


Agrifood chains: a tool for strengthening the institutional framework of the agricultural and rural sector¹

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Abstract

This paper describes various experiences and approaches related to the creation of agrifood chains and suggests the need to develop a new institutional framework and forms of technical cooperation to strengthen the agricultural and rural sector. It is hoped that agrifood chains will serve as mechanisms for dialogue and as management tools to promote competitiveness and support decision-making, in line with the demands of IICA's Member States. With this in mind, this document defines the nature of the agrifood chains and describes the characteristics conferred by their economic and social actors, through the participation of all the links. It also describes the consensus-building bodies, specifically the "chain committees," as well as the functions and features of the "chain secretariat," which are essential to the success of the committees and the operation of the chains. This paper also considers the need to redefine the functions of the ministries of agriculture, so that these institutions serve as agents that connect the public - private sectors and civil society through agrifood chains, as an appropriate space for finding common ground and permanent solutions for the agricultural and rural sector.

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Introduction


Why write yet another article on agrifood chains given the rich tradition that the Inter-American Institute for Cooperation on Agriculture (IICA) has accumulated during nearly 15 years of work on this issue? Because there are lessons learned that can be replicated to improve IICA's technical cooperation services in this field. Furthermore, thanks to the activities implemented and the experience accumulated, new knowledge has been generated to meet the new challenges of using this approach, which should be recognized, discussed, evaluated and modified in order to make a greater impact on development.

The purpose of this document, then, is to present a brief description of these experiences and approaches and contribute to the knowledge base in order to enhance the dialogue and develop new forms of technical cooperation that respond to the demands of IICA's Member States in this field. It also supports the idea that the use of agrifood chains as policy and competitiveness tools serves to consolidate the institutional framework of the agricultural and rural sector.

Agrifood chain

The term “agrifood chain” has been used to express various concepts, ideas and

methodologies, making it difficult to find a simple definition. First of all, we must consider the context in which this concept is used. For example, from the socioeconomic point of view, the agrifood chain is a system that brings together economic and social stakeholders who participate in coordinated activities that add value to a particular good or service, from its production until it reaches the consumer. The chain includes providers of inputs and services as well as processing, industrialization, transportation, logistics and other support services, such as financing.



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This process of linkages and aggregation of value is neither lineal nor egalitarian, as in the concept of a “physical chain”. On the contrary, the arrangements between the different links of an agrifood chain more closely resemble a “web” of non-linear relationships that can be highly inequitable, where certain stakeholders with strong negotiation, management, economic or political power could



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dominate and extend their influence over the weaker, less organized players who have less influence in the decision-making process. These relationships can also exist on numerous levels. In synthesis, from a socioeconomic point of view, the agrifood chain is not necessarily an equitable or lineal arrangement, and is one in which

the value of a product, good or service is often altered.

At the same time, from an analytical point of view, the agrifood chain may be interpreted as a way of understanding the relationships or links between the stakeholders of agriculture and the rural milieu - from the supply of inputs and primary production to the delivery of the product to the final consumer - where the relations established may be of a contractual or commercial nature.

The agrifood chain may also be analyzed from an operational perspective, as an institutional arrangement for strategic planning, policy management, dialogue and consensus-building among stakeholders or as a social contract where the government, the private sector and civil society establish short and long-term commitments for the comprehensive development of a particular agrifood chain.

Sometimes the term agrifood chain replaces other concepts used in the business world to improve competitiveness, such as “value chain”, “supply chain” and “clusters”. However, the concept of agrifood chain has important differences. For example, *supply chain* refers to a business strategy based on a system of organizations, people, technologies, activities, information and resources, making it possible to move a product from the supplier to the customer or consumer (data available at http://en.wikipedia.org/wiki/Supply_chain).

“*Clusters*”, meanwhile, are defined as a “geographic agglomeration of competing and related businesses, where there is

evidence of improved performance such as a growth and profitability” (Kuah 2002). The cluster concept and the chain concept are not mutually exclusive, since a *cluster* forms part of a chain.

Thus, the concept of agrifood chain can be used in a wide variety of circumstances, depending on the overall context that defines their scope and utility.

Agrifood chains as a management tool

Despite the difficulty of finding a single definition of agrifood chains, these systems have been used for a variety of purposes in the countries of the hemisphere. In some cases, they have been regarded as tools for analysis; in others, as mechanisms to facilitate dialogue and promote commitment among stakeholders and to define public policies to improve competitiveness. This confirms that their use depends on the higher goal that is pursued. Herrera (2004) considers that at IICA chains have basically been used in two major fields of action: a) to generate methodologies for the analysis of chains; and b) to support the creation of chain organizations and to monitor their management.

From a business point of view, chains can be used as a tool to regulate relations and arrangements between private organizations, improving the terms of transaction, the business results and relations among the stakeholders. In this sense, the agrifood chain has a clearly defined place in time and space, which responds to specific market conditions or processes.

The use of agrifood chains as tools to regulate relations among private stakeholders must be based on a common denominator: the search for greater transparency in business transactions and a balanced dialogue between the stakeholders involved in these processes. When agrifood chains are used in this context, and all the stakeholders are included, their use as a business tool facilitates the inclusion of smaller players in business transactions. This generates

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opportunities to improve the incomes of the weakest links in the chain and encourages large commercial firms to implement policies of social and environmental responsibility. Thus, chains may be regarded as instruments for achieving greater equity and participation.

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Agrifood chains have also been used as analysis tools in decision-making. The best examples are the so-called “production chain observatories”, particularly those implemented in some Andean countries. These observatories monitor previously selected indicators of performance and competitiveness, which are periodically and systematically updated and provide valuable inputs for decision-making in different areas of private business and public policy. This way of using agrifood chains requires formal commitments to ensure their sustainability, beyond personal or institutional interests.

Based on the experience of several of these observatories, sustainability is one of the aspects of greatest concern: successful observatories that had worked for several years ceased to operate once the interest of the manager or of the sponsoring institution disappeared, thereby losing the opportunity to implement long-term changes.

With regard to the financing of these observatories, what is needed is a team of professionals capable not only of understanding the problems associated with chains, but also of processing, managing and adding value to the information. Creating such teams is another crucial element, since without suitable trained personnel, the information will not contain the necessary value-added required for decision-making and timely analysis. Therefore, shared or co-financing mechanisms are required to operate these observatories.

Another problem to be addressed in creating and operating “chain observatories” or “competitiveness observatories” is the quality and timeliness of the information included. For this reason, both the public and private-sector links of the chains must be willing to share timely and transparent information, with the assurance and confidence that it will be used to improve their overall competitiveness and not to unilaterally favor some of the linkages.

Other applications stemming from the management of agrifood chains include the definition of public policies and improved coordination between national and local-territorial policies. However, it is essential to ensure that these applications are recognized as spaces for dialogue between public and private organizations. This is fundamental, since the main goal is to execute coordinated actions in order to strengthen the structure and operation of the chains themselves, improve their competitiveness and facilitate the application of policy instruments based on the particular conditions and circumstances of the social and economic context.

One consequence of using chains for public policymaking is the official recognition granted to these systems through some type of law or regulation that formalizes and regulates their operation. For example, in Colombia and Honduras, chains are now recognized by the official public policy mechanisms.

This way of viewing the chains opens up opportunities for joint action by public and private stakeholders, promoting a greater participation by all the links and a better appropriation of their efforts, commitments and results. Their use has permitted the consolidation of the institutional framework and has produced positive results in many countries and regions. To achieve this, two main mechanisms have been used: the definition of chains as targets of government policies and the creation of special units within the ministries of agriculture to monitor the agrifood chains.

With respect to the first case, various approaches may be found in the hemisphere, from those that define a specific chain (for example, the yellow corn chain), to those that design policies for a cluster of products or commodities within a single named chain (for example, the “fruit chain”, which includes all types of fruits). As a result, the countries have also developed different tools to give continuity to their arrangements and to apply their policies and incentives.

Despite the differences, some common features can be found. These are mainly related to efforts to promote dialogue between different stakeholders, not only those of the public sector, but particularly among private-sector actors, something

that requires the participation of primary producers, the processing industry, businesses and consumers, among others. Without such efforts, these spaces for dialogue and action would remain closed, and we would be faced with attempts by each of the links to protect their particular interests.

Agrifood chains have also been used to facilitate the market insertion of weaker stakeholders or links, and to enable small-scale producers to supply markets on more favorable terms. This work has mainly taken place at the territorial level, where a particular chain is selected, either because of its production levels or because of its particular characteristics.



The use of chains at the territorial level shows the potential of this instrument and underscores the importance of dialogue.

Subsequently, a process of consensus-building and dialogue is initiated between the producers and the other links of the chain, including service providers, but with an emphasis on industrial customers, in an effort to market the products of small farmers on terms that favorable for both parties. The use of chains at the territorial level shows the potential of this instrument and underscores the importance of dialogue. Successful examples of this type of intervention are found in Peru, where efforts have been made to integrate the yellow corn chain at the territorial level.

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This approach has also allowed for the use of agrifood chains as tools to establish strategic lines of action at national or regional level. For example, a study undertaken in 2007 in the Central American region assessed the bean and white corn chains (Red SICTA-IICA-COSUDE 2007) in the seven countries of the region, in order to identify constraints and weaknesses that affect their competitiveness and to analyze the development mechanisms applied in the region. This made it possible to identify the weaknesses and threats, as well as the strengths and opportunities in particular agrifood sectors. The study also compared the similarities and differences in agrifood chains in the different countries.

In synthesis, agrifood chains have been used for the following purposes:

- a. To establish legal provisions and laws that “officially” recognize chain organizations as mechanisms for dialogue, consensus-building and action.
- b. To create and consolidate governmental bodies that support and promote the establishment and operation of chain organizations.
- c. To form national or local councils and discussion committees, chain boards and similar types of organizations for the operation of the chains.
- d. To create “chain observatories” or “competitiveness observatories” as information tools that provide indicators of performance and competitiveness for specific chains, for business and policy decisions.
- e. To design and implement financial policy instruments specifically designed for application among stakeholders organized in chains.
- f. To formalize business arrangements among private-sector stakeholders, such as purchase-sale contracts, and to develop tools and services that increase productivity and competitiveness.

Keys to the successful management of agrifood chains

The experience accumulated by IICA shows that the key to successful management of agrifood chains lies in the establishment of discussion groups or committees with the participation of all the links comprising the chain. This has been achieved through the creation of “collegiate” bodies that analyze the problems, challenges and threats faced, reach agreements for action and generate proposals for solutions.

These consensus-building bodies have been given very diverse names, although the term “chain committee” is the most common. Their formation has been promoted from three spheres:

- a) Intervention by the public sector, particularly by decision of the Ministry of Agriculture.
- b) Efforts by different actors within the chains who recognize a problem and decide to work together to find a comprehensive solution.
- c) Mediation by cooperation organizations, which promote alternative and participatory approaches to the organization of stakeholders, usually with the aim of incorporating weaker producers in the chains.

The committees may operate at national or local level; however, in both cases, their success depends on the participation of



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all the links comprising the chain and on a sustainable and organized discussion process. In the formation of committees, it is important to include all the links of the chain, with the public sector acting as one more link and serving as a catalyst for the organization. The committees must also be truly representative of, and independent from, the links in order to promote transparent dialogue and analysis.

The functioning of these chain committees depends in good measure on the activity of the “chain secretariat,” which becomes the central element for the operation of the chains, particularly during the initial start-up process. In theory, the person in charge of the secretariat would be appointed by the committees themselves and the position would be financed with resources contributed

by all the links that make up the chain. However, in practice - at least initially, and during the phases to establish and consolidate the chains - the “chain secretaries” are generally public-sector appointees, in general from the Ministry of Agriculture.

The chain secretary is expected to have the necessary technical capacity and moral leadership to bring all the links of the chain together around the negotiating table, particularly those whose economic or political importance gives them greater bargaining power. The chain secretary must follow up on the agreements, convene and convince the stakeholders, act with restraint and be capable of reaching consensus. These characteristics are vital to the success of the committees and the effective operation of the chains.

Other essential elements for the successful management of agrifood chains include the preparation a work plan and its effective monitoring, as well as the capacity to work with the public sector and propose ways of applying various agricultural policy instruments in the chains. In the case of the private sector, it is important to incorporate more dynamic links that accept their responsibility for the management process in order to achieve the competitiveness of the entire chain.

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Challenges to improving the use of agrifood chains

Despite the progress made in using agrifood chains as management tools to promote competitiveness and implement public policy, there is still much work to be done before we can achieve better levels of management. The following actions are important:

- a) Strengthen the institutional aspects of the chains and their committees; although countries are making efforts to recognize production chains, these mechanisms must be improved, particularly as regards the incorporation of all the linkages into the discussion groups and the processes for the implementation and follow-up of agreements.
- b) Establish mechanisms to ensure that production chains and their institutionalization are considered as State policies, rather than as the policy of a particular period of government. There are many examples of countries where efforts to create agrifood chains and establish chain committees have received support during a specific government term. This reveals the lack of a macro-vision of chains as tools that can be used to permanently improve competitiveness and find long-term solutions.
- c) Devise strategies so that the Ministry of Agriculture is not solely responsible for managing the chains. Other ministries (such as those in charge of environmental, social and financial development) should

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be incorporated, along with all the links of the chain, regardless of their social capacity or their political and economic power.

- d) Promote greater equity in the relationships developed within the chains, this being understood not as the egalitarian distribution of profits or income, but rather as a guarantee that the weaker links of the chain have the same opportunities to negotiate their terms of transaction and terms of trade. In this effort, we must emphasize the use of socially responsible policies, given the nature of the risks, particularly those associated with production.
- e) Implement actions to improve the governance of the chains, given the profound inequalities existing between different stakeholders, which are manifested in focal points of political and economic power and in some way affect the scope of the discussions and decisions. This involves the application of rules to regulate these relations of power, guarantee competition and ensure transparency. It is essential to adopt policies that bridge the gaps between stakeholders and ensure that the least privileged have equal opportunities to access markets.

There are other policy measures which, although not circumscribed solely to production chains, form part of a major group of policies for the agrifood sector and could also contribute to the development of chains. Some of these policies are related to agricultural health and food safety, financing, trade and technological innovation. IICA has prepared several proposals on these issues (2005), which can serve as a guide in the definition of public policies applicable to agrifood chains.

The advantages of continuing the work of the chains

The complex global situation of today obliges us to reappraise all human activities. Agriculture must be seen with new eyes with the aim of creating new paradigms that will lead to a more harmonious social development, one that ensures that the present and future generations will have an ample supply of foods, fibers and fuels. Nowadays we face opportunities and challenges never seen before.

On the one hand, the impacts of the current crisis may eventually shape a world that is politically and economically very different to the existing one. Our society is more aware and more demanding, more open and integrated, with greater access to consumer goods and to information. There is a constant questioning of the established order and a sense of disillusionment and skepticism at all levels of society. All this offers an opportunity to promote dialogue and action, for which the agrifood chains provide an instrument of great utility.

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We also face the dilemma of defining new economic models. In recent years, it was believed that development could be achieved only through the market - with little or almost no intervention by the State - as a response to the failed results of the earlier model that gave precedence to the State over the market.

The truth is that both economic models owe a debt to society. Neither system has been capable of providing a sustainable and permanent response to development nor, much less, building a more equitable society, reducing the asymmetries

and poverty that chronically affect our countries. In this regard, greater efforts are needed to create a new development model that strikes a balance between the market and the State, where people are placed at the center of the discussions.

Similarly, the ministries of agriculture must redefine their functions, since their traditional role of focusing on production is clearly insufficient at present. The new institutional framework can only be developed through a permanent dialogue between the public - private sectors and



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civil society, for which task agrifood chains are instruments of undeniable value.

Furthermore, this new institutional framework must emerge from a broader conception of agriculture and of rural territories. Here, agriculture can no longer be regarded as a simple process of primary production, but rather as a comprehensive and integrated value added system, capable of generating the quantity and quality of products required for the harmonious coexistence of society, and whose activities take

place in defined social, economic and geographic spaces.

Agrifood chains are tools that can help us find new solutions, since their great virtue is their ability to bring together all stakeholders and provide a mechanism for improving competitiveness, while also promoting equity and environmental sustainability. Moreover, the chains offer a space for strengthening human relations in pursuit of shared and permanent solutions.

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Filières agroalimentaires : un instrument pour renforcer le système institutionnel du secteur agricole et rural

Le présent article décrit les expériences et les perspectives en matière de création de filières agroalimentaires et fait valoir la nécessité de mettre en place un nouveau système institutionnel et de nouvelles formes de coopération technique pour renforcer le secteur agricole et rural. Le but recherché est que les filières agroalimentaires constituent des mécanismes de dialogue et des instruments de gestion pour la compétitivité et la prise de décisions, conformément aux demandes des États membres de l'IICA. Pour cela, nous définissons la filière agroalimentaire et nous établissons les caractéristiques que lui confèrent ses acteurs économiques et sociaux, grâce à la participation de tous ses maillons. Nous définissons les organes de concertation, en particulier le « comité de filière », ainsi que les fonctions et caractéristiques du « secrétariat de filière ». Ces caractéristiques sont essentielles au succès des comités et au bon fonctionnement des filières. Nous faisons valoir également la nécessité de redéfinir les fonctions des ministères de l'agriculture en tant qu'agents d'interrelation entre les secteurs public et privé et la société civile, par le biais des filières agroalimentaires considérées comme un espace propice à la recherche de solutions communes et permanentes pour le secteur agricole et rural.

Cadeias agroalimentares: um instrumento para fortalecer a institucionalidade dos setores agrícola e rural

Aqui são descritas as experiências e os enfoques da formação de cadeias agroalimentares, apontando a necessidade de desenvolver uma nova institucionalidade e formas de cooperação técnica para o fortalecimento do setor agrícola e rural. Espera-se que as cadeias agroalimentares constituam mecanismos de diálogo e instrumentos de gestão para a competitividade e a tomada de decisões em consonância com as demandas dos Estados membros do IICA. Para isso define-se a cadeia agroalimentar com as características conferidas por seus atores econômicos e sociais mediante sua participação em todos os elos da cadeia. Definem-se os órgãos de concertação, especificamente o “comitê da cadeia”, e as funções e características da “secretaria da cadeia”. Essas características são fundamentais para o sucesso dos comitês e a operação das cadeias. Também é apontada a necessidade de redefinir as funções dos ministérios da Agricultura como agentes de inter-relação entre os setores público e privado e a sociedade civil por meio de cadeias agroalimentares como espaço propício para encontrar soluções comuns e permanentes para os setores agrícola e rural.

Cadenas agroalimentarias: un instrumento para fortalecer la institucionalidad del sector agrícola y rural

Se describen las experiencias y enfoques de la constitución de cadenas agroalimentarias y se plantea la necesidad de desarrollar una nueva institucionalidad y formas de cooperación técnica para el fortalecimiento del sector agrícola y rural. Se espera que las cadenas agroalimentarias se constituyan en mecanismos de diálogo e instrumentos de gestión para la competitividad y la toma de decisiones según las demandas de los Estados Miembros del IICA. Para ello se define la cadena agroalimentaria y se brindan las características que le confieren sus actores económicos y sociales, mediante la participación de todos sus eslabones. Se definen los órganos de concertación, específicamente el “comité de cadena” y las funciones y características de la “secretaría de cadena”. Estas características son fundamentales para el éxito de los comités y la operación de las cadenas. También se plantea la necesidad de redefinir las funciones de los ministerios de agricultura como agentes de interrelación entre los sectores público - privado y la sociedad civil, a través de cadenas agroalimentarias, como espacio propicio para hallar soluciones comunes y permanentes para el sector agrícola y rural.