

**Value Chain Analysis for Development: providing evidence for better policies
and operations in agricultural value chains**
Brussels 18-19 January 2023

THE ROLE OF THE 'HIDDEN MIDDLE' FOR AGRI-FOOD SYSTEMS VALUE CHAIN DYNAMICS

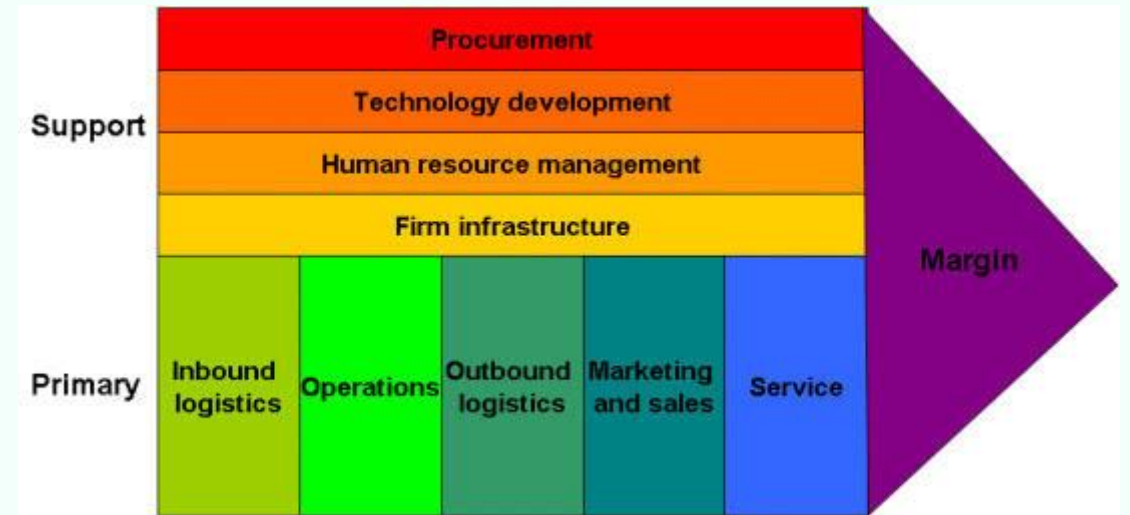


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Question and issues



1. How important are midstream activities and agents in selected VCA4D case studies (in terms of the value added share and wage employment generation)?
2. What explains the differences in midstream dynamics between 'typical' agri-food value chains configurations?
3. How do midstream value chain operations influence the relationships and linkages with upstream farmers?



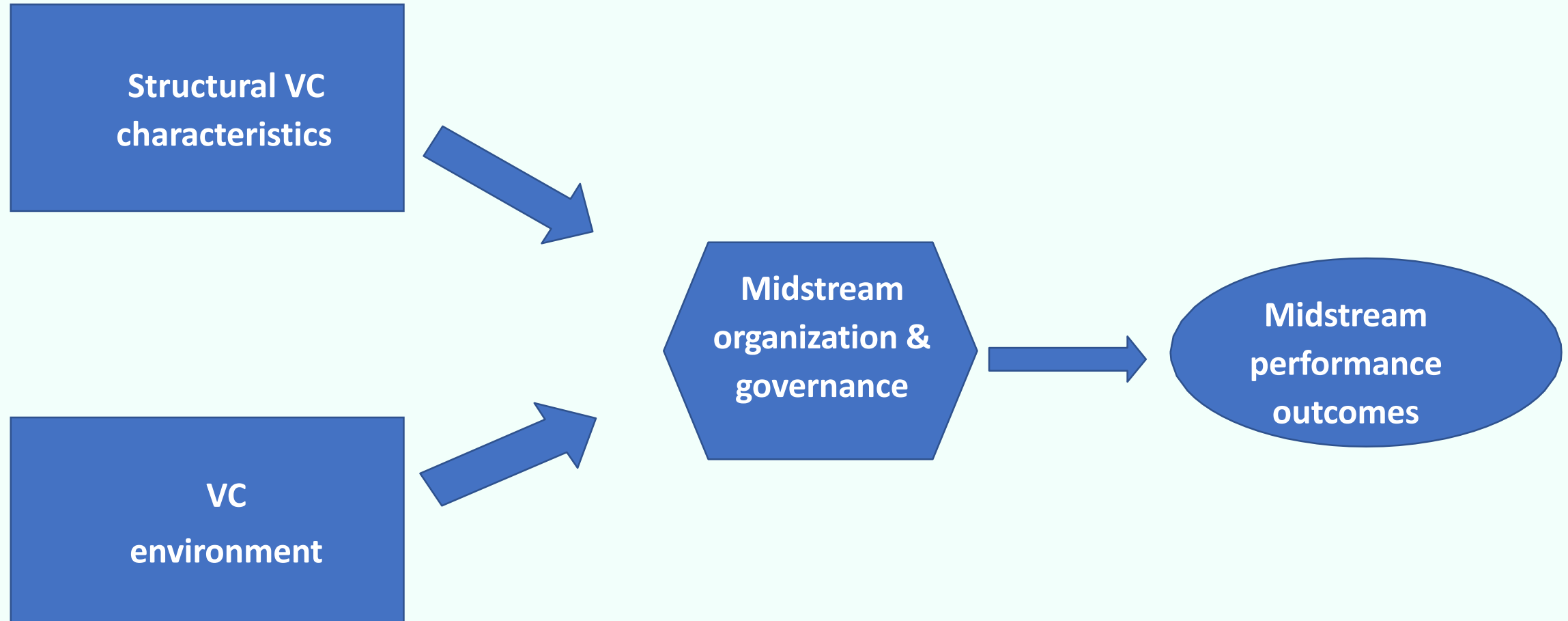
Value Chain Framework (Porter, 1985)

VCA4D materials: 7 countries & 8 commodities



Value Chain	Commodity	Country	Input Intensity	Market outlets	Scale of Operations	Value Chain linkages
Cash crops	Cocoa	Cameroon	Medium	Export	Mixed	Contracts
	Cotton	Ethiopia	Low	National	Medium	Contracts
Fruit & Vegetables	Green Beans	Kenya	High	Export	Large (Industrial)	Contracts
	Pineapple	Benin	Medium	Regional	Medium (semi-) Industrial	Differentiated
Animal products	Beef	Zimbabwe	Low	National	Communal/ Commercial	Differentiated
Food staples	Groundnut	Ghana	Low	National	Small	Spot exchange
	Maize	Nigeria	Low	Local	Small	Spot exchange
	Sorghum	Ghana	Medium	Local	Small	Differentiated

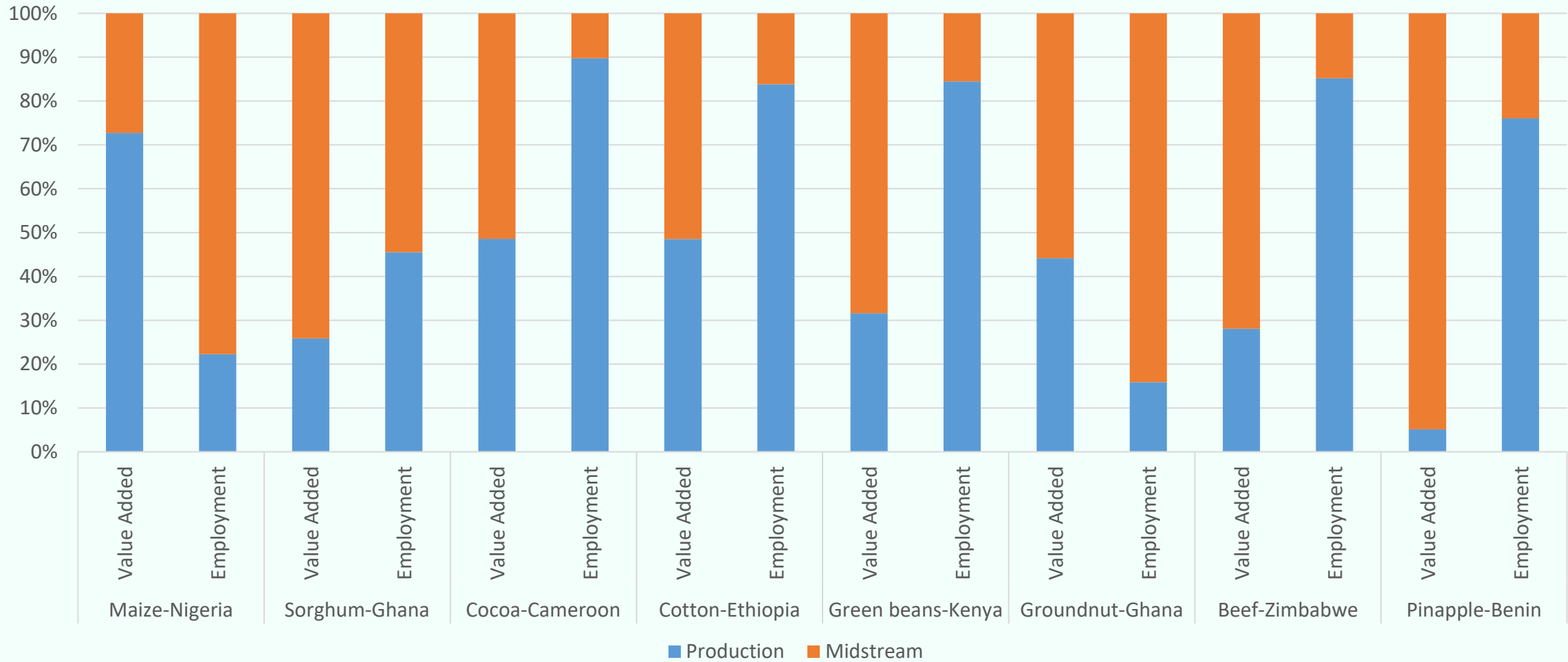
Analytical framework



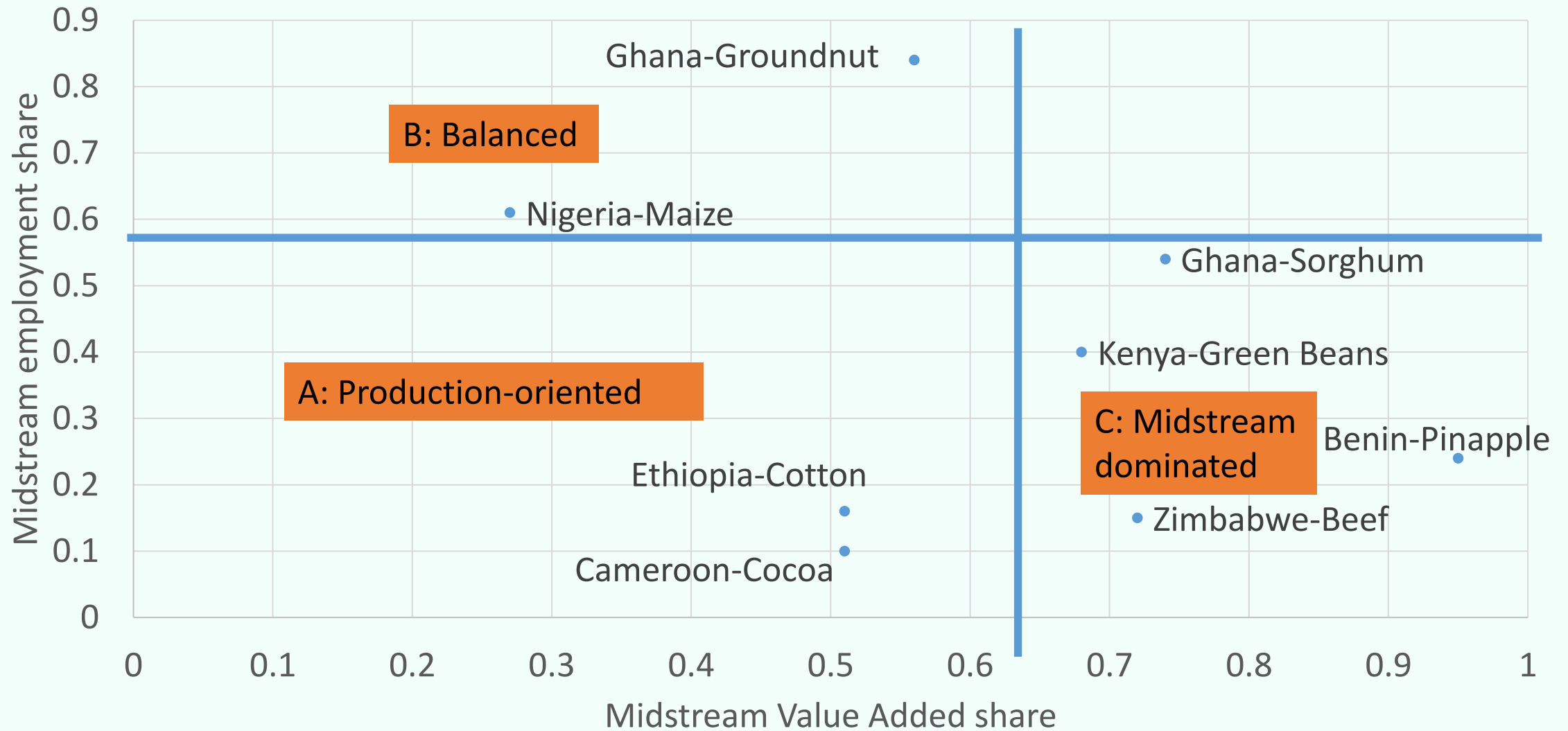
Finding 1: value added & (wage)employment



Value added & employment



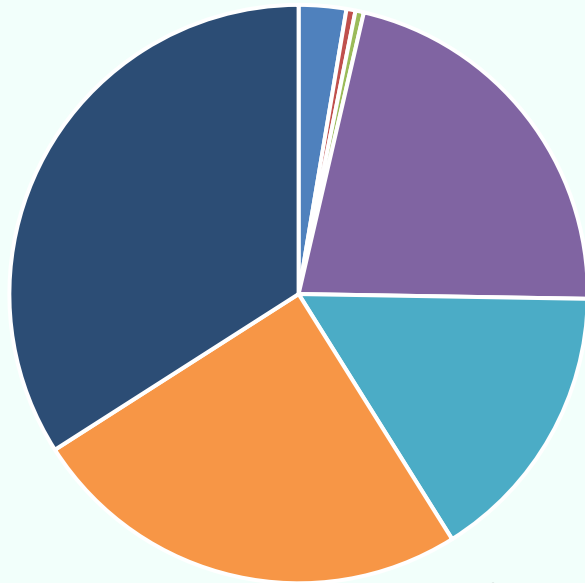
Finding 2: types of midstream dynamics



Finding 3: midstream structures

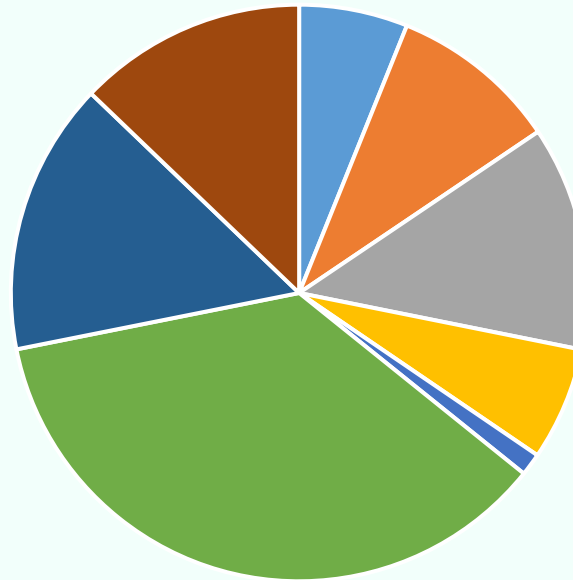


Midstream VA shares -
Cocoa Cameroon



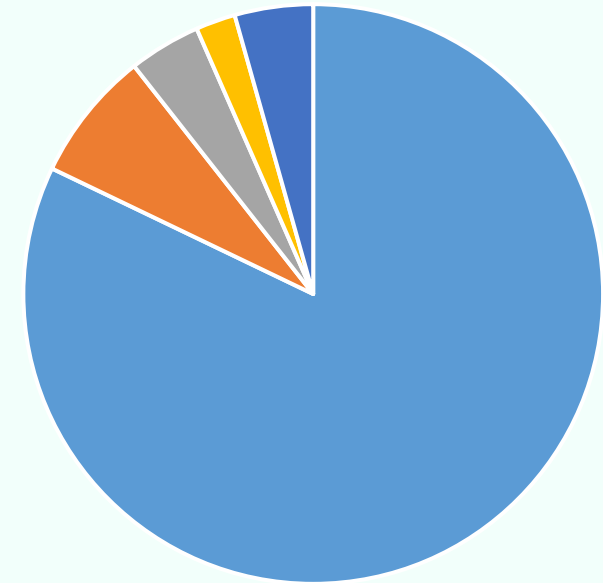
- Intermediates
- Cooperatives/Certified
- Cooperatives/non-Certified
- Transformers
- Exporters/certified
- Exporters/non-certified
- Exporters/masse

Midstream VA shares –
Maize Nigeria



- Rural collectors
- SME aggregators
- Large aggregators
- Wholesalers
- Retailers
- Feed millers
- Food processors
- SME millers

Midstream VA shares -
Kenya Green beans



- Packhouse
- Canning factory
- Broker
- Wholesale
- Retail

A) High differentiation of midstream agents

B) Mixed / balanced value chain

C) Midstream dominated

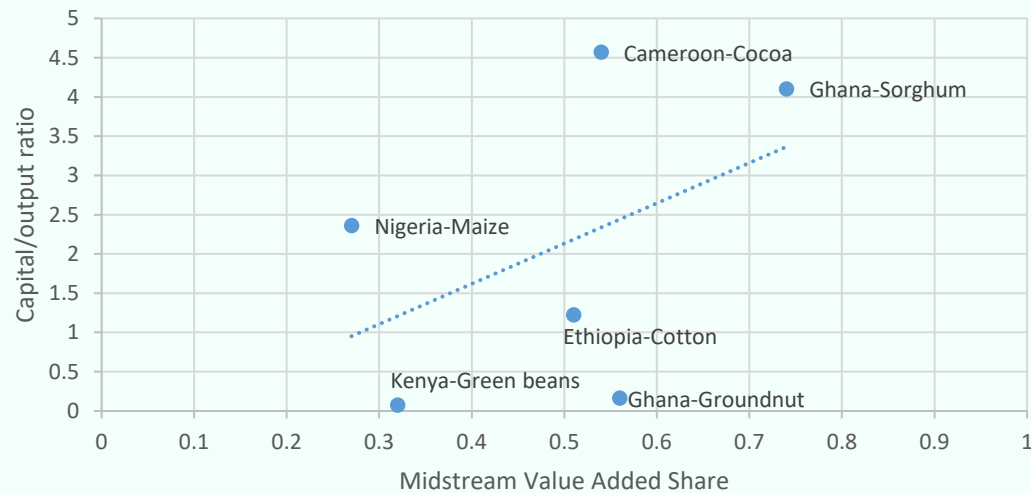
Finding 4: midstream performance



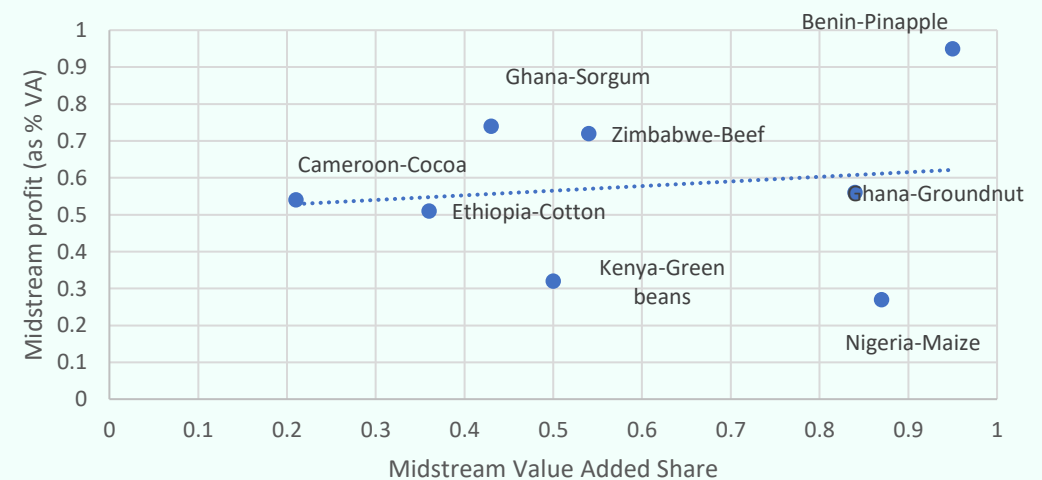
Higher midstream Value Added share associated with

- Higher capital intensity
- Higher midstream profit

Midstream Capital Intensity



Midstream Profitability

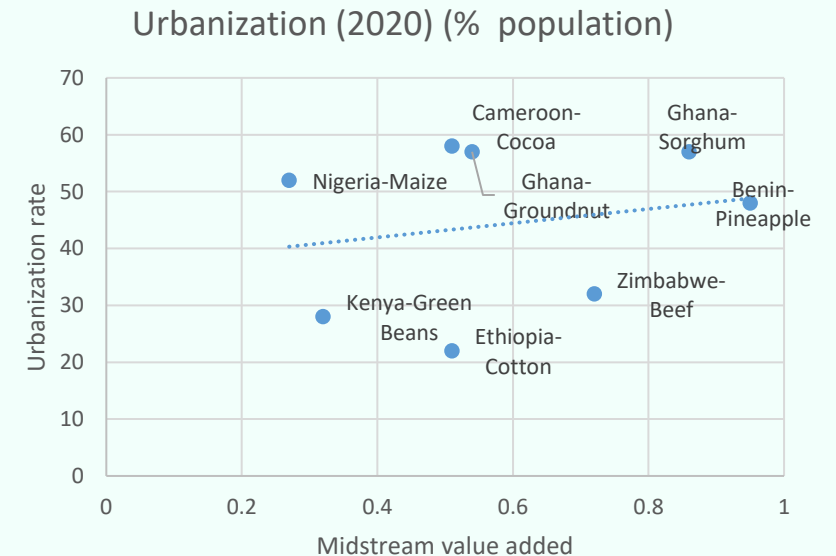
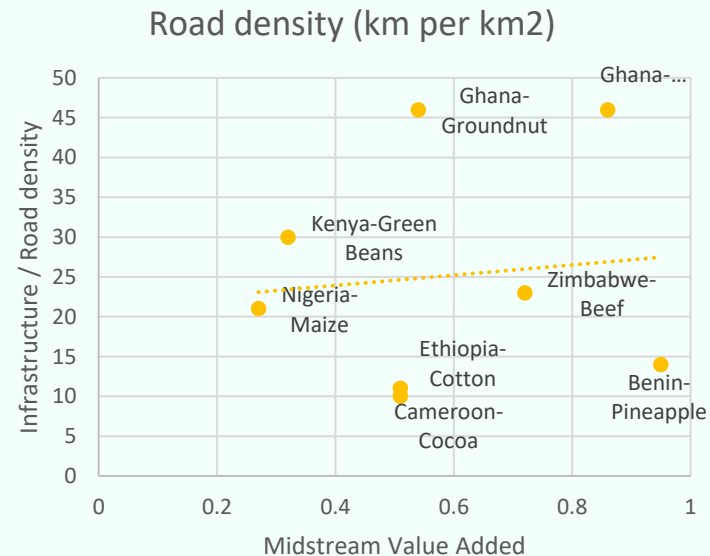
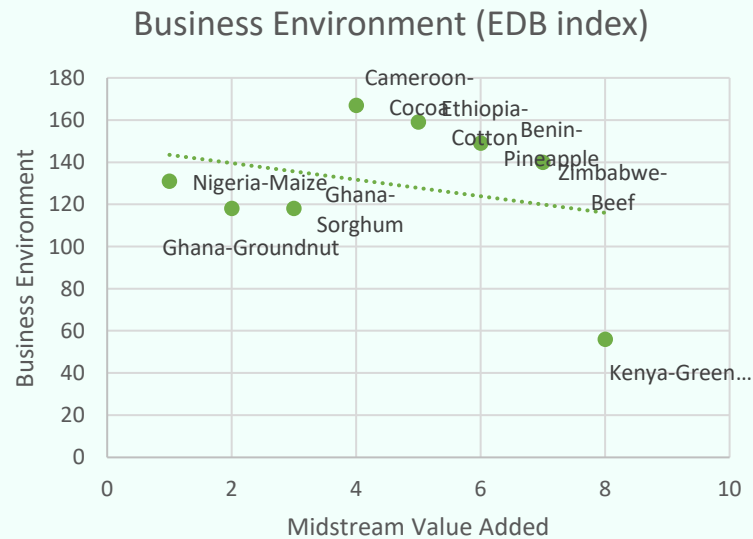


Finding 5: country differentiation



Growing midstream VA shares with:

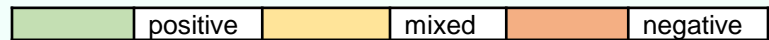
- Better business environment
- More road infrastructure
- More urbanization



Finding 6: wider effects



	Commodity	Country	Gender	Environment	Inclusion	Nutrition & Diets
A	Cocoa	Cameroon	negative	mixed	mixed	negative
	Cotton	Ethiopia	positive	positive	mixed	negative
B	Maize	Nigeria	positive	mixed	mixed	positive
	Groundnut	Ghana	positive	mixed	positive	positive
C	Sorghum	Ghana	mixed	positive	positive	positive
	Pineapple	Benin	positive	mixed	mixed	positive
	Beef	Zimbabwe	mixed	positive	positive	positive
	Green Beans	Kenya	positive	negative	mixed	positive



Implications for policy



- **Growing importance of midstream in value added creation & employment generation (outside primary production)**
- **Type of midstream VC development has large influence on the relationships with smallholder producers**
- **Different strategies for supporting competitiveness in midstream VC segments**
- **Public investments and policies can shape the evolution of midstream VCs**

Implications for research



- **Assess differences between formal and informal midstream activities**
- **Strategies to improve the responsiveness of midstream to (market & information) incentives**
- **Role of contracts for leveraging risks and reducing transaction costs towards inclusive & sustainable VCs**
- **Determinants of entry costs, bargaining power, networks and innovation strategies by midstream agents**



**Thank you
for your
attention!**

<https://europa.eu/capacity4dev/value-chain-analysis-for-development-vca4d-/events/conference-value-chain-analysis-development-providing-evidence-better-policies-and-operations>