COMMON THEMES IN VALUE CHAIN ANALYSES

AWARDEES:

**EUNICE KANDIA** is the Trade Officer at Agribusiness Investment for Market Stimulation (AIMS) in Kenya. She works with agribusinesses and agricultural SMEs in value chain development, financial modelling, establishing partnerships and growth strategies, and sustainable farming business practices. A graduate from Catholic University of Eastern Africa, she has spent over 10 years working with NGOs, and private and public sectors in Kenya, Tanzania and Rwanda.

**EMMANUEL (EMPO) MPONYA** is Head of Programs at Farmers Forum for Trade and Social Justice in Malawi. Since 2001, Empo has worked in project management for multi-sector projects working with both local and international not-for-profit organisations to help marginalised families escape poverty. He has passion for agribusiness and is working towards specializing in the sector. Empo has a bachelor's degree in agriculture from the University of Malawi.

**GERTRUDE KAWAU** is the Director of Trade and Finance in the ACDI/VOCA project in Tanzania under USAID’s Feed The Future Initiatives. She has more than 10 years’ experience in project conceptualizing and management; training and networking, specifically in economic empowerment of rural women and youth; microfinance and enterprise promotion, and agriculture development, especially through Value Chain Analysis. For the last six years, she has been involved in the women’s self-help group movement in Dodoma, especially amongst fresh grapes retailers. She holds a bachelor’s degree in horticulture.

VALUE CHAIN APPROACH

A value chain approach means taking a whole-of-chain perspective from primary producers and their input suppliers, through every stage until the product reaches the end consumer. It examines the flows of products, money and information, with a focus on how these are influenced by the relationships among chain members. Of particular importance is the need to understand markets and consumers, and the state of collaboration among chain members.

A value chain approach highlights how effective partners can align better their skills, resources and behaviour to deliver products and services to different market segments and to reduce waste, with the resultant financial returns being distributed equitably so as to sustain partnerships within the chain. This improves the competitiveness of each business and helps chain members to recognise their interdependence, and the consequent benefits of solving shared problems.

Every awardee on an Australia Awards Africa agribusiness course completes a project in their own country which applies what they have learnt about value chains. This brochure summarises three distinctive pieces of work, highlighting how the principles and practices of value chain thinking can be applied across diverse products: cooking oil, milk and fresh grapes. The comparison also reveals common themes in the awardees’ findings.

PROJECTS

Eunice Kandia analysed a fresh milk value chain in south east Kenya. “Formal and informal milk chains operate in Kenya. I wanted to investigate how farmers and milk cooperatives can strengthen their position by being part of more competitive formal chains.” Gertrude Kawau studied short grape supply chains around Dodoma in Tanzania. “There are about a thousand local farmers engaged in grape growing, but with hardly any exporting or processing, with a highly perishable product, price competition is fierce. So, I wanted to see if value chain analysis could identify new opportunities to create more value or to reduce waste, and so increase incomes for farmers and retailers, who are usually women selling from the roadside.”

Empo Mponya examined a soybean cooking oil chain in Malawi. “Soybeans are increasingly popular as a food and cash crop in Malawi, aided by private sector investment in processing plants, and government policies to encourage crop diversification and value addition for both domestic and export markets. However, beans and cooking oil are considered commodities with little scope for differentiation, but I thought value chain thinking could change that.”

DATA COLLECTION AND ANALYSIS

Each Awardee applied the techniques they had been taught on the course. This involved conducting consumer research through focus groups, intercept interviews and shopper observation. Next, they walked the chain, identifying every activity undertaken and interviewing representatives of every part of the chain, from input suppliers to retailers. In combination, this provided the information to map the critical control points of value along the chain. These are the inputs and activities across the entire chain which can positively or negatively affect those product attributes which most strongly influence consumers’ decision over whether and how much of the product to buy, and how much to pay for it. If chain members are to align themselves collectively with their target market, they all need to focus on these activities. If they do not, improvements made in one part of the chain can be easily undone by activities elsewhere.

COMMON FINDINGS

In each case, the consumer research revealed opportunities for differentiation despite looking at very different types of products. Empo found that the factors affecting consumers’ decisions over what kind of oil to buy included palatability and the healthiness of low cholesterol vegetable oils. “Some consumers also told me that poor refining of soybean oil causes an unpleasant odour in any food prepared using it, which sometimes drove them to switch brands, or even substitute sunflower or groundnut oil, instead of soybean oil.” Colour was also important, with a golden hue preferred to light brown. “This is a product both of the beans and how they are processed, and the size of packaging, because cooking oil looks a lighter colour in small bottles. Consumers also wanted well-sealed bottles, which brought confidence over product safety and hygiene. This highlighted to me how reducing costs on packaging risks reducing the perceived value of the product by even more.”

Eunice also found a range of attributes that consumers valued. These included freshness and shelf-life, a lack of any after taste, pure white colour and consumer-friendly packaging. Gertrude found that consumers were looking for fresh, clean, unblemished grapes, but that another way of creating value was through differentiating based on convenience. “Many respondents were willing to pay for delivery to their home or office, so long as the service was reliable, the quality as high as if they chose the grapes themselves and that the product was well packed. This showed how it is not just quality attributes which offer opportunities for a chain to create value, but it is also about service. But actors across the chain must adopt practices and behaviours that ensure consistently high standards, or consumers who can afford to pay more will simply go elsewhere.”

The Awardees’ analyses all displayed the importance of taking a whole-of-chain approach to identifying systemic problems and solutions. For example, Eunice found that, “The importance of taste to consumers’ decisions over milk purchases is a great example of the need for coordination across the chain. Ensuring milk meets consumers’ expectations requires that the cows are fed appropriately; there is proper quality control during milking and then transportation to the cooperative, and then both the processor and retailers handle the milk correctly. Similarly, shelf-life is the result of practices from milking to retailing, including cleanliness and chilling across the chain, and proper pasteurizing and packaging.”

Gertrude also found that collaboration was required to reduce waste. “Grapes blemish and rot faster in the sun, and if rotten grapes and good ones are kept in the same pile, the rotten ones contaminate good grapes. However, the solutions require cooperation across the chain. Simple packaging like boxes will reduce damage to the grapes, but these boxes need to be returned to the farmers to avoid the costs of always buying new ones. It is also important to keep grapes in the shade right across the chain: immediately after harvesting, through transportation and wherever the grapes are stored and sold.”

Looking across the projects, Empo observed that, “We each found that inputs, especially like the genetics of different varieties and breeds, need to be selected by considering the attributes wanted by consumers, not just for production factors like yield and disease resistance. Equally, retailing issues like packaging and merchandising at the point of sale need to re-enforce differentiation so that consumers are confident they are getting the specific product characteristics they are paying for. There is no point a chain producing a higher quality product if consumers are not attracted to it in the shop or marketplace. It just shows how chain actors are so inter-dependent.”

All three projects also proved the advantages of looking at relationships as part of the deciding what improvements were feasible and would be effective. Communication along the milk value chain was strong, with orders and feedback given in person, or through phone calls and social media. However, the relationship between the farmers and the cooperative was weak, resulting in side-selling directly to other processors, resulting in the cooperative receiving volumes well below its capacity. Similarly, Empo concluded that oil processors needed to engage in contracts with farmer organisations to ensure adequate supplies. “Relying on informal buying leaves the processor vulnerable to short-term opportunistic selling by farmers. While it won’t work with everyone, some farmers said they would prefer the security of a long-term contract, even if this meant they sometimes missed out on higher, spot market prices.”

Gertrude found the relationships between grape suppliers and retailers were usually transactional, “which told us not to start with highly collaborative improvements, because there wouldn’t be the foundations of trust and commitment to build on. This is really important to know, because it explains why some projects fail. However, we also found examples of more committed relationships - with some retailers having preferred suppliers - when our interventions can be more ambitious. The clear lesson was not to treat every relationship as the same, so you need to understand them.”
The Awardees also agreed on the need for **value-based pricing**. This pricing strategy involves each supplier being paid according to the extent to which they deliver the product attributes sought by consumers or services sought by interim customers, like commitment and reliability. “Incentives drive behaviour,” comments Empo. “Why would anyone upgrade their practices if everyone is paid the same, so they don’t get rewarded?”

“This was something we all found,” agreed Eunice. “We all recommended that to encourage value creation and waste reduction, and to share the benefits of doing both, good suppliers must be paid more.”

A final common finding was that **governments and NGOs need to provide coherent support across whole chains**, and not just focus on farmers, otherwise improvements in inputs and on-farm practices can be undone by poor handling downstream. Empo concluded that, “extension officers need to expand their service to cover all the activities which deliver higher value products. They can only do this if they are trained about consumer preferences, and taught how those key product attributes are created along the chain.” Eunice found that was also true for meeting safety regulations for milk, which impacted everyone in the chain.

Gertrude emphasised that, “Although working at the chain level seems daunting, the Australia Awards course and our three projects show why it is essential. Encouragingly, value chain analysis offers a way to develop realistic, coordinated action plans for everyone in the chain.”

**HOW Awardees benefited from the course**

Empo found the week-long ‘walking the chain’ exercise especially helpful. “It put all the theory into practice, and I started to become more confident in my ability to conduct value chain analysis. The visit to both Country Range Farming and Wray Organics also gave me a very positive impression of successful Australian female entrepreneurs.”

Gertrude found visiting so many Australian businesses across the whole six weeks especially insightful. “This expanded my knowledge of the activities of all the different value chain actors, and how they strengthen their relationships in order to increase the value to the consumer and then bring more equitable returns to all chain actors.”

Eunice was struck by the problem Australia shares with Africa in attracting young people into farming. “Succession planning from parents to their children is difficult because of the attraction of moving to urban areas and blue-collar jobs.” Empo benefited from this issue being pursued during the Ghanaian component of the course. “We met Freeman Boatri, the owner of Frorex Agro Farms Ltd. He is a young and very successful producer and processor. It was great to learn how he’d started and grown his business, and I gained valuable lessons regarding how he’d overcome the challenges as a young agri-entrepreneur, which I will apply in managing my own projects focusing on young people in agribusiness.”

Eunice found the rapid value chain analysis group exercise in Ghana a daunting process, “But it helped so much when I trained my team in Kenya as part of my in-country project, because I had experienced the importance of understanding the purpose of the analysis from the start so as to guide who to interview and what questions to ask. I also learnt about what is essential to learn, and what is not relevant to the analysis.”

All three Awardees found the in-country project an essential part of the course, allowing them to apply their new expertise. Gertrude found that it, “strengthened my skills in consumer research, interviews and data analysis, and to think critically from a value chain perspective.”

Empo found all the chain actors were eager to be involved and happily provided the information he asked for. “And they were very keen to see my recommendations. I will continue visiting them to encourage them to implement them and to monitor their impacts.”

He added that, “The course enabled networking between so many African professionals coming from different countries which is so useful, and I am sure we will continue as a forum for professional interactions and information sharing.”

Gertrude summoned up her experience by saying, “I am proud to say I am now an expert in value chains - and this directly helped me get a new job as Director of Trade and Finance in a project developing maize and rice value chains.”

**Key Message**

Value Chain Thinking requires key partners to:
- Understand consumers/market
- Align objectives, processes & resources
- **AND** behavior
AUSTRALIA AWARDS – AFRICA

Australia Awards – Africa is delivered under the Australian aid program managed by the Department of Foreign Affairs and Trade. It is a prestigious scholarship program offered by the Australian Government to individuals who have the greatest potential to drive development in their country and become leaders in their chosen field. The Australia Awards contribute to the achievement of development objectives across a range of sectors and are a feature of nearly all of Australia’s bilateral aid programs. The Australian Government works closely with its partners in developing countries to ensure that Australia Awards support the development priorities of each country.

They aim to:
- develop capacity and leadership skills so that individuals can contribute to development in their home country;
- build people-to-people links at the individual, institutional, and country levels.

Australia Awards – Africa Short Courses are a tailored program that aims to create skills development through short-term post-graduate training courses of three months or less that are delivered in Australia and/or the country or region specific to the course.

AUSTRALIA AWARDS – AFRICA 2017 AGRIBUSINESS SHORT COURSE AWARD

The Agribusiness Short Course Award, designed by UQ International Development (UQID) specifically for Awardees from African countries, provided learning experiences related to Agribusiness to enhance participants’ ability to engage with and influence challenges regarding sustainable economic development in their home country, profession, workplace and community. Key features included using Value Chain methodology as the context around which the curriculum is delivered. The program balanced content and experiences to maintain engagement and interest, and enabled Awardees to access value chains of major Australian agricultural industries from a South-East Queensland training base. Furthermore, the course collaborated with African partners during the course design phase to ensure participants were supported upon their return to Africa.

The course comprised of 8 x 1 week long learning modules:
- Week 1 – The Value Chain in Context;
- Week 2 – Value Chain Innovation in Practice;
- Week 3 – Smallholders and Small Business;
- Week 4 – Public Sector Perspectives;
- Week 5 – Analysing and Improving the Value Chain;
- Week 6 – Professional Skills for Agribusinesses;
- Week 7 – Business Development;
- Week 8 – Rapid Value Chain Analysis.

Awardees developed a Reintegration Action Plan (RAP) which detailed a unique project outlining an area of change that they will be addressing when returning to their organisation. These projects are devised with the expert knowledge and learnings gained from the course and enable the Course Leader, UQID and Australia Awards to monitor and provide feedback during various stages of the project.

Australia Awards – Africa: www.australiaawardsafrica.org