



Is Sustainable Market Access Achievable for Small Farmers? A Dual Strategy to Overcoming the Intervention Design Challenge

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Problem Statement

- Transformation of global agri-food systems
 - Increasing globalization and internationalization of food retail
 - Continuous reforms and liberalizations of market policies
- Channel participants have to adjust or risk being excluded. Problem for small-scale, resource constrained producers
- Shift in international development policies from traditional technology transfer to more market driven approaches for linking farmers to markets
- Challenge: Design of long-term economically sustainable value chain linkages

Existing Solutions

- Public facilitation
 - PO's and farmer cooperatives
 - Facilitation of contractual relationships
- Advantages
 - Access to markets
 - Economies of scale
- Weaknesses
 - High failure rates
 - Artificial incentives
- Private solutions
 - FDI induced VC
 - Interlinked contracts
- Advantages
 - Correcting channel incentives
 - Priming financial markets
 - Spillover benefits
- Weaknesses
 - Not always available
 - Cherry picking and exclusion
 - Bargaining power



Question

How to design and implement facilitation programs that create economically sustainable market linkages which build upon strengths and overcome the inherent weaknesses of both private and public solutions?

The Case of USDA Marketing Assistance Program in Armenia



■ USDA MAP

- Integrated market driven approach to business development encompassing marketing, financial, and technical assistance.
- Initiated in 1996
- Transfer to CARD (local NGO) in 2005
- Unique instrumental case of successful facilitation of market linkages

- South Caucasus
- Former Soviet Republic
- Area: 29800 sq km
 - Arable land: 16.78%
 - Irrigated land: 9.6%
- Labor in agriculture: 45%

Generalized Model

Underlying Philosophy

- *Market driven*
- *Open and transparent*
- *Flexible*
- *Simple*
- *Incentive based*
- *Facilitator not a broker*

Client Identification

- *Self selection*
- *Utilize existing relationships within value chain*

Client Appraisal

- *Rapid capacity appraisal*
 - *Leadership*
 - *Resources*
 - *Technical Capabilities*
 - *Market Perception*
- *Initial market assessment*
- *Initial assessment of resource needs*

Client Engagement

- *Design of engagement strategy*
- *Set realistic expectations*
- *Align incentives along channel*
- *Ensure economic sustainability*

Client Disengagement

- *Independent decision making*
- *Self-sustainable financing*
- *Independence of support structures*
- *Transfer of leadership*

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Empirical Evidence

- Survey of 750 Armenian Dairy Farmers
- Farmers economic and social outcomes across various channels
- Private channel: farmers have highest economic outcomes
- Cooperative channel: farmers economically better off relative to ones in informal but worse off relative to ones in private
- Private and Cooperative: farmers in cooperative have highest increase in income, trust, and business confidence

Conclusions and Policy Implications

- Key design features:
 - Market driven
 - Entrepreneurial leader with social capital
 - Facilitator not a broker

Dual strategy of concurrent private and cooperative interventions in the design and implementation of third party market linkage programs, they are likely to achieve higher program impact, improved trust among channel participants, and long-run economic sustainability of market linkages.



Thank You!