Linking small-scale farmers with markets
An analysis of successful initiatives in Latin America

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Summary

Successfully linking small farmers to dynamic markets is a topic that increasingly appears on the technical cooperation agendas of national and international organizations. In implementing the initiative of the Global Forum on Agricultural Research (GFAR) on this subject, three medium- and long-term initiatives were studied that reflect the impact of public policies of three countries: the Project to Support the Development of Rural Microenterprises (PADEMER), in Colombia; the Project to Reduce and Alleviate Poverty (PRA), in Peru; and the FRUTAL-ES Program of El Salvador. This article presents an overview of the study, which has resulted in a plan of action for Latin America and the Caribbean (LAC) being submitted as part of the GFAR’s proposed Global Partnership Programme (GPP) on Linking Farmers to Markets (LFM).

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Introduction

In recent years, successfully facilitating and supporting efforts to link small farmers to dynamic markets has become an important issue on the agricultural and rural development agendas of the countries and, therefore, of national and international agencies.

The GFAR, for example, has been promoting the formulation and implementation of a global project on the subject, for which various regional studies were conducted. The Latin American study was carried out by the IICA (PRODAR) - FORAGRO partnership. It focused on three medium- and long-term initiatives that reflect the impact of public policies in three Latin American countries:

- The Project to Support the Development of Rural Microenterprises (PADEMER), in Colombia
- The Project to Reduce and Alleviate Poverty (PRA), in Peru
- The FRUTAL-ES Program, in El Salvador

The authors of the study analyzed the intervention strategy and services of each initiative, the role of the beneficiaries, the main results and the elements that could be adapted for use in other areas. They identified various factors that accounted for the success achieved, including the promotion of enterprises that respond to market signals, the visualization of the initiatives as part of changes at the territorial or agricultural chain level, the policy framework underpinning the initiatives and the adoption, assimilation and implementation of technologies.

Each initiative is summarized below.

Initiative: Support for the Development of Rural Microenterprises - PADEMER (Colombia)

PADEMER was a project financed by the International Fund for Agricultural Development (IFAD) (US$16 million) and the Government of Colombia (US$4 million), carried out between 1998 and 2007. At the end of that period, the project gave way to a new type of action known as “rural opportunities,” designed and implemented based on the lessons learned from PADEMER. The Ministry of Agriculture and Rural Development (MADR) implemented the project through a National Technical Coordinating Unit (UTNC), whose primary objective was to increase income and employment in rural areas by supporting the development of rural microenterprises (RMEs) that guaranteed gender equity and the preservation of the environment.
PADEMER was implemented in three phases, as described below:

- **Phase I (1998-1999).** The criteria and rules adopted applied to all microenterprises in Colombia, not just to rural operations. Non-governmental organizations (NGOs) and research centers provided technical services (training in technological, commercial and financial aspects).

- **Phase II (2000-2004).** Focused on the needs identified during the first phase, mainly by NGOs that acted as promoters, supporters and facilitators of micro-business processes. One operational innovation was the use of assessment bodies, whereby the RMEs selected the entity they considered best equipped to provide the technical and business assistance.

- **Phase III (2004-2007).** The microenterprises themselves directly operated their projects and contracted the technical services they required, choosing them from a portfolio of service providers\(^1\) in the rural sector.

**Intervention strategy and services**

The project strategy consisted of actions at three levels: first, specific work with individual RMEs; second, collective work (at the sectoral or territorial levels) with a group of RMEs; and, third, follow-up efforts, to ensure the results of the project contributed to knowledge management and the design of policy proposals. The actions focused on three core components:

- **a)** markets - the articulation of small farmers with other actors in the chain;
- **b)** organizational strengthening;
- **c)** technological innovation-knowledge management.

- **Markets - the articulation of small farmers.** Under this component, the project used several tools, including:
  - **Learning visits.** Several rural micro-entrepreneurs visited other organizations that have been successful in gaining access to markets and different outlets.

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\(^1\) The service providers were individuals who were experts in different areas.
Participation in local and regional fairs to present the farmers’ products, learn about others and make contact with clients (other businesses or end-consumers).

Business matchmaking.

Direct technical assistance with the improvement of products, packaging and presentations, the implementation of good manufacturing practices, the process of obtaining sanitary certification, bar codes and compliance with other legal marketing requirements.

Specific market studies, carried out using a participatory approach, whose results could be used to take decisions for immediate implementation.

Organization-building strategy. This component played a decisive role in integrating small farmers into competitive markets, since it enabled them to achieve economies of scale and redefine their role in value chains and in price formation. The work basically involved training actions and technical assistance aimed at management capacity development and organization building.

Technological innovation. Under this component, PADEMER promoted the adaptation and adoption of technologies. It used mechanisms such as the capitalization of business organizations to enable them to purchase new machinery and equipment, and farmer’s management of their own knowledge and acquisition of more information. The actions focused on not only production technologies but also technologies for administrative, management, financing, planning, marketing and commercial tasks.

The role that the beneficiaries played in achieving the results

The beneficiaries of PADEMER were viewed as project partners rather than beneficiaries. They started out as passive recipients of the technical assistance provided by the NGOs but subsequently became active participants, capable of formulating their own proposals and selecting, and contracting service providers. Many of PADEMER’s successful micro-entrepreneurs have become part of “learning routes” designed to facilitate the direct sharing of experiences among micro-entrepreneurs and participants in the Local Rating Committees (COLOCA) and Resources Allocation Committees (CREAR). These local entities discuss and rate the proposals presented to the Rural Opportunities Program, a new stage of PADEMER.

2 Methodology that makes it possible to tap local talents, drawing on their expertise as support for training and knowledge management. It involves “learning by seeing” and allows the participants to have direct contact with real businesses run by rural actors in a situation similar to their own.
Main results

Through December 2007, the main results of the project were:

- 43,014 new jobs created.
- 71% increase in the incomes of the families that benefited from the project for over two years.
- 80% of the RMEs are using clean production technologies.
- Public policies formulated for the RMEs.
- Two “learning routes” established as a knowledge management mechanism.
- 160 local talents (service providers) identified who support the incorporation and adaptation of technology.
- 159 associations of RMEs strengthened that represent 3949 micro-entrepreneurs. They established effective and transparent management bodies and participatory follow-up committees.
- 96% of the RMEs that received support in the second phase gained access to markets.
- 88% of the RMEs assisted by PADEMER increased their sales and 26% increased their assets.
- Ten self-managed revolving funds administered by the associations of RMEs, with total capital of US$95,489 and regulations in place.
- 148 associations of RMEs identified and contracted their technological service providers. The services needed were selected applying competitive principles.
- Line of credit opened through microcredit funds and nine financial operators acquired rural microcredit technologies.

Elements that could be replicated in other areas

There are several elements of this initiative that could be replicated in other contexts. The most important are as follows:

- The project is visualized as a medium-and long-term process. Many RMEs need to undergo major transformations, both of their productive structures and their administrative, management and organizational processes, as well as changes of attitude, which take time to be assimilated and incorporated efficiently.
- The competitive funds that provide support to RMEs, which use regional committees to select proposals, guarantee better results, since the people that rate the projects are familiar with the situation and priorities in each area.
- Equal importance is attached to productive, administrative, technological, socio-organizational and commercial aspects, and local service providers are identified in all the areas covered by the project.
- The revolving funds that make it possible to capitalize the agribusinesses, since they facilitate resources for purchasing machinery and other assets.

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3 Highlighted by IFAD in the evaluation of the project (2007).
• The methodology for establishing the criteria for selecting the technology to be used in each undertaking.

• The design and implementation of “learning routes” as a formal knowledge management tool that allows the visitors to meet their peers and share innovations and the mechanisms used to achieve them.

• The producers develop a culture of quality and formality but it is not imposed upon them. They realize it is necessary as a result of their interaction with clients and consumers.

4 This must be easy to use, tailored to the volumes they handle, inexpensive and efficient.

Poverty reduction and alleviation initiative (PRA), in Peru

The project was the result of an agreement between the National Confederation of Private Enterprises (CONFIEP) of Peru and the U.S. Agency for International Development (USAID), which was in place between 1998 and 2001. On 1 April 2001, the consulting firm Chemonics International Inc. assumed responsibility for implementing the PRA.

The program forms part of the strategic objectives of economic development and poverty reduction, specifically within the framework of the economic liberalization policy. The emphasis is on the creation of an enabling environment, so that Peruvian products can gain access to international markets.

Intervention strategy and services

The project makes use of Centers for Economic Services (CSEs), which are
business development offices. They provide and channel various non-financial services to private enterprises, marketing businesses and small-scale urban or rural producers of any productive or services sector, either as individuals or as members of associations, located in selected economic corridors.

The objective is to make production or services operations in rural areas more profitable and sustainable, with a market orientation. The project looks for medium-sized or large firms willing to enter into partnerships with small-scale producers (e.g., crop and stock farmers, artisans, weavers, trout producers, native communities).

The CSEs provide the following services:

- Mediation between buyers and producers. Emphasis is placed on the need to produce what sells instead of selling what is produced, through technical and management assistance to local producers interested in meeting the demand.

- Support for the establishment of regional clusters and the facilitation of relations between small-scale and micro-producers and the regional and national business community, seeking subcontracting arrangements.

The sequence of work in each case includes the following stages:

a) Identification of commercial opportunities, based on which profiles of business plans are developed.

b) Mediation between large or medium-sized companies and medium- and small-scale producers, to create a consortium that completes the business plan profile and works on its development.

c) Strengthening of small-scale producers to meet the demands of the market through direct technical assistance.

Experts are hired to address technological innovation needs.

The role of the beneficiaries

The “beneficiaries” become partners in consortia that develop the business plans, implement the experts’ recommendations to improve their production and marketing operations, and define their relationship with the medium-sized or large businesses by entering into contract agriculture agreements or joint ventures. The businesses involve actual concrete opportunities, not potential products identified in a market study.

Depending on the type of agreement entered into, the “beneficiaries” may contribute to the consortium financial resources, technology, seeds, land, technical assistance, labor or other inputs.
Main results

The total amount invested in the project between 2001 and 2007 was US$14 million. By the end of that period, the main results achieved were:

- 200 companies were working together, comprised of around 47,000 small-scale national producers involved with some 75 products or services.
- US$211 million in sales, including US$96 million in exports.
- Payment for 13 million days worked.
- US$16 million invested in fixed assets.

Elements that could be replicated in other areas

The following are some elements of this initiative that could be applied in other areas:

- Recognition of the private business link interested in doing business in the areas selected, which acts as a catalyst.
- The approach whereby the demands of the market trigger all the processes, resulting in specific business plans.
- The concept of economic corridors (spaces along highways that link medium-sized consumption and population centers with small producers). Related to the territorial approach.
The CSE model, whereby a manager who is an expert in marketing facilitates the business relationship between companies and small-scale producers.

The model of partnerships between medium-sized and large companies and small- and medium-scale producers, by means of joint ventures or contract agriculture.

The strategy of adopting technology packages, following the identification of bottlenecks and the hiring of experts to implement the changes in any of the links in the chain.

The vision of turning the “beneficiaries” into partners in businesses that are created by means of contract agriculture agreements or joint ventures.

National fruit initiative of El Salvador  
MAG-FRUTAL-ES

MAG-FRUTAL-ES is an initiative of the Government of El Salvador, promoted by the Ministry of Agriculture and Livestock (MAG) and implemented by the Inter-American Institute for Cooperation on Agriculture (IICA), with funds received from the privatization of ANTEL. It forms part of the nation’s forestry development and protection policy.

The program dovetails with several different types of policies - those designed to promote exports and those aimed at the modernization of production, reforestation and technological innovation. The objective set for the MAG-FRUTAL-ES program was to promote reforestation by developing and strengthening tropical fruit businesses, which were prioritized because they are profitable and environmentally friendly. Specifically, the program has strengthened competitive chains in order to tap market opportunities and generate sources of employment and income.

Intervention strategy and services

The FRUTAL-ES Program was designed, and is being implemented, with a chains approach that is reflected in its components: market intelligence, production and technology, increase and diversification of production, post-harvest handling and processing, quality plant material, marketing and commercialization, and financial management.

The procedure used by FRUTAL-ES is as follows. People interested in growing tree fruits register with the program and the technical personnel assess their situation, submit recommendations and prepare a technical and economic pre-feasibility

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5 National Telecommunications Administration of El Salvador.
document. Based on that information, farmers decide whether to invest their own resources or seek a loan on the basis of the study’s conclusions. Trees are planted and technical assistance is provided for the growing, harvesting and post-harvest handling phases. Farmers receive a subsidy covering 75% of the cost of the seedlings they require.

The exotic and native varieties prioritized under the program have specific market niches. The former include avocado, coconut, lime, mango and cashew. Some of the native varieties promoted are jocote, nance, loquat and the arraya tree.

To help link farmers with the different markets (agro-export markets, supermarkets and processors), the program uses tools such as agribusiness forums, business matchmaking activities, national and international fairs, export platforms and tasting events.

Under the program, technological innovation mainly entails the use of adapted and improved genetic material and the adding of value through the development of processed products based on native fruits, such as jams, jellies and clarified juices and dehydrated and pulp products. The tools used include international observation visits, the implementation of a diploma course in fruit growing by the University of El Salvador and visits by experts from other countries to train not only the technical personnel of FRUTAL-ES but also the farmers and other professionals and technicians specializing in this area.

The role of the beneficiaries

The program works directly with small and medium-scale farmers who meet certain requirements. They must demonstrate a readiness to take risks, possess some capital or be in a position to obtain a loan, and be willing to change. Other producers are assisted indirectly, through NGOs and projects to which the program has provided technical assistance and training.

Main results

The total amount of funds invested in the program between November 2000 and the end of 2007 was roughly US$6 million, contributed entirely by the Government of

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6 With technical support from IICA’s Inter-American Trade, Agribusiness and Food Safety Program.
7 The indirect beneficiaries meet the profile established by the NGOs that provide them with technical assistance.
El Salvador. The main results of the project to date can be summed up as follows:

- 3125 small- and medium-scale fruit farmers have received technical assistance.
- 37 nurseries have been supported.
- A national association of nursery owners was set up and has 15 members.
- 7167 hectares of land planted with citrus fruits (mainly lime) and avocado for the first time.
- Gradual substitution of imports of some fruits (avocado, lime and coconut).
- Access to international markets.
- Impact on vocational and higher education training programs and production of technical and pedagogical material.
- Creation of producers’ organizations.
- Production of technical and pedagogical material.
- Resources obtained from the Regional Public Goods Fund of the Inter-American Development Bank (IDB) for the execution of the Program to Enhance the Competitiveness of Fruit Growing in Central America, designed mainly based on the experience of FRUTAL-ES.

Elements that could be replicated in other areas

The following are some important elements of this initiative that, with the appropriate adjustments, could be replicated in other contexts:

- The chains approach and the market orientation.
- The selection of products or types of production based on the demand in the marketplace.
- The use of market niches (e.g., nostalgia, organic and fair trade products).
- The use of methodologies such as export platforms, international observation visits, participation in fairs and business matchmaking events, agribusiness forums and direct contact with clients.
- The creation of organizations involving several types of producers with common objectives who set up networks for sharing experiences, information and knowledge.
- Support for the preparation of pre-feasibility proposals to facilitate access to credit.
- A team of specialists recognized for their know-how and experience in each component of the program.
- The program’s services are not subsidized 100%. The technical assistance is free but the beneficiaries cover 25% of the cost of the seedlings and assume responsibility for loans, on special terms.
- The diversification and value added approach.
• Exchanges and internships as a mechanism whereby producers appropriate knowledge.
• The existence of a general and subsector policy framework, with practical tools for its implementation to which others are added as constraints and gaps are identified.
• The participation of a university, to meet human resource training needs.
• Contact with private banks to help them better understand, and have more faith in, fruit growing as an activity.

Factors that contributed to the success of the initiatives presented

The main aim of the initiatives studied was to promote and support enterprises that pay attention to market signals, a strategy that is reflected in various ways:

• In the case of the PRA, the projects focus on developing business plans agreed upon by companies and small or medium-scale producers.
• In the case of FRUTAL-ES, the approach centers on varieties with market potential.
• In the case of PADEMER, the projects supported are selected based on criteria such as market potential and economic viability.

The initiatives also include other business-related elements, such as loan applications, technological innovation, technical services and marketing. The beneficiaries of the program play an active role. They select partners and agree business plans with them (PRA), choose and hire technical services (PADEMER) and, in all three instances, make investments and secure loans to cover the cost of them.

The programs’ actions are not limited only to the business units as individual and isolated actors, but entail efforts to strengthen their ties with other actors, either using the territorial or agricultural value chains approach. PADEMER, which uses a territorial approach, promotes the creation of business networks, the development of local support services and the implementation of learning routes.

The PRA uses the concept of economic corridors, whose main artery is usually a highway. The concept entails linking producers in areas characterized by high poverty rates with entrepreneurs and markets in medium-sized or large cities, and even overseas. FRUTAL-ES applies the chains concept and nursery owners, producers and processors are regarded as beneficiaries of the program.
The three initiatives analyzed are being implemented within the public policy framework, with different emphases in each case: rural development, rural poverty and the generation of rural income and employment (PADEMER and PRA); the diversification of production and efforts to combat desertification (FRUTAL-ES); and trade liberalization (PRA and FRUTAL-ES). Several specific tools have helped the countries achieve results, including: specialized lines of credit for rural microenterprises (PADEMER) and for fruit production (FRUTAL-ES), export promotion mechanisms (FRUTAL-ES and PRA) and competitive funds to finance technological innovation projects (FRUTAL-ES and PADEMER).

In two cases (PADEMER and MAG-FRUTAL-ES), the State’s participation - through the ministry of agriculture, and livestock - has been a key factor, because it has helped secure and channel external and national resources and given the projects some sustainability. It has also permitted them to become a sort of “laboratory of public policies.”

At the operating level, special executing units were set up in all three cases, either within the public institutional framework (PADEMER at Colombia’s Ministry of Agriculture) or through external operators that were chosen following a bidding process (IICA, in the case of FRUTAL-ES, and Chemonics Inc. for the PRA).

The executing units exert clear leadership, albeit with special differences:

- They are markedly management-oriented.
- They are primarily geared toward the private sector (the PRA).
- The emphasis is on production (FRUTAL-ES).
- They are skewed toward public management (PADEMER).
- In all three cases, they have elicited a high level of commitment from the teams, inspired confidence in the private actors and provided continuity.
- A single person has managed each program from the outset.

At the marketing level, there are several common factors:

- The chain and market-oriented approaches were incorporated into the design of the projects from the outset.
• Support in identifying markets and linking small farmers to markets through direct contacts or the use of other tools, such as participation in business matchmaking activities and fairs.
• Establishment of a culture of quality.
• Direct technical assistance with process and product improvement.

Certain strategies and tools also stand out. PADEMER, for example, organized learning visits, where producers were able to see other successful enterprises first hand. The PRA used the CSE strategy, where the manager is a business developer who links medium-sized and large firms with small farmers and facilitates the relationship between the actors, builds trust and provides technical support to both actors to help them achieve the expected results. FRUTAL-ES used the export platform methodology, which prepares producers to market their products in U.S. markets.

With regard to technological innovation, the assistance provided for the adaptation, assimilation and application of technologies has been of key importance for the success of the three projects. The fact that the projects did not experiment or start from scratch gave producers enough time to achieve results.

Other differentiated characteristics worthy of note are the emphasis placed on local practical knowledge - referred to as “local talent” - and the “learning routes,” a mechanism that allows new producers joining the program to learn by doing and learn about the successful experiences of peers in other places (PADEMER).

Furthermore, needs are met by specialists in specific topics (the PRA and FRUTAL-ES).

These initiatives highlight major opportunities for speeding up the processes aimed at linking small farmers to markets and affording them access with quality products. This marks a significant transition: from producers who are beneficiaries to stakeholders in agribusinesses, whose decisions will revolve around investments, partnerships, associations, service contracting, the adoption of technologies, etc.
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Vinculando pequeños productores con mercados: análisis de experiencias exitosas en América Latina

Uno de los temas emergentes en las agendas de cooperación técnica de organismos nacionales e internacionales ha sido facilitar la vinculación exitosa de pequeños productores a mercados dinámicos. En el marco de la implementación de la iniciativa del Global Forum for Agricultural Research (GFAR) sobre esta temática, se analizaron tres experiencias de mediano y largo alcance que reflejan el impacto de políticas públicas de tres países: Proyecto de Apoyo al Desarrollo de la Microempresa Rural (PADEMER) en Colombia, Proyecto de Reducción y Alivio a la Pobreza (PRA) en Perú, y el Programa FRUTAL-ES de El Salvador. Este artículo constituye un una síntesis del estudio, cuyo producto final ha sido la presentación de una propuesta de plan de acción para América Latina y el Caribe (ALC) en el marco de la formulación del Global Partnership Programme (GPP) sobre Linking Farmers to Markets (LFM) del GFAR.

1 Linking Farmers to Markets.