



منظمة الأغذية  
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联合国  
粮食及  
农业组织

Food  
and  
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Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Продовольственная и  
сельскохозяйственная  
организация  
Объединенных  
Наций

Organización  
de las  
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para la  
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y la  
Alimentación

## COMMITTEE ON COMMODITY PROBLEMS

### INTERGOVERNMENTAL GROUP ON BANANAS AND TROPICAL FRUITS

#### Fifth Session

Yaoundé, Cameroon, 3 – 5 May 2011

### REPORT OF THE CFC/FAO WORKSHOP DISSEMINATION OF PROJECT “DIVERSIFICATION OF AGRICULTURE IN GUATEMALA AND MEXICO (CHIAPAS) THROUGH THE PRODUCTION OF EXPORT FRUITS” AND CHALLENGES AND OPPORTUNITIES FOR SMALLHOLDER INTEGRATION IN INTERNATIONAL FRUITS VALUE CHAINS

## I. INTRODUCTION

1. The FAO-CFC pilot project “Diversification of Agriculture in Guatemala and Mexico, through the Production and Exports of Fruits” has been successful in converting a traditional cropping system to high value horticulture. The project financed pilot initiatives that improved income and food security of smallholders through diversification from traditional crops such as coffee and maize to crops that provided higher returns to smallholders. These included organizing smallholders into cooperatives to establish shade houses that would produce high valued vegetables to meet immediate income needs of the smallholder household. In parallel with this development, the cooperatives established tropical fruit orchards that would provide sustainable incomes to their members in the longer term.

2. With the significant improvement of the livelihoods of the smallholders participating in the project, the Government of the state of Chiapas provided a large grant of about USD 60 million to the project executing agency (PEA) to replicate the successful organization and production models developed under the project throughout the state.

3. The workshop provided a forum to discuss the approaches, benefits and gaps that needed to be addressed in Mexico and Guatemala to make tropical fruits production and trade sustainable

over time. The discussion on the FAO-CFC project, the field visits to selected project sites, as well as the presentations by other PEAs and member countries of the IGG on Bananas and Tropical Fruits on the policy options adopted to develop their tropical fruits sub-sector enriched the discussion regarding implementation of CFC funded value chain projects on banana and tropical fruits. In particular, strategies that would promote inclusiveness of smallholder and subsistence producers into value chains. The discussions were also useful in formulating an action plan to ensure effective participation of smallholders in the implementation of CFC funded banana and tropical fruits value chain projects.

## II. SUMMARY OF THE WORKSHOP PROCEEDINGS

4. The Workshop was opened by José Ángel del Valle Molina, Secretary of Agriculture of the State of Chiapas, on behalf of Governor Juan Sabines Guerrero, Governor of the State of Chiapas; Ambassador Ali Mchumo, Managing Director of the CFC; David Hallam, Director of Trade and Markets Division of FAO; and Ms Carmen Culebro, Assistant FAO Representative in Mexico.
5. The Secretary of Agriculture of Chiapas stressed the importance of value chain analysis as a policy formulation tool that would promote sustainability of smallholder projects. The Managing Director of the CFC pointed out the latest achievements by the CFC included the strategic alliance with the European Union, the development of 50 projects in Latin America and the Caribbean for the banana, cassava, cocoa, coffee and bamboo sectors. Mr David Hallam outlined FAO's Strategic Objective G which aims to create an enabling environment for markets to improve livelihoods and rural development. Objective G provides for technical inputs, information and analyses to assist FAO Member States in formulating rural development policy. Under this Strategic Objective, the Trade and Markets Division was given the mandate to increase awareness and capacity of countries to analyze developments in international agricultural markets, trade policies and trade rules to identify trade opportunities and formulate appropriate and effective pro-poor trade policies and strategies. Through appropriate analysis, policies and services, smallholders are enabled to improve competitiveness, diversify into new enterprises, increase value addition and meet market requirements.
6. The workshop focused on topics that were dealt with in five sessions (see Annex 2 for the agenda):
  1. Smallholder participation in the fruits value chains, tackling technical and institutional constraints
  2. The CFC/FAO project experience: Challenges and opportunities for smallholder integration
  3. Country experiences and policies for value chain development and smallholders' participation in markets
  4. Measures to enhance project implementation and dissemination efficiency
  5. Wrap-up
7. The Workshop presentations and discussions developed around four main topics discussed in four working groups, each of which presented the Workshop with their report during the concluding session.

### **Group 1. Action plan to address selected value chain issues with focus on smallholder integration**

Rapporteurs: Yacob Ahmed (TFNet) and Hildegard Garming (Biodiversity International)  
Support: Federica Angelucci (FAO)

### **Group 2. Implementation of CFC Projects effectively and economically**

Rapporteurs: Salim Rodriguez (IDEAR) and Peter Masawe (Cashew nut programme in

Mozambique and Tanzania)  
Support: Shui Shangnan (FAO)

**Group 3. Country participants**

Rapporteurs: Andrew Harris (Belize)  
Support: Margarita (Peggy) Brattlof (FAO)

**Group 4. How to make better policies and value chain based projects to integrate smallholders and create impact for development**

Rapporteurs: Alberto Montero (Costa Rica) and Al Powell (Jamaica)  
Support: Kaison Chang (FAO) and Hernan Manson (ITC)

### **III. MAIN FINDINGS AND RECOMMENDATIONS OF THE WORKSHOP**

#### **A. GROUP 1. ACTION PLAN TO ADDRESS SELECTED VALUE CHAIN ISSUES WITH FOCUS ON SMALLHOLDER INTEGRATION**

8. The group discussed most of the issues that emerged during the Workshop and proposed a set of actions to be undertaken in order to overcome some of the constraints to value chain development and smallholder integration in particular.

*a) Dissemination of Market Information Systems (MIS)*

9. In addition to the role that targeted policies should play in facilitating the set up of market information systems, it was felt that market information systems (MIS) needed to be designed in a way which made them more accessible to farmers, so as to ensure that smallholders had access to information on market trends, standards and prices which would allow them to seize market opportunities. This could be achieved through farmer associations, which could be used as a vehicle for market information dissemination at the producer level, and through an electronic market place, where public/private partnerships could be promoted.

10. In addition to establishing accessible MIS, capacity building activities must target farmers in order to make sure that they value market information and that the feedback they receive contributes to effectively stimulate their entrepreneurship (information on market opportunities, technical assistance, etc.).

*b) Development of quality standards and grading*

11. Good Agricultural Practices (GAP) and private standards (supermarkets) were perceived as barriers to trade, and if farmers wanted to survive in the market, compliance to GAP was deemed obligatory.

12. It was felt that by creating quality awareness among farmers and by assessing the costs and benefits of compliance with certification, the negative perceptions regarding GAP would change. It would be essential to assess opportunities opting for group certification (GlobalGap Option 2) or involving other agents, such as company and firms, bearing part of the costs of certification, especially in those cases where smallholders associations have difficulties in complying with these.

13. Finally, mechanisms to enforce compliance, such as peer monitoring and auditing, should be put in place to ensure consistency and continuity.

*c) Development and adoption of appropriate technologies*

14. Prior to any intervention in the area of development and adoption of technologies at the farmer level, an assessment of the effectiveness of extension services should be undertaken. Where deficiencies are encountered, capacity building on pre- and post-harvest technologies and

techniques targeting extension officers should be undertaken in order to ensure continuity of assistance to farmers beyond the lifespan of a single project.

15. Projects should also seek ways to facilitate access to inputs (such as plant varieties and planting material) relying more on the existing networks of financial institutions with which strategic alliances could be built which would ensure the sustainability of farming as a business.

16. Finally, to ensure technology adoption, coordination among research, private sector and extension services should be promoted. A way to strengthen linkages between the sector and research and development bodies could be through the establishment of strategic alliances of all actors involved in the value chain, including service providers. This would generate Research and Development (R and D) connected to market demand and thus more susceptible of being co-financed by the private sector.

*d) Sanitary and Phytosanitary requirements (SPS)*

17. Possible alternative financing methods could be achieved through exporters bearing the costs, through farmer cooperatives operational funds and/or through government sponsorship.

18. Traceability systems are also required for some certification in the European and United States markets. An assessment of the costs involved in setting up and maintaining a traceability system would be desirable and would need to be evaluated with the view of potential cost-sharing arrangements among producers, exporters and general upstream agents in the value chain.

## **GROUP 1 ACTION PLAN**

19. The group identified the following strategies in order to ensure value chain development and smallholder integration:

- Analyze value chain functioning and identify inefficiencies in value addition distribution and how/if the costs of compliance are shared among the different actors of the value chain;
- Assess market opportunities in both domestic and international markets;
- Identify institutional arrangements to strengthen farmers' bargaining power, ability to benefit from value addition and comply with supply schedules;
- Undertake capacity building for farmer groups particularly management skills and provide long term capacity building support;
- Ensure diversification of both market channels and products (fresh and processed)
- Introduce risk management arrangements to be adapted to the type of risk and commodity;
- Design (short and long term) financial customized products according to the crop cycles and the nature of transactions.

## **B. GROUP 2. IMPLEMENTATION OF CFC PROJECTS EFFECTIVELY AND ECONOMICALLY**

20. This group identified the following guidelines aimed at ensuring effective implementation of CFC projects.

*a) Project design*

21. For a comprehensive and effective design of the project, the recipient countries should ensure that local consultants and the relevant value chain stakeholders (such as the local administrators and institutions) be involved in the discussions. This would also contribute an in-depth understanding of the cultural set up and previous project experiences.

*b) Involvement of policy makers*

22. Policy makers need to be involved for projects to be effective. Activities aimed at sensitizing government involvement should stress the socio-economic benefits, market and employment opportunities and the general spin-offs which the projects could potentially generate. In this regard, the project executing agencies should involve government and existing structures in the project implementation.

*c) Involvement and alliances with the private sector*

23. Alliances should be built with service providers, such as financial institutions, in order to link them to project interventions and develop sound business proposals which could be sustained beyond the lifespan of the project.

*d) Measures and interventions to ensure smallholders participation*

24. A number of aspects should be taken into account in order to ensure smallholders participation. Socio-economic status, cultural practices and the operational framework should be taken into consideration when designing projects, which should be based on traditional assets, such as knowledge, practices, and structures.

25. The most efficient way to extend some of the knowledge and technologies is to approach farmers in groups rather than individually. In some cases, forms of aggregation at the farm level do exist. However, where no institutional arrangement is in place, the project needs to mobilize resources to establish producer cooperatives or similar forms of collective institutional arrangements.

*e) Financial literacy*

26. When projects are implemented in different countries which speak different languages, the implementation process can be difficult and would require extra funding. The project design should undertake sensitizing stakeholders to finance concepts versus “free gift grants”. To run a farming business, small producers need to be sensitized on the importance of accessing finance instead of relying on project or other resources to purchase production inputs.

*f) Baseline indicators to measure project impact*

27. Finally, the importance of measuring project success in terms of fair and sustainable economic and social benefits to smallholders, such as increase in income, building of assets and human capital, constitutes an essential indicator of project penetration

### **C. GROUP 3. COUNTRY PARTICIPANTS REPORT**

28. The group underlined the importance of adopting a value chain approach to sector development. However, different commodities should be subject to diverse procedures and requirements.

*a) Implementation of effective policies and interventions*

29. The country representatives stressed the need to assist producers and improve their understanding of the value chain approach through capacity building and sensitization initiatives. Another important role of policies should consist in undertaking value chain analyses for evidence-based policy formulation and to ensure the availability of baseline indicators to serve as a guide for value chain development. The group noted that market information was irregular in many countries. The role of policy makers in partnership with the private sector should be aimed at ensuring continuity in the update and dissemination of market information. Finally, an essential task of policy makers would be to create a consultation platform for a consortium to reach a common goal.

*b) Dissemination of market information*

30. The main gaps and deficiencies identified with dissemination of market information include: the lack of market studies targeted to specific crops; the lack of updated market information; the inability of producers to access consolidated information; the lack of a methodology in gathering market information that reflects the value chain approach; the lack of sound business plans which take market information into account and thus existing and potential marketing opportunities.

31. A way to address these gaps would consist in designing and ensuring the sustainability of market information systems at the value chain level by involving all value chain participants.

*c) Development of Quality Standards and Grading*

32. The major issues identified were the heterogeneity of certification requirements which created confusion and were too expensive for smallholders.

33. The possibility of unifying certification systems which amalgamate the different requirements would need to be explored, as well as involving governments to share the certification costs. A final alternative would be to move away from organic production to other forms of production, such as processing activities.

*e) Development and adoption of appropriate technology*

34. Regarding the development and adoption of appropriate technology, the group identified four major gaps and deficiencies, namely: the lack of applied research; the lack of new ideas by research institutions; the focus of research on large farmers; poor research dissemination by extension services. These obstacles could be overcome by involving the smallholders in the research process itself and creating a network on research and technology at the international level and recruiting young professionals who could bring new technology.

### **GROUP 3 ACTION PLAN**

- Institutional support needs to play a role for technology transfer to smallholders, R and D, market information systems;
- Capacity building programmes to be designed for R and D, sanitary and phytosanitary issues;
- Harmonization and regulatory mechanisms be put in place to rationalize the certification issues, including cost of compliance;
- Explore the possibility of value-added processing which would eliminate the need for certification
- GAP at the local level to gradually move into the GAP at the global level.

### **D. GROUP 4. HOW TO MAKE BETTER POLICIES AND VALUE CHAIN BASED PROJECTS TO INTEGRATE SMALLHOLDERS AND CREATE IMPACT FOR DEVELOPMENT**

35. The presentation by Group 4 summarized project experiences according to the different approaches adopted to ensure smallholder integration.

36. Chiapas: The project, originated from a CFC/FAO project, is currently characterized by strong Government support and investment. Farmers are integrated into the system either as paid workers or as individual planters. Private sector investment in processing and marketing is still lagging.

37. South and Central America: Network of small scale producers integrated in the value chains as a result of institutional arrangements such as the Alianzas productivas in Colombia. The strategic alliances are private sector led and the Government is only facilitating through chain specific interventions.

38. Indonesia: Champion farmers and network of associations planting and also negotiating with one main buyer.
39. Others: Support to planting and improving quality and volume. Emphasis on creating and supporting farmer associations and less on the marketing side.
40. The main conclusions drawn by the group relate to the importance of using the value chain approach.
41. Only a few models/projects use a value chain approach, even though it is widely recognized as the most effective criteria for development. There are very few projects that are currently supporting the value chain as a whole from smallholders, to processors, retailers or institutions.
42. The use of the value chain approach would contribute to an in-depth understanding of existing possibilities to maximize the sector potential by looking at different product market combinations. The exploitation of different market channels and products would ensure sustainability and allow for a more effective risk management/diversification strategy.
43. Investigating the real opportunities would be essential. A cost benefit analysis considering the economic, environmental and social feasibility would be paramount. The analysis should also touch upon factors that affect smallholder preferences and their decision making process which might differ due to, for example, food security implications which could strongly affect the decision of small and subsistence farmers to supply their output to the market.

*The main recommendations*

44. The main recommendations outlined by the Group refer to the need for:
- Developing projects which integrate the different value chain actors;
  - Assessing existing or potential business opportunities which would allow returns for all chain actors by enabling them to re-invest. Investment has to come from smallholders as well;
  - Supporting agribusiness activities which have potential in terms of different product market combinations and the value which could be generated for the smallholders;
  - Supporting all actors in the value chain and improving capacity and expertise at the institutional level to ensure sustainability of the consultation framework,
  - Designing capacity building and training activities to support project coordinators;
  - Defining baseline indicators before starting the project and agreement among all stakeholders. Also, monitoring activities should be based on a participatory approach.

#### **IV. Concluding remarks**

45. The main aspects captured by all working groups can be summarized as follows:
- The use of value chain analysis to address gaps, capture unobservables, assess business opportunities and feasibility (cost/benefit analysis, including the costs of certification)
  - Identify new marketing opportunities;
  - Ensure economic (including certification costs), social and environmental sustainability;
  - Policies are particularly relevant for market information dissemination, extension and promotion of consumption of fruits and vegetables;
  - A lot to learn from Latin and Central America countries experiences (Belize, Costa Rica and Colombia) especially in terms of institutional frameworks for stakeholders consultation;

- Enhance linkage with regional strategies PROMEFruit “Proyecto Mesoamericano de Fruticultura”. Particularly stressed by Costa Rica and Colombia (Latin American Network of horticulture);
  - Capitalize on other countries’ successful experiences (south/south cooperation).
46. The initiative would produce three main outcomes:
- The preparation of an action plan or proposal/guidelines to ensure enhanced smallholder participation in the banana and tropical fruits value chains.
  - The preparation of a joint FAO - CFC publication: *“Strategies to enhance smallholder participation in the Bananas and Tropical Fruits Value Chain – selected case studies”*. This background document would be considered as a basis for the drafting of guidelines to ensure effective design and implementation of CFC value chain development projects. The guidelines for project formulation and implementation would draw from ex-post evaluation of selected CFC projects.
  - The improvement of some operational aspects aimed at enhancing communication and exchange of experiences among CFC Project Executing Agencies. In this regard in-depth discussions will have to take place among the relevant partners to build upon existing networks, such as TFNet and the IGG platform.