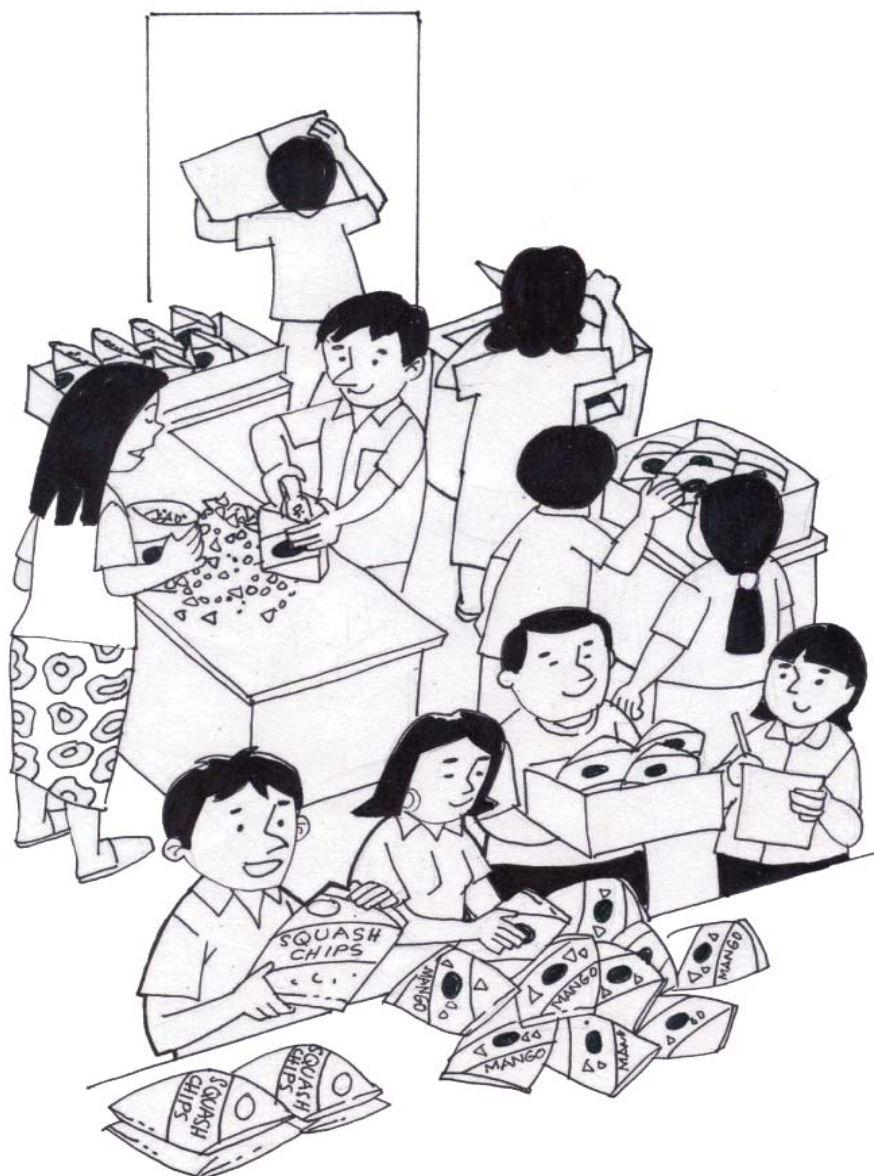


Enabling Collective Action for Smallholder Market Access



Discussions about poverty reduction inevitably include the need to increase small landholders' ability to participate successfully in market exchanges. However, smallholders must be aware of new opportunities and challenges brought about by changes in the global agricultural economy. Prominent among these changes is the growing demand for higher value and for processed foods, as well as the increasing number of supermarkets as outlets for farm products that have in turn altered procurement systems and made quality and safety standards more stringent.

SOURCE:

Markelova, H., R. Meinzen-Dick, J. Hellin, and S. Dohrn. 2009. *Collective Action for Smallholder Market Access*. CAPRI Policy Brief No. 5. International Food Policy Research Institute, Washington, D.C.

Markets in developing countries are characterized by pervasive imperfections such as lack of information on prices and technologies, high transaction costs, and credit constraints. New challenges

include the rise of procurement systems that expect larger supply volumes, favoring large landholders, and free trade agreements that have imposed on farmers the need to compete not only nationally, but also internationally.

How can smallholders overcome these constraints and challenges? One way is to organize into farmer groups or producers' associations. By acting collectively, farmers will be in a better position to reduce transaction costs for market exchanges, obtain necessary market information, secure access to new technologies, and tap into high-value markets.



Cooperation is recognized as crucial for the poor to overcome challenges posed by unfavorable policy and market context, and to create sustainable livelihood options. However, collective action is not automatic and requires specific enabling conditions that are important for the formation and functioning of farmers' groups. What are these factors? These are types of markets, types of products, group characteristics, and institutional arrangements.

Types of Markets, Smallholder Access, and Potential for Collective Action

Smallholders will find certain markets more difficult to access. Theoretically, these are the “long” marketing chains that require costly transport and storage, and demand stringent quality and scale standards. However, collective action can facilitate smallholder access to the markets that promise better returns.

Table 1. Enabling Factors for Collective Action.

Types of Markets	Smallholder Access	Potential for Collective Action
Local	Easier to reach — fewer logistical differences, less competition from larger producers.	Offers relatively low gains because farmers can sell individually.
Emerging urban	Relatively difficult because of transport and storage issues, acquisition of technologies and certificates to comply with quality standards, need to reach economies of scale to supply desired quantity, and quality of product.	Collective action can allow smallholders to reach larger markets. It can enable them to deal with various issues and requirements such as storage, certificates, quality, and quantity standards.
Regional		
Export market	More challenging in terms of transport and market risks. Smallholders may be unable to compete with agribusiness and meet international quality and food safety standards.	Collective action can enable smallholders to meet necessary quality requirements through certification.

Farm Product Types and their Implications for Collective Action

Table 2. Incentives for Collective Action.

Product Types	Characteristics and Choice of Output Markets	Incentives for Collective Action
Staples	Relatively easy to store and transport; usually destined for the local market.	Few.
Perishables	Carry higher risks; require more sophisticated and costly storage and transport facilities.	Producer organizations can be effective in marketing horticultural products to quality conscious markets by allowing smallholders to deal with quality requirements.
Cash crops	Require processing, thus smallholders usually sell to agribusiness which can afford processing equipment.	Collective action can enable smallholders to acquire processing equipment and market to domestic and international markets.

Group Characteristics

Group Size. Small groups often have higher internal cohesion because it is easier to know and monitor other members. However, larger groups can achieve economies of scale, a particular advantage in marketing. Federated organizations that build up from smaller groups offer a way to combine small base groups with economies of scale, but as with the viability of collective action at the local level, the viability of federations should not be assumed.

Group Membership. Clearly defined group boundaries facilitate collective action. However, there are trade-offs between inclusiveness and tighter membership rules that may exclude the poorest farmers but lead to greater group effectiveness.

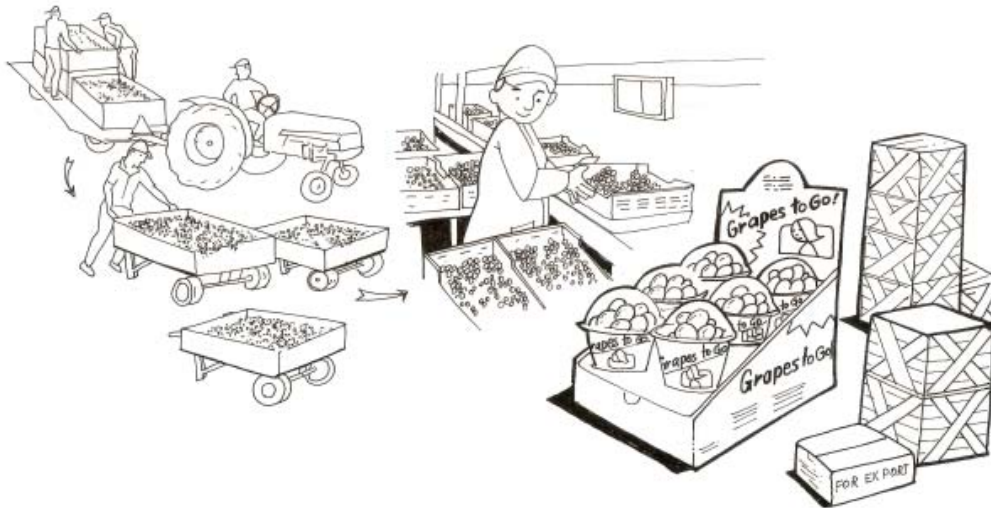
Shared Norms, Social Capital, and Past Successes. These facilitate collective action in new areas. Marketing organizations that build upon pre-existing social groups have an advantage because they can build on local norms and trust. However, external programs should not push marketing activities on existing groups unless the members want to undertake joint marketing.

Group Relationship. Interdependence among members generally facilitates collective action. There is a debate on whether heterogeneity constrains or enables collective action; some argue that homogeneity of socio-economic status and values is necessary, while others cite cases where internal differentiation allows necessary leadership to evolve.

Leadership. Leaders should be trusted, able to motivate the members, and have necessary skills for the collective enterprise. They should also have linkages to outsiders and key business skills.

Institutional Arrangements

Simple and understandable rules increase compliance, establish accountability, and serve as an enforcement mechanism. Rules crafted by group members have a higher likelihood of being followed, contributing to the effectiveness and sustainability of collective marketing efforts.



Various sizes of groups ranging from small groups and federated structures to multiple linkages and networks along the commodity value chain, may be appropriate for collective commercial activities. Public-private partnerships have also helped in linking smallholder groups with other actors in the marketing chains, who enable these groups to upgrade their facilities, skills, and production techniques.

External Environment

Relations with the markets and the state are two major aspects of the external environment that studies of collective resource management have identified as important. Strong market linkages are often reported as reducing collective action for managing resources, partly because in communities with less market integration, people are more interdependent.

Group formation cannot happen in a context of state hostility or macro-economic instability. Good governance that ensures legal and credit systems in favor of the poor will undoubtedly increase economic opportunities for smallholders and provide incentives to join with others.

Key Recommendations for Collective Action

Create Incentives for Cooperation. The state should improve rural infrastructure, provide extension services, make credit markets accessible, and make available relevant information. These measures should enable farmers’ groups to effectively compete in markets. In addition, the state should make group registration processes simpler. Specialized training for members can impart the required expertise in technical and marketing skills.

Provide Enabling Facilitation. To enable farmers’ groups to access profitable markets, they need a facilitator or a “chain champion” to aid in the processes by which farmer groups overcome barriers to entry, such as low technical and organizational capacity, informational asymmetries, and often financial constraints.



Outsiders can help groups that organize themselves to get access to microcredit.

Facilitation can be provided by the state and its agencies, by members of civil society and non-government organizations (NGOs), donors, or even by private firms. Facilitators can help farmers' groups to obtain access to business development services such as inputs, supplies, micro-credit, market information, transportation services, technical expertise, quality assurance, and product development assistance.

Participation of all three sectors, the private sector, and state and civil society represented by NGOs may be necessary for a group of smallholders to effectively participate in markets. This calls for innovative institutional arrangements between state agencies, companies, NGOs, and producer groups that would take care of various relationships along a commodity value chain and ensure the timely provision of funding and business development services.

Address Equity and Sustainability Issues. To address equity considerations, policies and programs aiming to enhance marketing access for the poorest need to carefully consider their target beneficiaries.

Sustainability of collective marketing is important for long-term, pro-poor development. It involves both business and marketing sustainability and longevity of collective action, which must work parallel to each other. Market development and social development agendas must be reconciled. Extreme care must be taken so that public sector financing in the form of subsidies does not create perverse incentives for collective action, thus creating the need for careful planning and timing. The facilitating agent must carefully assess its role, capacity (both financial and human), and level of participation at the onset of the project, and design a viable exit strategy.

Have Realistic Expectations. It is important to remember that the success and effectiveness of collective action groups depend on many factors and, in most cases, facilitation by an outside agent from the public, private or civil society sectors to catalyze both collective action and market development. Without these factors in place, collective marketing may not be a realistic goal for a group of smallholders.

Collective marketing as an approach to pro-poor development is not a “silver bullet” that is applicable and replicable in all situations. There is a need to remember that market development is not always going to help the poorest, since they may not have the minimum asset threshold needed to participate in market exchanges.

Conclusion

Smallholders are excluded from successfully participating in market exchanges because of changes in the global agricultural economy and market imperfections in the developing world.

Organizing farmers into groups or producers' associations can help smallholders overcome constraints caused by these imperfections, as well as deal with emerging challenges and take advantage of new opportunities. However, collective action is not automatic and requires specific enabling conditions for the effective formation and functioning of farmers' groups. These factors are types of markets, types of products, group characteristics, and institutional arrangements. Moreover, farmers' or producer groups need enabling facilitation to make collective action happen.

Suggested Readings

Agrawal, A. 2001. *Common Property Institutions and Sustainable Governance of Resources*. World Development 29(10): 1649-1672.

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Sourcebook on **Resources, Rights, and Cooperation**, produced by the CGIAR Program on Collective Action and Property Rights (CAPRI)