



UNIT
13



Value Chain Approach



LEARNING / FACILITATING MATERIALS

PINEAPPLE PRODUCTION
NATIONAL CERTIFICATE I



NEPAD
TRANSFORMING AFRICA



german
cooperation
DEUTSCHE ZUSAMMENARBEIT

implemented by
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Introduction

Welcome to the start of your career in pineapple value chain approach.

A career in pineapple value chain approach has never been as popular as it is now; competition is strong and the standards are getting high. So you must aim higher, particularly, if you see it as opportunity to build up your lifelong career.

There have been significant changes in the pineapple industry over the years which have brought new standards, techniques, products and opportunities. Many career options are also available within the in pineapple value chain approach.

This unit will look at the value chain approach and selection criteria, value chain analysis, upgrading strategies, market linkages and standards and certifications.

While training, you should make an effort on improving your personal habits, skill and knowledge to get along well with the numerous opportunities in the pineapple industry.

Congratulations for making the decision to study in pineapple value chain approach. You have taken the first step towards a very interesting and satisfying career.

This learning material covers all the Learning Outcomes for Value chain approach for the Certificate I Programme.

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Demonstrate knowledge of value chain approach and selection criteria.

In this LO, you will learn to:

- a) Explain the value chain approach and its importance.
 - b) Sketch the value chain map.
 - c) Explain the principle and scope of value chain.
 - d) Identify the priority areas for value chain development.
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PC (a) Value chain approach and its importance

Value Chain is a chain of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. Value chain approach necessitates understanding a market system in its totality: the firms that operate within an industry from input suppliers to end market buyers; the support markets that provide technical, business and financial services to the industry; and the business environment in which the industry operates.

Importance of the Value Chain approach.

The value chain approach which includes different actors, affect each of them in a positive but different manner. Below shows the importance of value chain:

- improves market access (marketing)
- improves a wider product offer (value addition)
- ensures access to more reliable and improved raw materials (supply)
- improved or wider product offer (value addition)
- ensures access to more reliable distribution channels (marketing)
- offers wider choice of better products
- provides healthier food at affordable prices

PC (b) Sketch the value chain map

Value chain mapping is a lean management principle used to analyse and design the flow of materials and information required to bring a product or service to a consumer.

It is recommended that value chain mapping be conducted in two phases; (a) an initial basic map after the collection of initial data, illustrating participants and

functions, (b) adjusted mapping, which is conducted following additional follow-up interviews. The detail level of the map depends on mission objectives and requirements established at the onset.

The steps for putting together a value chain map are as follows:

(These steps help to organize key information about who is doing what in the value chain).

- Collect data from secondary sources, key informant interviews and/or surveys.
- Use a function/participant worksheet, which includes the following elements:
 - o input supply
 - o production
 - o assembly
 - o processing
 - o wholesale
 - o export

Generic Worksheet Crossing Function with Participants/Actors

FUNCTIONS	PARTICIPANTS / ACTORS							
	Village Stores	Input Supply Companies	Small-Scale Producers	Producer Associations	Medium-Scale and Commercial Producers	Traders	Processors	Wholesalers
Export								
Wholesaling								
Processing								
Assembly								
Production								
Input Supply								

Fig 1: Value Chain Map

Activity

Learner to sketch a pineapple value chain map from input to consumer.

PC (c) Principles and scope of value chain

Value chain principles

They are rules used to choose among solutions to a problem. Below are some principles used in the value chain approach:

- Evaluate opportunities from the market perspective by assessing consumer demand as the starting point.
- Value Chain actor's access markets in a joint effort.
- Take advantage of value addition potential to supply competitive products

Scope of value chain

Scope of the value chain refers to the detailed information on all actors involved from the input stage to the consumer. In determining the scope of value chain, collect information (both quantitative and qualitative) on each Value Chain in relation to the actors involved in the table below.

Value chain actors	Materials/equipment involved
Inputs dealers	Seeds, tools and equipment, seedlings
Farmers	Small, medium and large scale farmers.
Handlers	Pack house, transportation
Processors	Fruit concentrate and juice industry, oil industry
Trade	Export, local markets (whole sales, retailers)

PC (d) Identify the priority areas for value chain development

Value Chain Development describes the activities that take place in a business and relates them to an analysis of the competitive strength of the business, those that are directly concerned with creating and delivering a product.

Input supply

- i. Certified planting materials
- ii. Recommended agro-chemicals
- iii. Tools/equipment and machinery

Production

- i. Site selection
- ii. Land clearing

- iii. Planting
- iv. Weed control
- v. Soil amendments
- vi. Pests and diseases control
- vii. Pruning
- viii. Harvesting

Processing

- i. fruit juice, concentrate
- ii. fruit jam
- iii. oil

Marketing

- i. wholesale
- ii. retailers

Distribution

- i. wholesalers and retailers
- ii. exporters
- iii. transportation

Activity

Learner will be provided with a value chain map to identify where value chain development can take place.



Self-assessment

1. State four (4) importance of value chain approach.

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2. List three (3) actors in the pineapple value chain.

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3. List three (3) priority areas of pineapple value chain development.

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Demonstrate knowledge of value chain analysis

In this LO you will learn about overview of value chain map including actors and their functions, opportunities and challenges of pineapple value chain.

PC (a) Describe the overview of value chain map including actors and their functions

Value chain						
	Actors	Cooperatives and private input suppliers	Pineapple farmers	Handlers	Processors	Exporters Importers Retailers
Functions	Providing required supplies	Growing Harvesting Grading Sorting	Gathering Storing Grading Transporting Waxing	Sorting Mould prevention Storing Drying	Receiving Quality control Storing Selling Transporting Drying	Consume

PC (b) State the opportunities of pineapple value chain

Pineapple industry holds great potentials (employment, training, social intervention) to increase the country's foreign exchange earnings and employment creation. Some of these opportunities are:

- i. Plantlet (nursery)
- ii. Production of suckers from mother plant
- iii. Cultivation (production)
- iv. Trading (wholesale, retail, exports)
- v. Processing

PC (c) State the challenges of pineapple value chain

Factors affecting performance of the chain are further analyzed to characterize opportunities and constraints to competitiveness. These factors are:

- problems in relationship (trust, inter-firm relationships)
- poor technology and logistics capacity
- financial constraints
- poor road network
- market access and pricing
- poor business environment
- upgrading



Self-assessment

1. State two (2) actors involved in pineapple value chain and their functions.

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2. State four (4) opportunities in pineapple value chain.

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3. State four (4) challenges of pineapple value chain'

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Demonstrate knowledge of upgrading strategies

In this LO, you will learn to:

- State the advantages and disadvantages of the upgrading strategies.
- Explain the strategy for further improvement in the areas of value chain.
- Set achievable objective for upgrading

PC (a) State the advantages and disadvantages of the upgrading strategies

Upgrading strategies involve what the value chain actor must do to become more competitive and to generate greater value. Process product and functional upgrading can enhance value chain productivity and competitiveness of a firm.

Upgrading entails not only improvements in products but also investments in people, know-how, processes, equipment and favourable work conditions.

The advantages and disadvantages of upgrading strategies are listed below;

Advantages	Disadvantages
<ul style="list-style-type: none"> Competitive Meet global standard (HACCP, GAP) Open up market opportunities Quality assured products 	<ul style="list-style-type: none"> Financial constraints Time consuming Difficult to go through upgrading process and technology Increase in labour cost

PC (b) Explain the strategies for further improvement in the areas of value chain,

Upgrading in firms can take place in the form of processing, production and marketing.

Processing

Process upgrading involves improving value chain efficiency by:

- increasing outputs volumes
- reducing unit cost of production
- use of modern technologies

Production

Product upgrading involves activities such as:

- improving planting materials and techniques
- improving agronomy to enhance yields that result in higher sales
- investment in irrigation infrastructure

Marketing

Marketing upgrading involves activities such as:

- Improving quality of fruits
- Proper handling and storing of fruits
- Improving system of transportation
- Proper packaging of produce and products

PC (c) Set achievable objectives for upgrading

Objectives for upgrading are strategies set to address problems affecting the performance of the value chain.

Procedures for setting objectives for upgrading in value chain are listed below:

- develop value chain map.
- analyze the chain's economic performance and competitiveness. This analysis will help identify opportunities and constraints.
- identify strategic activities to address constraints based on analysis.

ACTIVITY

The Leaner will set achievable objective for upgrading base on value chain map developed.



Self-assessment

1. State two (2) advantages and two (2) disadvantages of upgrading strategies in pineapple value chain.

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2. State two (2) processes for further improvement in the value chain.

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Demonstrate knowledge of market linkages

In this LO, you will learn to:

- a) Identify types of market linkages
 - b) Explain the importance of market linkages
 - c) Design basic contract form
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PC (a) Types of market linkages

The term linkage obviously implies a physical connection between the producer and the ultimate consumer. Linkages also involved financial transactions, the selling and buying of goods - and can be broadly defined in four different ways:

- Financial transactions
- Channels through which transactions occur (wholesale, retails and intermediaries)
- Transport and communications network
- By the spatial distribution of transactions

PC (b) Importance of market linkages

A market linkage is meant to facilitate the flow of produce between the different levels of the marketing system. The input to the process is the agricultural production (the supply) and the output is the consumption of that produce by consumers (the demand).

Market linkages are important for the following reasons:

- Easy flow of products within the chain
- Identify inaccessible markets
- Create mutual corporation between actors

PC (c) Design basic contract forms

A standard form contract (sometimes referred to as an adhesion or boilerplate contract) is a contract between two parties, where the terms and conditions of the contract are set by one of the parties, and the other party has little or no ability to negotiate more favourable terms and is thus placed in a "take it or leave it" position. Examples of standard form contracts are insurance policies (where the insurer decides what it will and will not insure, and the language of the contract) and

contracts with government agencies (where certain clauses must be included by law or regulation).

Fig 1: Below is a sample of a contract form.

Agreement for Contract Farming

Agreement between.

Sir.....S/o.....R/o.....Village.....Talu
kDistrict..... hereinafter referred to as contract
farming Producer or simply Producer.

AND

M/s.....Address.....Hereinafter referred to as
contract farming Sponsor or simply Sponsor. We, the above said contract
farming Producer and contract farming Sponsor mutually agree on the
following terms and conditions for production and purchase and sale
of..... (Commodities). The Producer owns/taken on lease an extent
of Acres of land in Survey No..... of
Village..... Taluk..... District.....

2. The Producer agreed to produce..... (Commodity) required by the
sponsor during..... Season of..... (Year/years).

3. The Sponsor agreed to provide the services with service charge specified
hereunder/for production of the said commodity/commodities by the
Producer. The producer agreed to recover the service charges from the sale
proceeds payable to him.

4. The sponsor agreed to purchase the commodity conforming to
specifications at the rates explicitly given hereunder.

Commodity	Specification	Rate per kg. / qty.

5. The Sponsor cannot demand damages if the produce harvested does not
conform to the specifications and quantity agreed upon.

6. The sponsor has agreed to purchase the entire quantity/..... quintals
produced by the producer at the rate/s as at clause 4 above.

7. The Producer has agreed to deliver the agreed quantities of commodities first to the sponsor and if and only if there is any leftover quantity, he is at liberty to dispose of the commodities to others.

8. The Sponsor has agreed to take delivery of the commodity at the farm/villages after weighing and payment by incurring all expenditure incidentals therefore, like handling, weighing, cost of containers, etc.

9. The sponsor has agreed not to refuse to take delivery of the quantity of produce conforming to specifications given at clauses 6 and 4 above.

10. The sponsor has agreed to give a third party guarantee in the form of bank guarantee for the entire value of the contract agreement.

11. In case the Producer sells the produce to any other person in violation of the terms of the agreement, the sponsor may approach the Market Committee for redress. Market Committee shall proceed against the Producer including attachment of stocks and properties belonging to the Producer.

12. The sponsor can claim the loss suffered by him for breach of agreement by the Producer.

13. In case the Sponsor fails to take delivery of the produce, the Producer can ask market Committee to recover the loss sustained by him from the bank guarantee furnished by the sponsor.

14. Any dispute arising out of this agreement shall be resolved as per sub-sections (4) of Section 131-C of the Karnataka Agricultural Produce Marketing (Regulation and Development) Act, 1966.

15. The agreement ceases to be in force on..... (Date).

.....
Signature of the contract

Farming sponsor

Witness:

1. Name and

Address

2. Name and

Address

.....
Signature of the contract

farming producer.

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(Signature)

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(Signature)



Self-assessment

1. State two (2) types of market linkage in pineapple value chain.

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2. State two (2) importance of market linkage in pineapple value chain.

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3. Using Fig.1 design a contract form for pineapple production

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Demonstrate knowledge of Standards and Certifications

In this LO, you will learn to:

- a) Explain types of standards and certifications.
 - b) Explain the importance of standards and certifications.
 - c) Describe the procedure for meeting standards and certification requirements.
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PC (a) Explain the types of Standards and Certifications,

STANDARDS: A basis for comparison, a reference point against which other things can be evaluated.

Pineapples are inspected and tested continuously on the local and export markets to ensure the highest quality and consumer safety. Certifications for exporting pineapples are done to comply with the following standards:

GLOBALGAP is a private sector body that sets voluntary standards, or Good Agricultural Practices (GAP), for the certification of agriculture, including some aquaculture, products around the globe. It assures farmers and consumers of their safety, health, and welfare, environmental and social impacts on fruits. There are provision for group and individual certification to meet requirement. There should be an officer at the farm and a yearly audit for renewal of certification.

FAIR TRADE: is an organized social movement that aims to help producers in developing countries to make better trading conditions and promote sustainability. It advocates the payment of a fair and premium price to farmers as well as higher social and environmental standards. It focuses in particular on exports from developing countries to developed countries.

There are several recognized Fair-trade certifiers, including Fair-trade International (formerly called FLO/Fair-trade and fair for life etc).

Hazard Analysis & Critical Control Points (HACCP): Is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished products.



Fig 2: Logo for HACCP

ORGANIC STANDARDS: It is a legal certification for agricultural produce without the use of chemicals and pesticides.

CODEX STANDARDS: Is a collection of internationally recognised standards, codes of practice, guidelines and other recommendations relating to foods, food production and food safety.

Note: once standards are met, certificates are issued and renewed regularly.

PC (b) Importance of standards and certifications

The importance of standards and certifications are as follows:

- Food quality and safety improvement
- Facilitation of market access
- Reduction in non-compliance risks regarding permitted pesticides, and other contaminated hazards

PC (c) Describe the procedures for Standards and Certification requirements

There are several schemes of Standardization and Certification in pineapple, for example organic certification in pineapple production. Based on the choice of the type chosen the farmer then goes through the procedures for that particular scheme. But generally basic requirements include:

- Register your company with the registrar-general's department
- Register your company with the Ghana Export Promotion Council and obtain a number.

On the farm, the following basic requirements among others are to be met:

- Records keeping
- Infrastructure such as pesticides store, changing rooms, pack house
- Good hygiene



Self-assessment

1. Explain three (3) types of standards and certification required in the pineapple production.

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2. Explain the importance of standardization and certification in pineapple production.

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3. Describe two (2) procedures to meet standards and certification requirements in pineapple production.

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