VALUE CHAIN APPROACH

A value chain approach means taking a whole-of-chain perspective from primary producers and their input suppliers, through every stage until the product reaches the end consumer. It examines the flows of products, money and information, with a focus on how these are influenced by the relationships among chain members. Of particular importance is the need to understand markets and consumers, and the state of collaboration among chain members.

A value chain approach highlights how effective partners can align better their skills, resources and behaviour to deliver products and services to different market segments and to reduce waste, with the resultant financial returns being distributed equitably so as to sustain partnerships within the chain. This improves the competitiveness of each business and helps chain members to recognise their interdependence, and the consequent benefits of solving shared problems.

John then identified which activities along the chain created these attributes, and so which chain actors were responsible. Farmers were responsible for many of the activities which created value for consumers. Conversely, the aggregators, comprising disadvantaged individuals chosen to benefit from the John’s project, were responsible for collecting, cleaning, storing, transporting and distributing eggs, activities which were necessary for the chain’s operation and some with scope for creating consumer value. John also found that while six of the seven retailers he identified only sold large eggs, one enterprising woman had carved out a niche by focusing on small eggs. She said by doing so, she particularly attracted mothers and those on lower incomes who were happy to buy smaller eggs.

John’s analysis also revealed the critical role of input suppliers since the quality they supplied, including choice of chick breeds, the nutrient value of feed, use of yellow maize to produce yellow yolks, and offering drugs and vaccines with strict adherence to preservation standards, influenced egg production and quality.

### Attributes

<table>
<thead>
<tr>
<th>Consumers Value</th>
<th>Critical Activities</th>
<th>Chain Actors Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of eggs</td>
<td>Improved breeds; better feed/diet; efficient brooding; drugs/vaccines</td>
<td>Input suppliers and farmers</td>
</tr>
<tr>
<td>Taste</td>
<td>Feeding and brooding</td>
<td>Farmers</td>
</tr>
<tr>
<td>Yellow yolk</td>
<td>Feed compounding (using yellow maize) and feeding</td>
<td>Input suppliers</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>Cleaning</td>
<td>Farmers, aggregators and retailers</td>
</tr>
<tr>
<td>Freshness</td>
<td>Cleaning, sorting and grading</td>
<td>Farmers, aggregators and retailers</td>
</tr>
<tr>
<td>Price</td>
<td>Feeds, drugs and vaccines, chicks, brooding, housing, cleaning, transport and storing</td>
<td>Input suppliers and farmers</td>
</tr>
<tr>
<td>Convenience</td>
<td>Transport and storing</td>
<td>Aggregators and retailers</td>
</tr>
<tr>
<td>Shell hardness</td>
<td>Feeding, drugs and vaccine</td>
<td>Farmers</td>
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</tbody>
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### Key

- **V** = activity with scope to create consumer value
- **W** = activity currently creating waste
- **N** = necessary but non-value creating activity

### UNDERSTANDING THE MARKET

John undertook both consumer focus group discussions and shopper observations. Participants included mothers, artisans and university graduates and students aged between 19-41 years. About 90% preferred large eggs with the following attributes: taste, freshness, cleanliness, colour, texture, shell hardness, price and convenience. However, he found a market segment of around 10% which would prefer small eggs, for example because they were more suitable for children, or for pastry sellers for whom the size of eggs is irrelevant. Nonetheless, 86% did not want sizes mixed up in the same package; and 7% favoured organic eggs, subject to an acceptable price.

His research also found that egg prices were 21% higher in supermarkets.
Overall, John concluded that there were strong information flows and relationships between consumers and retailers; retailers and farmers, and farmers and their input suppliers. However, very little information flowed beyond these direct relationships.

FINDINGS AND RECOMMENDATIONS

“I found a lot of opportunities for improvement across the chain, so I split them into ‘Do it now’, ‘Do it soon’ and ‘Do it later’ categories, so that we had a prioritised action plan.”

The Do It Now actions included

• Communicate the findings on consumer research so that everyone understands the different market segments and their preferences
• Bring all actors within the chain together to start building relationships and share information with a common goal of developing the chain
• Introduce the “I owe you” concept to accommodate the role of disadvantaged individuals as aggregators
• Train poultry farmers on production, handling and management techniques for efficiency and waste minimization. These include getting the right breeds of chickens, regular vaccination, and feeding with improved feeds that meet nutrient requirements and contain yellow maize to meet consumers’ preference for yellow yolks.

However, his greatest success came from introducing new low cost containers which dramatically reduce wastage from breakages during transportation. “I observed the problem across the chain, and realised everyone’s income was lower simply because on average 10% of eggs were broken in transit and were never sold. So I designed a solution from used plastic containers and some foam. These reduced breakages to less than 2%, meaning the containers pay for themselves in around 6 trips. This is ideal, because it’s cheap, and we’re using containers that would otherwise be thrown away.”

John’s Do It Soon recommendations included encouraging the most promising aggregators to become smallholder poultry farmers, and so take on more of the activities which create value, which may require micro-financing. “It will also be critical to have ongoing training and meeting with all the chain actors to strengthen relationships, boost information flow and improve collaboration. We should also investigate setting up strong and accountable farmer cooperatives based on solid business propositions and chain collaboration, rather than simply to negotiate for higher prices. This may need a chain champion to emerge, with vision and to build trust.”

The more ambitious Do It Later activities included market research on the market potential and costs implications of organic egg production, and negotiating with supermarkets to purchase eggs from local poultry farmers. “This would require a farmer cooperative to meet the demand and quality specifications of the supermarkets on time, every time, so it’s not something to try before we’ve got a lot of other things right.”

LESSONS

John reported that it was really valuable to have seen Australian poultry production during his Australia Awards training. “I had the chance to visit a poultry farm near Toowoomba, and there were a lot of lessons for us in terms of managing chickens in hot climates.” The Australian poultry farmer offered to keep in touch if he could help in any way with John’s WPR project.

“More generally, I learnt never to assume. People must get into the field; engage and listen through research, and then come up with concrete evidence to support any recommendations.

“Then take it slowly: start small and take small steps. We began with just two input suppliers, two farmers, five aggregators, including widows and someone suffering from HIV, and seven retailers. But within months we have seen incomes increasing, and we can build on that.”
AUSTRALIA AWARDS

The Australia Awards, delivered under the Australian aid program managed by the Department of Foreign Affairs and Trade, are prestigious scholarships offered by the Australian Government to individuals who have the greatest potential to drive development in their country and become leaders in their chosen field. Australia Awards contribute to the achievement of development objectives across a range of sectors and are a feature of nearly all of Australia’s bilateral aid programs. The Australian Government works closely with its partners in developing countries to ensure that Australia Awards support the development priorities of each country.

They aim to:

• develop capacity and leadership skills so that individuals can contribute to development in their home country;
• build people-to-people links at the individual, institutional and country levels.

Australia Awards’ Short Courses are a tailored program that aims to create skills development through short-term post-graduate training courses of three months or less that are delivered in Australia and/or the country or region specific to the course.

Australia Awards: http://australiaawards.gov.au
Australia Awards Scholarships: dfat.gov.au/people-to-people/australia-awards/Pages/australia-awards-scholarships

AUSTRALIA AWARD –AFRICA

2016 AGRIBUSINESS SHORT COURSE AWARD

The Agribusiness Short Course Award, designed by UQ International Development (UQID) specifically for Awardees from 10 African countries, provided learning experiences related to Agribusiness to enhance participants’ ability to engage with and influence challenges regarding sustainable economic development in their home country, profession, workplace and community. Key features included using Value Chain methodology as the context around which the curriculum is delivered. The program balanced content and experiences to maintain engagement and interest, and enabled Awardees to access value chains of major Australian agricultural industries from a South-East Queensland training base. Furthermore, the course collaborated with African partners’ during the course design phase to ensure participants were supported upon their return to Africa.

The course comprised of 8 x 1 week long learning modules:
Week 1 – The Value Chain in Context; Week 2 – Value Chain Innovation in Practice; Week 3 – Smallholders and Small Business; Week 4 – Public Sector Perspectives; Week 5 – Analysing and Improving the Value Chain; Week 6 – Professional Skills for Agribusinesses; Week 7 – Business Development; Week 8 – Rapid Value Chain Analysis.

Awardees developed a Work Plan on Return (WPR) which detailed a unique project outlining an area of change that they will be addressing when returning to their organisation. These projects are devised with the expert knowledge and learnings gained from the course and enable the Course Leader, UQID and Australia Awards to monitor and provide feedback during various stages of the project.