



Understanding Agricultural Value Chains

Why Colombian leather couldn't access US market



- Retailers and consumers: “Quality bad, price too high”
- Manufacturers :”No es nuestra culpa”
- Tanneries: “It’s the mataderos”
- Slaughterhouses: “The ranchers don’t care”
- Ranches: “It’s the stupid cows”



Why is understanding agricultural value chains important?

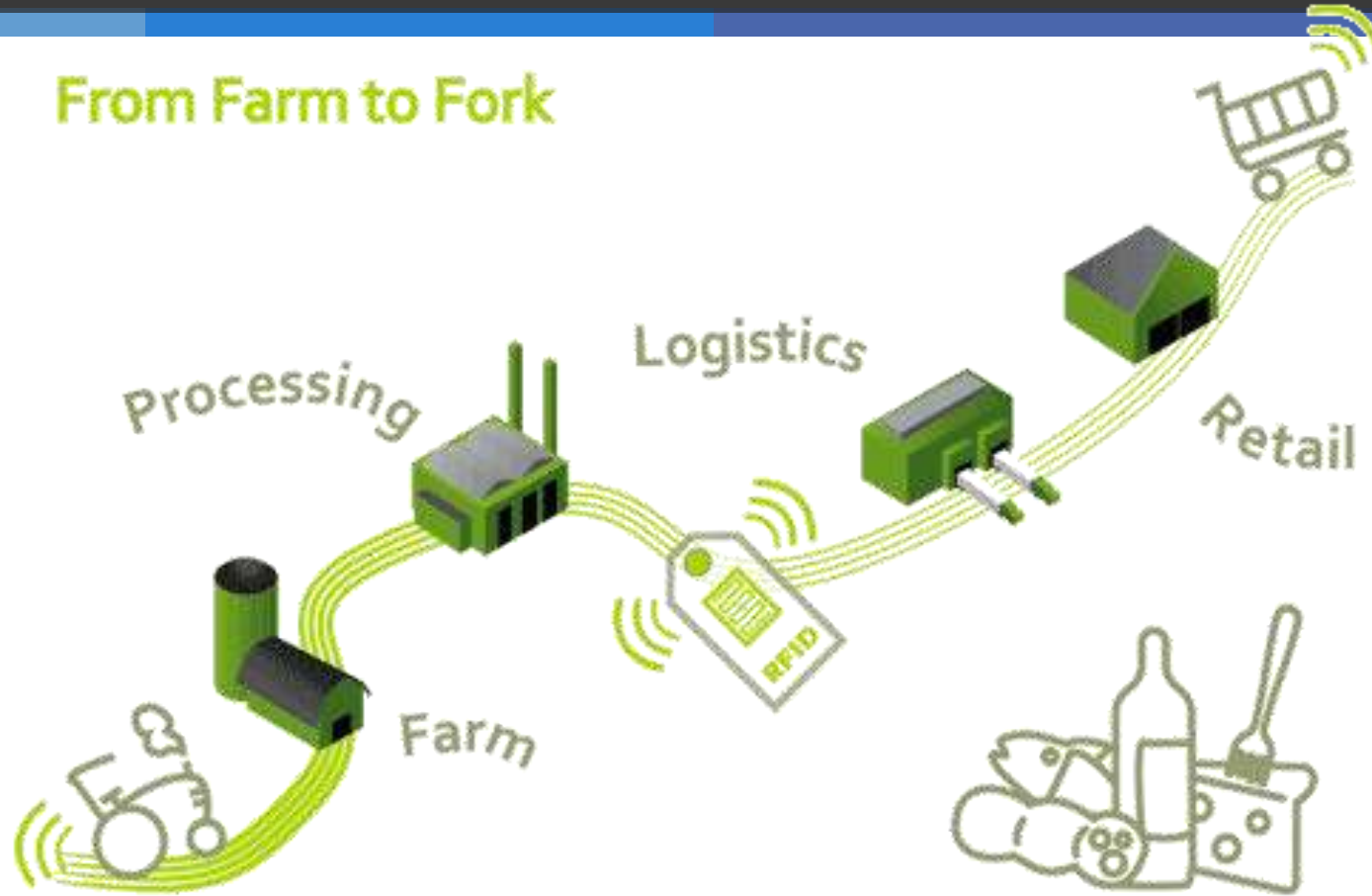
- NDP identifies agricultural sector as growth and jobs engine
 - Important export sector – 13% of SA exports (Daff, 2013).
- Intense global competitiveness requires focus on productivity, efficiency and regional value-add of products.
- VCA is key tool to better target interventions in agri sector
 - Helps focus on where real value created

Benefits of value chains analysis?

- Helps understand process, stakeholders and relationships
- Helps to identify problems or opportunities to improve contribution of specific actors and overall performance
- Highlights who is benefiting most and possible barriers to entry
- Enables understanding of dynamic competitive factors within whole value chain and global dispersion of production
- Policy and restructuring tool to counter market and state failures and direct investment and support

Many ways of mapping value chain

From Farm to Fork



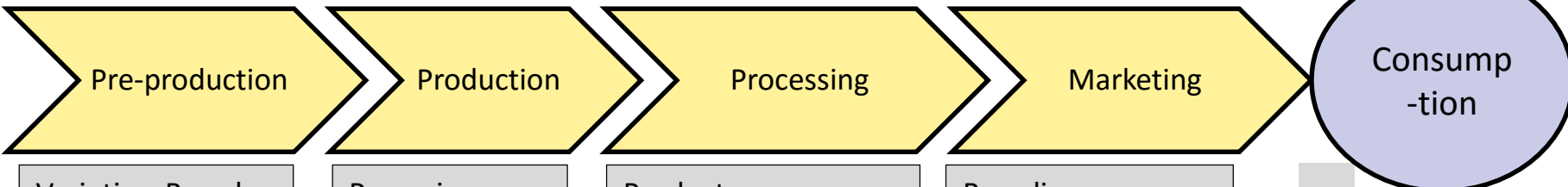
Generic Agricultural Value Chain

External influences

Environmental factors, political and legal context, macro economic climate, technology and standards



Core processes



Vertical linkages



Varieties, Breeds
Feed, Fertiliser
Equipment
Land

Preparing
Growing
Harvesting

Product development
Processing
Beneficiation
Packaging

Branding
Marketing
Distribution
Retail (Local & international)

Activities

Services (Agricultural extension, quality assurance, advertising)

Accreditation

Resources (water, energy, equipment)

Waste management

Transport and logistics

Research and development

Funding and investment

Inputs

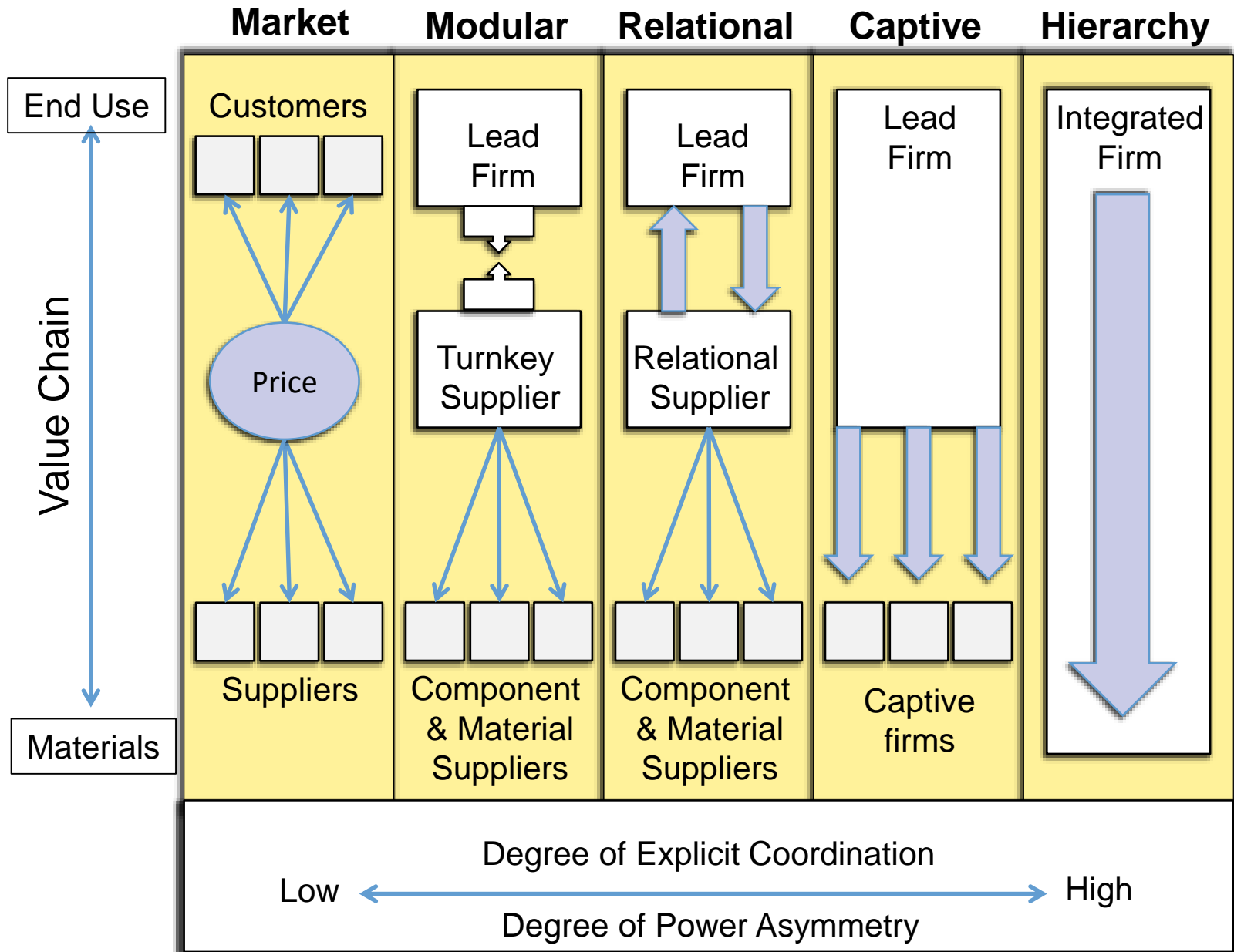
Input costs

Farm-gate price

Factory/ Wholesale price

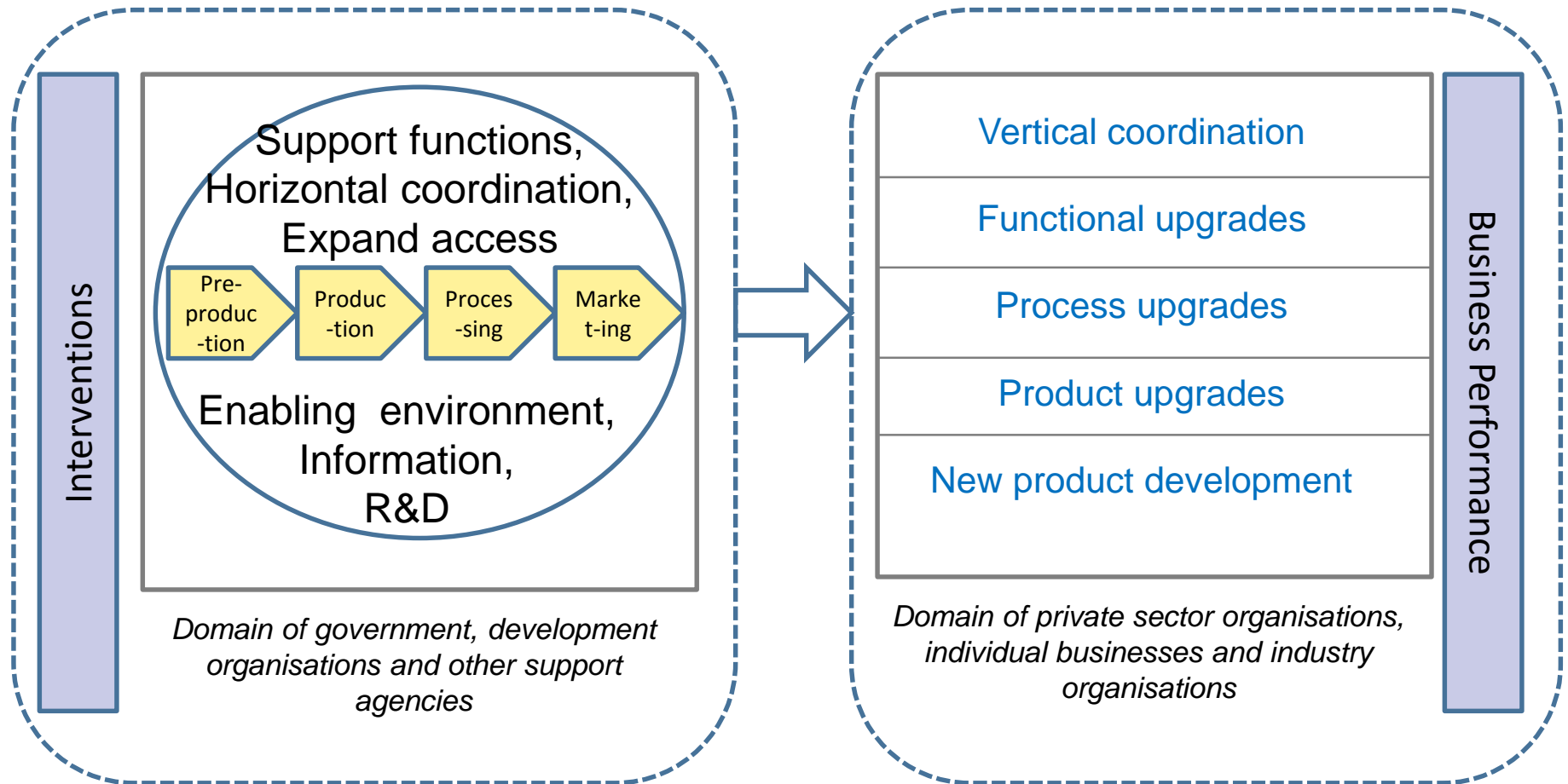
Retail prices

Value Chain and Power Relationships



(Effredi et al)

Framework for intervening in value chains



Adapted from Copla, 2009



Concluding thoughts

- Choice of VC is important – real market activity with some competitive advantage
- Identifying appropriate interventions
 - Requires good VCA, robust research and good evidence base
 - Be clear on rationale for intervention – reduce poverty or stimulate growth
 - Identify state failures as well as market failures as often good pointers for intervention
- Focus on access to segments of chain where value is held
 - Avoid obsessing about production node – often focus but typically least valuable segment

(Adapted from COPLA, 2009)





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