



**Strengthening Business to Business Marketing for
Smallholder Farmers:**

Case study from Balam gewog in Mongar, Bhutan

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Outline

- Background
- Significance of the study
- Objectives
- Methods
- Results from the field study
- Recommendations

Background

- A strategic approach adopted by CARLEP (Commercial Agriculture and Resilient Livelihoods Enhancement Programme) in collaboration with RAMCO
- Piloted in 2018 – Two vegetable groups in Balam gewog
- Aims – Enhance vegetable production; improvement of returns and reducing mismatch between production and market demand.

Significance of the study

- Document context-specific approaches – Evidence based diagnosis of restraints
- Contributes to the discussion regarding development of market linkage for smallholder farmers
- The study can serve as progress report for the implementing organizations and as monitoring account for improvements

Objectives

- Analyse the business to business model adopted
- Analyse its weakness and strengths to recommend approaches for improvement
- Assess the production of the farmers under intervention

Methods

- The analysis is informed by a market-systems approach
- Visualise market systems to organise detailed information about the market system

Data Collection

- Focus group discussion
 - Two focus group discussion were conducted with the vegetable groups (12 participants, 9 participants)
- Interview
 - Administrative officer, extension officers and the village head of the gewog was consulted
- Thematic analysis



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Results from the field study

- Business to business marketing is defined as a marketing arrangement between the farmers and traders or retailers in which both the parties are benefited where marketing is ensured for farmers and assured supplies for the latter.

Technical Assistance
CARLEP
Dzongkhag Agricultural Sector
(Trainings and workshop)

Criteria for selection:
Farmers - Surplus production; Willingness
Traders- Willingness; Job history

Input Providers
CARLEP
Dzongkhag Agricultural sector
(Seeds, Water pipes, Fertilizers)

Facilitator : CARLEP; RAMCO

Benefit for traders- Supply of vegetables

Farmers

Market Linkage

Market

Buyer

Vegetable Production
Perishable Products (Potato,
cabbage, chilli, cauliflower)

Local Trader

Domestic Market

Local customers
Vegetable retailers
Urban customers

Small holder farmers
(3.4 acres)
Average land holding of two
groups – 27.88 acres

Benefit for farmers - Fixed Price
Ensured Market

Stages

- 1st Stage – Choose geographical location and farmers group for intervention.
- 2nd Stage – Identify specific farmers or groups of farmers within chosen geographic locations to whom particular contract terms are offered
- 3rd Stage - 3rd Stage – Farmers and traders reach the agreement for the contract. The contract signing is facilitated by RAMCO and CARLEP
- Barrett's Framework for Linkage

Characteristic Feature of the Model

- Santocoloma and Rottger (2012) - **Primary, Secondary and Cross-cutting** linkages
- Vorley, Lundy and MacGregor (2008) –
 - a) Producer driven
 - b) Buyer driven
 - c) **Intermediary driven**

Characteristic Feature of the Model

- The relative scarcity of evidence of farm-level restructuring and the type of model in developing and emerging economies
- Input provision by the organizations facilitating the linkage*

Views on the B2B model – Experience and challenges faced by farmers

- Expressed that the model is useful and inclusive
- Ensured market and no price fluctuation – Farmers appreciate these benefits
- “Our supplies were cancelled because the trader said quality requirements were not met.”

- “When traders cannot live up to their promises it damages the faith of the farmers in the model.”
- Low storage capacity, high seasonality of produce and insufficiency of inputs remain problematic
- Key production issue is vegetable quality in terms of size and freshness -

Low product quality control

- Without the capacity to meet the requirements of the agreement, the farmers fail to commit to the contract
- The agreement provides little incentive to motivate them to produce quality products
- Mere ensured market do not seem to be the binding factor

- “Engagement in contractual relationships with traders or processors in more formal or integrated value chains may help to offset price, related risks, but increase risks associated with production affecting the quality or quantity of production and therefore their ability to meet contractual requirements”

- Market formalization is not synonymous to market functionality.
- They can also represent a poor degree of market functionality if chain governance is biased towards one stakeholder who decides when, what, how much and at which price the product is to be sold (Vorley, Lundy, & MacGregor, 2008).

Production of vegetables in 2019 compared to the demand presented by trader

Vegetable	Oct-March		April-Aug		Aug-Oct	
	Qty (Kg)	Price (Nu)	Qty (Kg)	Price (Nu)	Qty (Kg)	Price (Nu)
Potato	2500	20-25	1000	15	1500	15
	102.3	20	2034	15	1557	15
	1.198	20				
	241	20				
	2034	20				
	2378.498		2034		1557	
Beans	250	45-60	100	25	250	25
	25.2	15			55.8	20
	170	20				
	195.2				55.8	
Cabbage	500	10 Or 15	200	8 or 10	350	8 or 10
	200	10	1000	10	48.8	10
			400	10		
	200		1400		48.8	

Contract Clauses

- Growers Responsibility
 - The vegetable group must grow and increase the produce on a minimum area of one langdor each from each individual grower.
 - All growers must cultivate and produce “**good quality**” vegetable.
It will be cancelled if farmers fail to do so.

Contract Clauses

- Growers must submit the sale proceeds of vegetables to chairman and accountant in the monthly basis without any errors.
- Buyer will have to collect the produce from a designated place located by the chairman.

Contract clauses

- Buyer's Responsibility
- Buyers will have to handover the cash income to the chairman and the accountant.
- Buyers must collect the vegetables from the growers twice every month.

Adapted Business model

- The main constraints holding back the process of the arrangement includes – ensuring quality produce, insufficient incentive to work and inability to commit to the contract.

Adapted Business model

- Solutions to improve and maintain the quality of the vegetables
- Clearer contract clauses – Quality of vegetables
- The farmers role must be expanded from production to sorting and grading
- Continued assistance to meet the requirement of the demand
- Incentives – Best seller of the year

Adapted Business model

- Sustainability is questionable
- Local Market Facilitator Model – Malawi
- A village agent is essentially a broker who facilitates business linkages between producers in rural areas and service providers in urban areas

Case studies – International best practices

- The case studies also reveal that this process has often been slow and made possible only following the sequential alleviation of key constraints.



Thank You