

Guidelines for rapid appraisals of agrifood chain performance in developing countries



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by

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Abbreviations and acronyms

ALIDE	Latin American Association of Development Finance Institution (Spanish acronym)
BDS	Business Development Services
CEPAL	Economic Commission for Latin America and the Caribbean (Spanish acronym)
CF	Controlled by Firms
CG	Controlled by Government
COMTRADE	United Nations Commodity Trade Statistic Database
CSA	Commodity Systems Approach
EUREPGAP*	Euro Retailer Produce Good Agricultural Practices
FAOSTAT	Corporate database for substantive statistical data
FOB	Free On Board
FSI	Federal System of Inspection, Brazil
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
HACCP	Hazard Analysis and Critical Control Point
IICA	Inter-American Institute for Cooperation in Agriculture
IMF	International Monetary Fund
ISO	International Organization for Standardization
MERCOSUR	Southern Common Market
MIT	Massachusetts Institute of Technology, United States
NC	Non-Controllable factors
NGO	Non-Governmental Organization
NTB	Non Trade Carrier
QC	Quasi-Controllable factors
RA	Rapid Appraisal
R & D	Research and Development
SCM	Supply Chain Management
SCP	Structure, Conduct and Performance
SO	Strengths and Opportunities
SPS	Sanitary and Phytosanitary Standards
ST	Strengths and Threats
SWOT	Strengths, Weaknesses, Opportunities and Threats
TOWS	Threats, Opportunities, Weaknesses and Strengths
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WITS/TRAINS	World Integrated Trade Solution / Trade Analysis and Information System
WO	Weaknesses and Opportunities
WT	Weaknesses and Threats
WTO	World Trade Organization

* Note, EurepGAP, as of September 2007, is referred to also as GLOBALG.A.P. (Global Partnership for Good Agricultural Practices). By January 2009, GLOBALG.A.P. will be used exclusively and will replace the EurepGAP term.

Introduction

This publication presents a methodological strategy for the analysis of agrifood value chains. Simply stated, chains can be seen as sets of interrelated activities that are typically organized as sequences of stages. In the agricultural, food and fiber sector, chains encompass activities that take place at the farm level, including input supply, and continue during first handling, processing and distribution. As products progressively move through the successive stages, transactions between chain actors – producers, processors, retailers, etc, - take place. Money changes hands, information is exchanged, and value is progressively added. Seen from a broader, systemic perspective, the chain concept includes also the ‘rules of the game’ – laws, regulations, policies and other institutional elements - as well as the support services, which form the environment where all activities take place. Value chain analysis under such a broad view seeks to characterize how chain activities are performed and to understand how value is created and shared among chain participants. It seeks also to evaluate the performance of chains and identify what, if any, are the barriers for their development.

International experiences have often demonstrated that chain analyses can be important tools in efforts towards the enhancement of performance of agricultural, food and fiber systems. By revealing strengths and weaknesses, such analyses help chain stakeholders and policy-makers to delineate corrective measures and to unleash the development of areas and activities where the potential for growth is identified. When properly conducted, they can also help to create a shared vision among chain participants regarding challenges and opportunities, thus facilitating the development of collaborative relationships.

Value chain analysis is also used for other related purposes. These include the promotion of enterprise development, the enhancement of food quality and safety, the quantitative measurement of value addition, the promotion of coordinated linkages among producers, processors and retailers and the improvement of an individual firm’s competitive position in the market place, to name a few. Applications are found in both public and private domains, covering a wide spectrum of products and regions and crossing an ample set of disciplinary boundaries.

As agrifood systems worldwide continue undergoing rapid and dramatic changes, the interest in value chain analysis has been growing accordingly.

One of the main motivations for preparing these guidelines was the need to promote a pragmatic approach to agrifood chain analysis. Based on a set of fundamental principles, it proposes a methodological strategy that can be readily followed by field practitioners interested in examining agrifood systems with the purpose of understanding their organization and functioning, and in identifying possible areas for performance improvement. More specifically, the guidelines aim to accomplish the following objectives:

- provide information on the conceptual fundamentals of chain analyses, highlighting their importance in its planning and execution, as well as on the implementation of its recommendations;
- assist practitioners in the selection of the necessary information for the analysis, as well as on the methods to obtain, organize and evaluate it;
- orient practitioners in the identification of problems affecting chain performance and of areas which could be seen as leverage points for further growth and development;
- propose a general approach towards the definition of chain interventions aiming at performance improvement, with the identification of stakeholder responsibilities for implementation;
- propose a general approach for the prioritization of chain interventions;
- point out the limitations and potential difficulties of conducting chain analyses.

These specific objectives and the delimitation of the intended readership reflect the fact that these guidelines are meant to cover only a subset of the many purposes and domains for which chain analysis is being applied.

This guide is considered both opportune and necessary. It is considered opportune because chain analysis is very much present in the current agenda of governments, donors, international organizations and other institutions concerned with agrifood systems development. It is perceived as necessary because, notwithstanding the significant interest in the topic, there is still a void in the reference sources when it comes to the availability of unified materials that can lead agrifood professionals through both the understanding of the fundamental concepts of chain analysis and their application in a system development planning framework. Moreover, the present guidelines differ from the many recent publications on value chain analysis in a fundamental way: the level of focus. This text is not restricted to the analysis of a particular market channel for a specific product or group of products, between production and consumption. Instead, the emphasis herein is on the collection of market channels that constitute a given sector of the agrifood system. For example, rather than providing guidance to the analysis of a particular chain linking a group of tomato growers to one agroprocessor or to an exporter, the methodology here discussed looks at the aggregate of tomato growers and its interactions with the aggregate of agroprocessors or exporters. The focus is on the analysis of the organization and performance of the tomato sector (or subsector, as preferred by some authors) as a whole, and not on any particular tomato chain within that sector.

For a methodological proposal that purports to be practical and general, an initial challenge to be dealt with was represented by the heterogeneity of agrifood products and the variety of regional specificities, particularly in the developing world. We all know that value chains for food, fiber and agriculture are indeed complex and highly dissimilar. Moreover, as they engage in value chain research, practitioners will face different constraints represented by human, financial and time resources available to conduct the analyses. Given these singularities, a rigid and prescriptive methodological framework had to be eschewed at the outset. Flexibility instead

was chosen as a central characteristic. An effort was made to follow a broader, more general orientation perspective. Therefore, the chain research methods here discussed, including the categories of information suggested for collection and analysis, have ample allowance for adaptations to particular application settings and needs.

The guidelines are organized in four sections. Following this introduction, the conceptual basis for value chain analysis is examined. The third section discusses and illustrates each step of the proposed methodology. The aspects of research organization, data collection, information analysis, performance assessment, intervention design, prioritization and results validation are covered. Concluding, general recommendations on the application of the methodology are presented. Annexes, including references for further reading, complement the information offered.

