Linking farmers to markets: different approaches to human capital development

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Abstract

Programs focused on developing community-level management skills and human capacity can increase the opportunities for small farmers to benefit from market participation. Using a framework that links the concepts of collective power and agricultural development, and drawing upon evidence from Mali, Mozambique, and Cameroon, the authors differentiate three types of approaches to capacity building. Contract/Business programs such as out-grower and cash-crop schemes facilitate farmer access to goods and services required for production and marketing of a target commodity. Project/Technology programs, usually mediated by non-governmental organizations (NGOs), focus on the promotion of improved technology. Process/Human Capacity investments also facilitate technology adoption and marketing, but focus initially on the development of foundation skills and social capital, including assistance for collective self-help, literacy programs, marketing activities, and decentralized development planning. Although the latter programs tend to be slower in producing tangible results, the skills emphasized often determine the ability of a community to access inputs and market production beyond the life of a project.

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Introduction

Other papers in this issue identify several promising public–private efforts to increase smallholder demand for, and access to, improved inputs. This paper focu-
ses on a subset of these—efforts to group farmers into associations to improve accountability and reduce the transactions costs that frequently discourage rural traders, input suppliers, and output marketing companies from doing business with farmers. Approaches to group formation differ significantly in their attention to the development of community management skills and capacity. Such differences may determine the ability of rural communities to access and use inputs beyond the life of any particular project and their ability to fully participate in an increasingly global and commercialized rural economy.

To examine these issues, we develop a political economy framework that forges together concepts of collective power and agricultural development; we focus on how different economic and agricultural investments influence the development of rural human capital, particularly the capacity for marketing. Using examples from Mali, Mozambique and Cameroon, we explore how different types of economic investments influence the viability and sustainability of farmers’ collective activities and their capacity to reduce input supply costs, improve access to credit and market commodities. The evidence is preliminary, but suggests that government and donor programs to build self-reliance and transfer a set of practical organizational and management skills can equip producer organizations with the capacity to initiate and sustain trade-based relationships with private sector firms and financial institutions.

**Economics, politics and markets**

Beginning in the 1980s, the World Bank and International Monetary Fund encouraged many sub-Saharan African governments to adopt a uniform set of fiscal and economic policies. These reforms commonly included measures to encourage greater private sector participation in agricultural marketing functions, the reduction or elimination of public subsidies for agricultural input and product marketing, and agricultural export diversification. These reforms also commonly called for governments to encourage new roles for NGOs and farmers’ organizations to assume more responsibilities in agricultural production and marketing programs.

Getting government agencies out of the agricultural credit and input supply business, and dramatically reducing or eliminating agricultural subsidies were two of the earliest objectives of structural adjustment programs in sub-Saharan Africa. Non-governmental organizations (NGOs) have attempted to fill the gap by directly providing some micro-finance services in rural areas, but with very mixed results. Loan periods are generally too short and the amounts too small to be very useful for agricultural input investments. In some cases, NGO programs specifically targeted to rural smallholders may have jeopardized rather than stimulated capital accumulation and investment (Bingen et al., 1993). Such experiences suggest that governments should consider “a wider choice of delivery systems and institutional structures within which they provide financial services” (Kirkpatrick and Maimbo, 2002).
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