

Value Chains for Staples Compared to Other Crops: Implications of Key Differences and Comments on Competitiveness

At:

FAO/IFAD Consultation on Rebuilding West Africa Agricultural Production Potential: A Comparison of Commodity Chain Models and The Role of Small Farmers in Staple Crop Value Chains- FAO- Rome-Nov 2011

Observations from:

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Overview - Staple Crop Value Chains

This presentation will:

- Highlight 7 Areas of Comparative Differences of Staples with Other Crops
- Discuss Key Implications of These Differences
- Comment on Sources of Competitiveness in Staple Food Value Chains & Important Related Challenges

1. Staples are More Storable

- Cassava an exception but still somewhat storable in live form in the ground.
- Implications:
 - Less potential hold-up problems with buyers
 - Less potential gain to resolve such problems via group action
 - Fewer incentives to form/sustain groups
 - Often private sector can carry out marketing roles more cheaply - fewer internal transaction costs - compared to group action
 - Some scope for group action in initial assembly

2. Staples Have Thousands/Millions of Points of Production & Exchange

- Horticulture and export cash crops tend to be more geographically concentrated in production and assembly
- Implications:
 - Fewer leverage points in value chain for actions at given level to improve the entire chain
 - Relatively harder to impose taxes/subsidies
 - Transportation/transfer costs loom large especially for small lots
 - May be fewer agglomeration economies for concentrating support services to farmers in localized zones

3. Many Producers are Net Buyers Rather Than Net Sellers

(Often a Majority Can Be Net Buyers to Some Degree, or Not In The Market at All)

- Implications:
 - There can be a relatively wide range of “smallholders” & respective capacities [Zambia examples](#)
 - Effectiveness of the value chains requires improvements in multiple-sub channels & in selling as well as buying for net buyer farmers and other local consumers
 - Upgrading smallholders to capture emerging urban & export markets are important but are not the only challenges
 - Programs/policies/technologies for various VC sub channels
 - Local market challenges – value chain & processes for delivering products/services in rural areas for net buyers
 - May be issues for creating incentives for local storage to avoid backhaul costs and localized out of stock difficulties in hungry season

4. Production & Marketing Among Net Sellers May Be Relatively Concentrated

- Such results among net seller smallholders can be exacerbated when large scale commercial farmer present
- Implications:
 - Good news is that these subcomponents/participants of staple value chains may hold opportunities for growth
 - Bad news is that benefits from investments and subsidies are often highly concentrated - many farmers left out or benefit little
 - Political & economic interest groups tend to protect this concentration
 - Improvements needed but may be slower coming and hard to quantify for poorest participants – helps some leave VC
 - Need multiple actions and policies to reach multiple targets

5. Staples Are Important in Consumers' Budgets

- Implications:
 - Key food prices are politically sensitive
 - Govts much more involved in pricing/trade issues
 - Input and output price policies are very blunt tools
 - Some strategic export crops – like cotton are an exception
 - Unpredictable government involvement can be major hindrance in private sector investment in the off-farm parts of value chains

6. Staples - Relatively Less Product

Differentiation (especially at low levels of consumer income)

- Implications:
 - Staple value chains more participatory – more farmers can produce at low quality standards
 - As consumer incomes grow, product differentiation increases, demanding that farmers & traders increase quality standards
 - This can be an opportunity for some to learn and improve if relevant VC subcomponents are organized in a way to pass benefits back to investors
 - With staples the pooling of different products can make this process very difficult
 - These trends are slower for staples compared to some other crops for domestic and export markets
 - Poor quality assurance mechanisms can disrupt transition

7. Staples - Relatively Low Unit Values

- Implications:
 - Its hard to farm one's way out of poverty on 1-2 ha or less of staples, especially if rainfed/one crop yr
 - For many staple smallholders just increasing connections to markets and on-farm productivity unlikely to be a major way out of poverty
 - But making rural staple mkts more reliable may allow a wide range of smallholders to take risks with crop and employment diversification, relying on rural staple mkts for their food
 - Bulk commodities can evolve into more sophisticated VCs but depends on careful investment in the VC drivers and complementary infrastructure & education

Sources of Competitiveness -1

- WB study – Awakening Africa's Sleeping Giant showed that staple-food VCs in several African Countries had competitive costs at farm level
- This was lost quickly when moving from the farm toward regional and international mkts
- Main difficulty was very high logistical costs – inland transport, doing business, port charges
- Overall the off-farm portions of the VC are critical on both input and output sides

Sources of Competitiveness - 2

- Looking closer at on-farm cost of production, long-term competitiveness is problematic
 - Soil mining not sustainable
 - Low returns to labor (indicating few alternatives, hence not a very good pathway out of poverty)
- Bottom line – need to find
 - Sustainable productivity increases **both** on and off farm to lower unit costs
 - Look for drivers of productivity increases in niche mkts
 - Eventual growth in off-farm portions of VCs may offer additional employment, but given supply of labor, rural wages not likely to rise sharply for some time

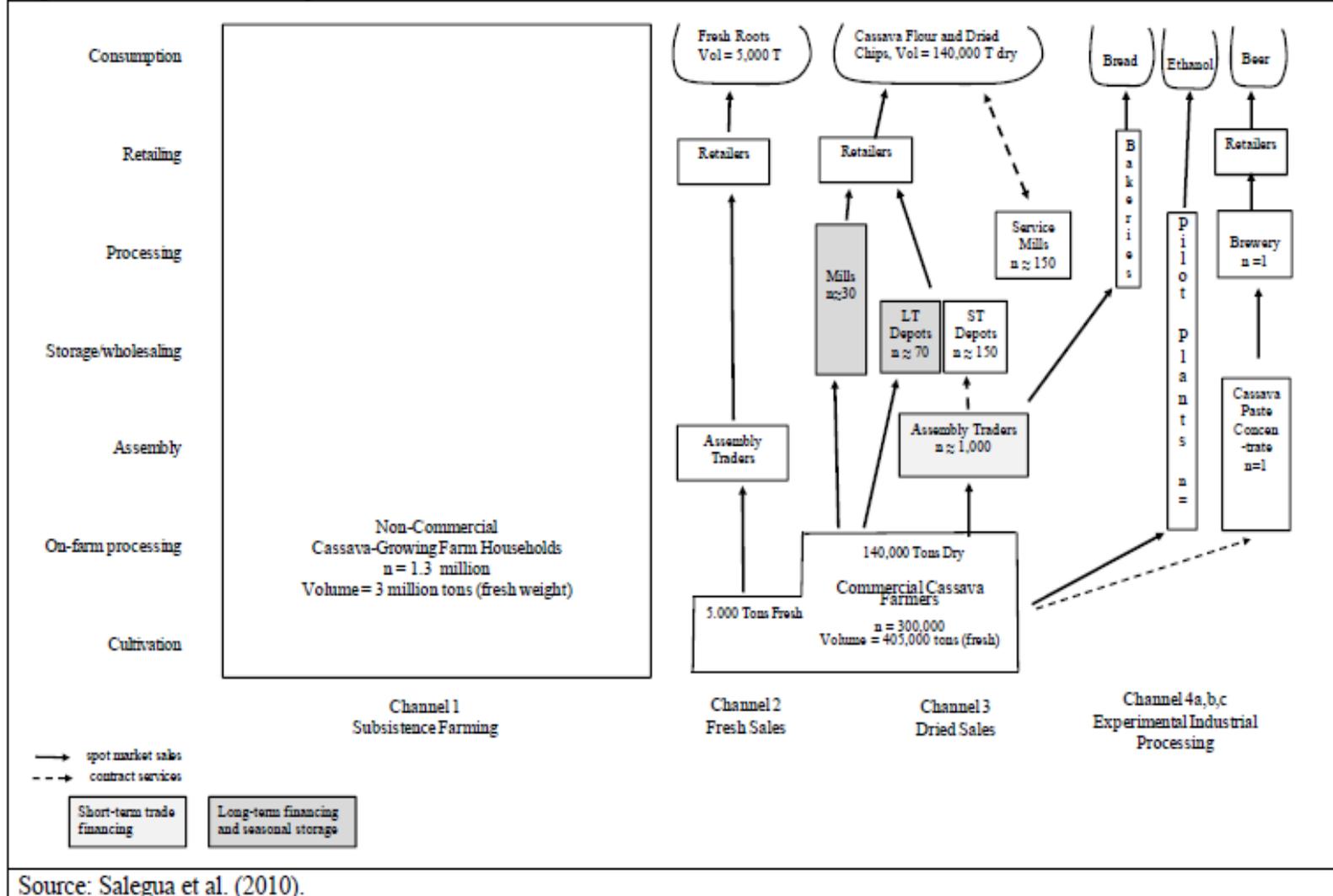
Sources of Competitiveness - 3

- Increasingly competitiveness comes through reducing transaction costs, especially for meeting quality standards as market become more segmented
 - Examples from Mali and Senegal are illustrative of challenges and opportunities [Mali](#) [Senegal](#)
- Also important for capturing regional trade opportunities
 - Identify reliable trading partners across borders
 - Meet their quality requirements
 - Completing requirement of trading across borders

Source of Competitiveness - 4

- Competitiveness is important in multiple market niches in a given value chain
- Need to work with a range of vertical sub channels in a given value chain
- Seek broad-based value chain upgrading and competitiveness enhancements
- Seek inclusiveness for a wide range of smallholder and other rural stakeholders

Figure 9. Northern Mozambique Cassava Value Chain, 2010



Source: Salegua et al. (2010).

Cassava Commercialization in Mozambique, Donovan et. al. (Draft 2011)

Nearly 50% of rural farm HHs are net buyers of maize

- 49% net buyers (45% buy only; 11% did not produce maize)
- 28% net sellers
- 23% produced but did not sell nor buy maize

Fig 6: Smallholder Farmers Maize Market Position

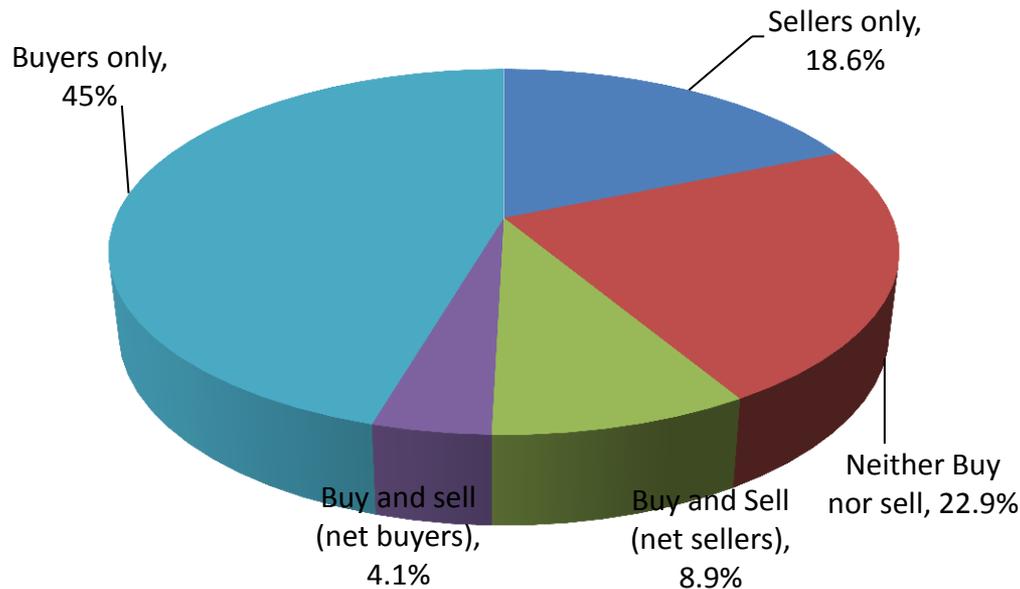
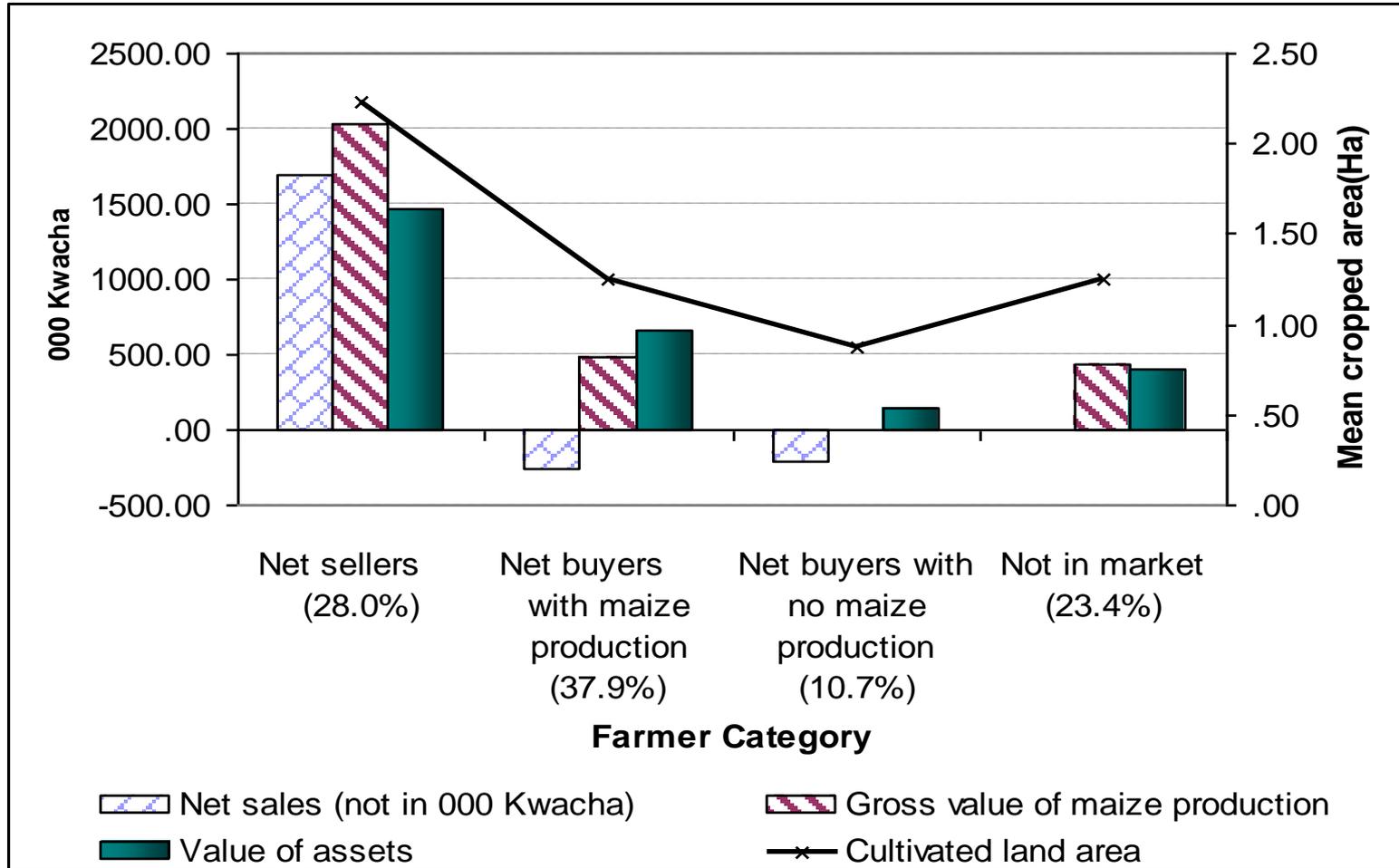


Fig 7: Zambia Smallholder Maize Production, Sales and Assets



Source: 2008 (07/08 Crop Marketing Season)

Senegal Case Study from [Andrew Keck](#)

