factors and forces have been taken into account, specific support services can be identified. Two types of services (generic and embedded) are brought up here to elaborate on how relevant services are being offered to a particular market linkage.

3.4.1 Generic services

The market linkages facilitation concept takes as departure point that, shortcomings in access to markets, their origin and effects on smallholder farmers and SME incomes could be improved through a coordinated package of interventions. Market access is taken in a wider sense by looking at all issues beginning with product decision up to the market (realising a profitable sale). Facilitation is meant to address market imperfection that is apparent, whilst building long term and win-win strategies for the various actors. The facilitation is complex due to the fact that joint action and effective partnership between public, private and civil society is absolutely key for the success of linkages.

Research findings in a number of Sub Saharan African countries and Latin America / Caribbean on the issues and factors that keeps on hindering small holders' farmers access to reliable markets, has developed a framework that puts the smallholder farmer (demand side) and the market player (supply side) in the centre. The framework shows the relationships towards accessing various services from providers in a bid to improve access to markets. The issues identified for smallholder farmers could presumably be applicable to other non-agricultural based SMEs.

Practitioners have evidenced that for a successful linkage, six interrelated and interdependent services and skills are critical for the smallholder to thrive. The nature of these services are however different depending on commodity line and the context of the particular market. These services include;

- Business management skill and attitude
- Access to financial services,
- Access to technical / technology and extension services,
- Ability to advocate and lobby,
- Group cohesion and governance and
- Market information services/system (MIS).

3.4.2 Embedded services

Embedded services are offered by private sector (mainly buyers) e.g. coordinated supply chains. Many farmers and SME, particularly low-income SME and smallholder farmers, cannot or are reluctant to pay for BDS. They can, however, produce/make their products, particularly if a buyer supplies raw material, market information, product specifications or other services. In the private sector, many large wholesale businesses purchase from SME and SHF and sell to distant urban or export markets. Sometimes they supply services, such as quality control, packaging or promotion, whose costs are paid by the mark-up on the SME or SHF products. Similarly, companies that supply inputs or technology to SME or SHF sometimes provide training or advice as part of the sale. These are called “*embedded*” services.

The strategy is most commonly used in the agri-business and crafts sectors. Most food related coordinated supply chains which incorporate smallholder farmers offer embedded services to safeguard safety and quality. In order to meet stringent consumer standards, the supply of timely and high quality inputs to chain producers cannot be overemphasised. The main reason the strategy works is that SME or SHF do not have to pay up-front for the services. Instead, the transaction is part of their regular business operations.

4.0 Challenges for the future

The future access to market by smallholder farmers will still be difficult due to a number of challenges.

4.1 Assessment of smallholder farmers assets

Before selecting relevant business development services for a particular community it maybe useful to analyse their ability to take on new skills and challenges in a sustainable manner. It is worthwhile to assess targeted farmers assets, skills and their ability to access services. There is also deliberate need to assess the competence and capacity of available and potential service providers to take on new ideas and match risk with opportunity and the farmer groups. Risk reducing packages such as e.g. HPI '*Kopa ng'ombe, lipa ng'ombe*' gives room for experimentation.

4.2 Devising comprehensive approach in facilitation

Comprehensive approach in facilitation i.e. need to package and coordinate actors and approaches is a big challenge. Different actors use different approaches and sometimes it can be difficult for all to operate without duplication and contradicting each other. The development and sustainability of facilitating access to markets would require that all the actors (seller, buyer, public, private and civil society) are willing and facilitated to develop a common agenda i.e. the agenda of ensuring that the smallholder farmer and SME become better players in the market linkage arrangement and benefit from it. But also that all the parties benefit so that they may have interest in the linkage. This kind of collaboration does not come by default but by design. The challenge is to design and formalise the collaboration and plan for every linkage.

4.3 Policy enforcement

Good policies are not good enough if their impact is not positive towards enhancing smallholder access to markets. Tanzania has few supportive policies (agricultural marketing policy, SME Development policy, agricultural policy, etc.), the challenge is how effective they can be enforced.

What is clear is that the private sector, including micro, small and medium-sized enterprises and family farms, has a central role in driving growth and poverty reduction. The challenge for Tanzania is to unleash its entrepreneurial potential by improving its investment climate. This is how China and India have started growing faster, and there is no reason why African could not follow the same path. However, it is also clear that it is the public sector that creates the enabling environment for this growth by ensuring that the governance and infrastructure that underpin the investment climate are in place. Thus, the promotion of growth is not a question of the state versus the private sector but a question of how they combine to generate growth.

If growth is to be fostered, it must be recognised that the role for the state is substantial and demands resources, including for health, education and infrastructure. A priority must be strengthening the capacity of governments to promote long-term growth; to encourage economic restructuring, diversification and technological dynamism; to develop enabling investment climates; to put in place and maintain – directly or in partnership with the private sector – the needed infrastructure; to deliver public services; and to implement integrated rural and urban planning.

4.4 Coping with market dynamism

Markets are evolving and adaptation by market players is vital. Reliable access to markets by SME and SHF, therefore; remains one of the critical challenges for small and medium scale

producers in Africa and Tanzania in particular. Smallholder farmers have none or limited access to continuous changing information about these evolving markets and buyers for their produce. Consequently, they have remained passive actors in market linkage and this partially has affected the growth of market focused farming enterprises. Development practitioners and governments in most African countries have embarked on attempts to remedy the situation, but impact is yet to be felt and best practices in this field are not yet documented and shared sufficiently. Though a challenge, sustainable access to market by smallholder farmers can be achieved if coordinated efforts will be done to facilitate them.

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TRALAC, 2006 (TRALAC -Trade and Law Centre for Southern Africa) is a not-for-profit organisation, building trade law capacity in the southern Africa region; in governments, the private sector and civil society (www.tralac.org).

ANNEXES

ANNEX 1: **Vredeseilanden (VECO) definition and understanding of sustainable agriculture**⁵

Almost everyone assumes that agriculture should be sustainable. But there are different interpretations of conditions and assumptions under which this can be made to occur⁶. Since the Brundtland Commission's definition of sustainable development in 1987⁷, there have been constructed more than 100 definitions of sustainable agriculture, each different in subtle ways, each emphasizing different values, priorities and goals. Defining sustainable agriculture is the same as defining the goal of an agricultural system, and therefore any definition is based on values, and thus arbitrary.

Vredeseilanden (VECO) and many other organisations working with people-centred agricultural development use the following definition for sustainable agriculture: an agriculture that is ecologically sound, economically viable, socially just, adaptable and cultural acceptable. Like other constructed definitions, it is more a description of the goals of sustainable agriculture than a precise and absolute definition. In this way, sustainable agriculture can be seen as a social construction that is different from one place to another, depending on various (interlinked) factors: people's backgrounds, local values and culture, climate, soil, access to inputs, markets.

It also makes clear that sustainable agriculture is not a static situation but rather a dynamic process with changes depending on the evolution of the local situation. Sustainable agriculture can be seen as a challenge. From that perspective it is more useful to an organisation like Vredeseilanden that it clearly defines its goals regarding agriculture than the concept itself. These goals clarify the direction of the activities Vredeseilanden enhances within agriculture and within a certain context, and lead towards the overall challenge: a sustainable agriculture.

Understanding sustainable agriculture as a challenge and a process, Vredeseilanden (VECO) uses the term sustainable agriculture as a catch-all for various approaches that try to achieve the goals of sustainable agriculture. These approaches differ little in their basic premises. Examples of these approaches are: site-appropriate agriculture, ecologically sound agriculture, biodynamic farming, organic farming, conservation agriculture, ecofarming, low external input agriculture (LEISA), permaculture, regenerative agriculture, agro ecology, etc.

The goals of sustainable agriculture⁸

Ecologically sound

Sustainable Agriculture preserves biodiversity, maintains soil fertility and water purity, conserves and improves the chemical, physical and biological qualities of the soil, recycles natural resources and conserves energy.

Economically viable

The capability to maintain sufficient production capacity in order to meet the current and future demand for agriculture and food by an efficient use of resources (the production of a maximum output with a given input⁹).

⁵ Adapted from 'Sustainable Agriculture, The use and meaning of the terminology within VECO, Discussion Paper CoP on Sustainable Agriculture, Chris Claes, December 2003

⁶ Francis and Hildebrand, 1989. Farming Systems Research-Extension and the concepts of sustainability. FSRE Newsletter 3. University of Florida, Gainesville.

⁷ 'Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future'. WCED(1987), "Our common future: the Brundtland report", Oxford University Press from the World Commission on Environment and Development, New York.

⁸ Extract from 'Sustainable Agriculture, The use and meaning of the terminology within VECO, Discussion Paper CoP on Sustainable Agriculture, Chris Claes, December 2003

Socially just

The capability to maintain social acceptable equity in the distribution of incomes (in agriculture and between agriculture and the rest of the economy); fair prices paid for food to producers by consumers, job creation, participation in decision making, gender issues, trust, affordability of the food by consumers, etc.

Cultural acceptable

All forms of life (plant, animal, humane) are respected. The fundamental dignity of all human beings is recognised, and relationships and institutions incorporate such basic human values as trust, honesty, self-respect, inclusion, cooperation and compassion. The cultural and spiritual integrity of the society is preserved and nurtured.

Adaptable

Rural communities are capable of adjusting to the constantly changing conditions for farming: population growth, policies, market demand, etc. This involves not only the development of new appropriate technologies but also innovations in social and cultural terms.

The practice of sustainable agriculture

To address the goals of sustainable agriculture, agriculture seeks to make the best use of nature's goods and services as functional inputs. It does this by integrating natural and regenerative processes, such as nutrient cycling, nitrogen fixation, soil regeneration, erosion control and the use of natural enemies of pests in food production processes. It minimizes the use of non-renewable inputs (pesticides and fertilizers) that damage the environment or harm the health of farmers and consumers. It makes better use of the knowledge and skills of farmers, so improving their self-reliance. And it seeks to make productive use of social capital - people's capacities to work together to solve common management problems, such as pest, watershed, irrigation, forest and credit management¹⁰.

Sustainable agriculture technologies and practices must be locally adapted. They emerge from new configurations of social capital (relations of trust embodied in new social organizations, and new horizontal and vertical partnerships between institutions) and human capital (leadership, ingenuity, management skills and knowledge, capacity to experiment and innovate). Agricultural systems with high social and human capital are able to innovate in the face of uncertainty.

Sustainable agriculture jointly produces food and other goods for farm families and markets, but it also contributes to a range of public goods, such as clean water, wildlife, flood protection and landscape quality. It delivers many unique non-food functions that cannot be produced by other sectors (i.e. on-farm biodiversity, groundwater recharge, urban to rural migration, social cohesion).

How to increase farm productivity in a sustainable way

Improvements in food production generally have to do with one or more of the following mechanisms:

⁹ Legg, W. 2000. Sustainable Agriculture: an Economic Perspective. OECD, Paris, France.

¹⁰ Reducing Food Poverty with Sustainable Agriculture: A Summary of New Evidence. Jules Pretty and Rachel Hine, C.E.S. University of Essex, Colchester, UK, 2001.

- intensification of a single component of a farm system (with little change to the rest of the farm) - such as home garden intensification, intercropping of maize with beans, introduction of fish ponds or a dairy cow;
- addition of a new productive element to a farm system, such as fish in rice or trees on boundaries, which provides a boost to total farm food production, but which do not necessarily affect the productivity of the main crops or animals;
- better use of natural capital, especially water (by water harvesting, irrigation scheduling, water stressing), and land (by reclamation of formerly unproductive land), so leading to additional new crops and/or increased supply of additional water for irrigated crops (so increasing cropping intensity);
- improvements in per hectare yields of staples through introduction of new regenerative elements into farm systems (e.g. legumes used as green manure);
- improvements in per hectare yields through introduction of new and locally-appropriate crop varieties and animal breeds.

Scaling up sustainable agriculture

Successes in scaling up sustainable agriculture from individual experiences mostly depend on:

- appropriate technology adapted by farmers' experimentation;
- a social learning and participatory approach between projects and farmers;
- good linkages between projects/initiatives and external agencies, together with the existence of working partnerships between agencies;
- presence of social capital at local level.
- If sustainable agriculture is to spread to larger numbers of farmers and communities, then Vredeseilanden should pay more attention to:
 - ensuring the policy environment is enabling rather than disabling (advocacy work);
 - investing in the development of fair (local and international) markets for sustainable food products, market access for small scale family farms;
 - investing in adding value to local food products;
 - ensuring that local, national and international policies and government agencies in particular are supportive of local sustainable agriculture projects and initiatives;
 - developing social capital within rural communities and between external agencies.

Impacts from sustainable agriculture on rural communities

- improvements to the natural environment: increased water retention in soils; improvements in water table; reduced soil erosion combined with improved organic matter in soils; and increased agro-biodiversity
- improvements to social capital: more and stronger social organizations at local level; new rules and norms for managing collective natural resources; and better connectedness to external policy institutions
- improvements to individual capacities: more local capacity to experiment and solve own problems; increased self-esteem in formerly marginalized groups; increased status of women; better child health and nutrition; and less (or even reversed) migration and more local employment.