
Skill Set #3: Basic Market Skills



Description and importance

What are basic market skills?

Farmer groups with basic market skills have the ability to carry out a rapid appraisal to identify and then prioritize promising market opportunities or customers, to engage in collaborative post-harvest management of product volume and quality, and to sell collectively. In other words, they understand the basic strategy of producing the right product for the right buyer at the right time and price. As these basic market skills develop over time with experience, farmer groups learn to negotiate with customers as well as other actors in the market chain, such as traders or distributors. Agroenterprises build on basic market skills but require farmers—usually in formal associations, cooperatives or federations—to have a sophisticated capacity to manage negotiations with other actors in a commodity or value chain, to plan how, when and where to supply products of a required volume and quality and to ensure members compliance with these standards. Market skills also include understanding

concepts of profit and loss and re-investing profits to expand a business.

Why are basic market skills important for agroenterprise?

Basic market skills prepare farmers in small groups to produce effectively for the market by organizing their production (for example, the crop variety, the planting dates, the area to plant, etc.) to satisfy market demand. These skills also help farmers to organize harvest and post-harvest management to collectively present their products with the quality, amounts and timing requested by the buyers. As a result, farmers can improve their sale price, and their cash income. Acquiring basic bargaining skills helps poor farmers to improve their market power, challenge barriers to selling their products and realize higher profits.

Tips for facilitators

- *Identify existing groups that are motivated to enter the market*

Focus on existing grassroots groups interested in increasing their incomes through improving their basic market skills, regardless of the group's original focus. Farmers in many types of groups, such as internal savings and lending groups or watershed management groups, will want to find ways to increase their income through better marketing skills.

- *Start with small, informal groups*

A rule of thumb is less than 25 people: this will support more efficient and effective learning about basic market skills.

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- *Promote participatory learning in planning, monitoring and evaluation of market activities*

Participatory approaches to planning and carrying out a market activity, such as visiting local markets to understand customer preferences, help to develop the group's own capacity to do these activities on their own without the facilitator. Participation should be inclusive of, if not mandatory for, all group members (if the group already exists). Encourage the group members with the most interest in agroenterprise to get involved with the marketing activities.

- *Enable the group to develop skills for participatory monitoring and evaluation of their marketing activities*

Ideally, every member of the group should have a role in evaluations. These should occur after each market cycle to make sure the group learns from experience and develops fresh approaches.

- *Focus on skill development, not just sales*

It is important for the group to work on short-term collective marketing so that its members obtain tangible benefits from developing their basic market skills, but the facilitator should focus on long-term development of the group's market skills rather than just on short-term production and sales by a group. This will better promote sustainable increases in the income of the farmers.

- *Encourage collective marketing of a small number of products*

Encourage the group to choose no more than one or two initial products—ideally ones that they already understand how to produce—through a participatory process of identifying and analyzing market opportunities. Limiting the number of products will minimize initial risk. Over time, expand into new products and new markets.

- *Encourage the group to choose market opportunities appropriate for the poorest households and women*

For example, identify market opportunities that have a low financial barrier to entry.

- *Avoid signing exclusive sales contracts*

It is advisable to avoid promising exclusive sales to any organization—at least initially. This protects the earning power of the group by allowing them to attract the best price without worrying about breaking a contract through side-selling.

Do not rush the process—the development of basic market skills takes time. Groups' capacity defines the speed of the process.

Do not seek out new products and new markets initially. Start locally and market existing products.

- *Support groups to develop their networking skills*

The group facilitator has a key role to play in helping farmer groups to link up with other service providers that can provide training in, for example, internal savings and lending and business management. However, be clear that this is a temporary form of subsidy.

- *Promote group independence*

The group facilitator should stay out of the marketing process, both directly and indirectly. For example, the facilitator should not assist farmer groups in transport or storage (direct assistance) or recommend farmer groups to enter certain markets (indirect assistance). Never act as the buyer of the group's product.

➤ *Recognize that some groups may fail at marketing*

The group facilitator should allow the failure of some groups to occur so that other groups (and group members) can learn from the experience. It is unwise to subsidize to avoid failure and then involve a group in the potentially more serious consequences of an inadequate marketing strategy in the future. However, do intervene if the proportion of failed groups rises above approximately 30%.

➤ *Only federate farmer groups when they are strong enough*

Federation of farmer groups into second or third order associations has to be a step requested by the smaller groups. Facilitators should be very cautious and patient about taking this step. If not done well, federation can hinder rather than help the small groups succeed in the market.

Do not intervene in the marketing process directly or indirectly. Farmers are responsible for taking their own final decisions (what to produce, where and when to sell)

Do not encourage dependency on loans or subsidies, especially those directly provided. Subsidies should be a component of an empowering plan, define the beginning and the end of each subsidy.

Do not prevent the natural failure of some groups. Groups should be free to fail; failure strengthens the learning and can become an example for others.

Tracking group progress in basic market skills

Box 3 provides six characteristics of the basic market skill set that you should look for in a farmer group that is on the right track in the early stages of marketing their products.

Box 3. Basic market skills

Farmer groups have good basic market skills when they can:

- Identify and analyze profitable market opportunities
- Collectively market their products
- Add value to their products to satisfy customer demand (for example, better market presentation)
- Build a network of market relationships with buyers and suppliers
- Keep records that track their costs, income and profitability
- Adapt production and post-harvest practices to meet market demand

Resources for basic market skills

A Market Facilitator's Guide to Participatory Agroenterprise Development. 2005. CIAT. English and Spanish. http://www.ciat.cgiar.org/africa/pdf/eri_guide2/contents.pdf

Helping farmers to understand the market. <http://www.fao.org/docrep/008/a0185e/a0185e07.htm#bm07>

Producing for the market. <http://www.fao.org/docrep/008/a0185e/a0185e09.htm#bm9>

Improving marketing arrangements. <http://www.fao.org/docrep/008/a0185e/a0185e0b.htm#bm11>

Questions for market research. <http://www.fao.org/docrep/007/y4532e/y4532e0b.htm#bm11>

A consumer questionnaire. <http://www.fao.org/docrep/007/y4532e/y4532e0b.htm#bm11>

Creation of Enterprises Through Formation of Entrepreneurs (CEFE International). In English, Spanish and Portuguese. Learn by doing business management training and methodologies provided by a world-wide network of over 1300 organizations. <http://www.cefe.net/>

Mayoux, L. 2003. **Participatory value chain analysis for pro-poor enterprise development.** EDAIS (DFID). <http://www.enterprise-impact.org.uk/informationresources/toolbox/valuechainsanalysis.shtml>

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Increasing the Competitiveness of Market Chains for Small holder Producers. A Field Guide. 2004. CIAT. http://www.ciat.cgiar.org/agroempresas/pdf/market_chain_manual_v2.pdf. Other manuals in this series: <http://www.ciat.cgiar.org/riiweb/downloads.htm>

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Shepherd, A. 1993. **A Guide to Marketing Costs and How to Calculate Them.** Rome: FAO. <http://www.fao.org/docrep/U8770E/U8770E00.htm>

Local Learning Topics on How to Improve Farmers' Access to Markets. May 2006. Briefing Note 14. <http://www.linkinglearners.net/>

Bhatt, E. 2006. **We are Poor but So Many. The Story of Self-Employed Women in India.** Ahmedabad, India: Self Employed Women's Association (SEWA). http://www.sewa.org/index_files/we_are_poor_but_so_many.htm

Crawford, I. M. 1997. **Agriculture and Food Marketing Management.** Rome: FAO. <http://www.fao.org/DOCREP/004/W3240E/W3240E00.HTM#TOC>

De Veld, A. 2004 . **Marketing for small scale producers.** Agrodok 26. Agromisa, Wageningen, Netherlands. www.agromisa.org

Mayoux, L. 2003. **Trickle down, trickle-up or puddle? Participatory value chain analysis for pro-poor enterprise development.** <http://www.enterprise-impact.org.uk/informationresources/toolbox/valuechainsanalysis.shtml>

Shepherd, A. 1993. **A Guide to marketing costs and how to calculate them.** Rome: FAO. <http://www.fao.org/docrep/U8770E/U8770E00.htm>

Stockbridge, M., A. Dorward, J. Kydd, J. Morrison and N. Poole. 2003. **Farmer organization for market access: An International Review.** London: Department of Agricultural Sciences, Imperial College. http://www.imperial.ac.uk/agricultural_sciences/research/sections/aebm/projects/farm_org/FOSumJKAD2.pdf