

VALUE CHAIN ANALYSIS OF AGRICULTURAL CROPS

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Introduction:

Agriculture forms one of the important pillars for economic growth of the nation. In order to increase the competitiveness of the sector, there is a need to bring about diversification in the agricultural sector by focusing on non-traditional crop cultivation, value addition and commercialization of the farms.

The value chain analysis concept is a business management concept which was described and popularized by Michael Porter in 1985. Most of the products change hands many times before they reach the final consumer. Input suppliers, producers, processors, wholesalers and retailers being the major stake holders in the value chain. The value chain refers to the range of activities that brings a product from producer to end consumer. The Value chain analysis is an important tool for creating greatest possible value for the produce. Value chain analysis plays a key role in identifying the distribution of benefits of actors in the chain.

Value chain consists of actors or stakeholders and their activities with an aim to exploit the total value of the product by linking producers with processors and markets. In general very simple value chains exist for most of the agri commodities in which buyers and producers exchange only price information. But, best value chain exists when their stakeholders cooperate among themselves for producing high quality products and generate more income for all stakeholders in the chain.

The most important task in value chain is linking producers with the processors and companies. This link will finally develop a contract forming system in which farmers/producers will be supported through input supply and extension services, advices and also with the transport of the produce.

Agriculture value chains:

Agriculture value chains in fruits, vegetables and oil seeds provide an opportunity for bringing diversification in

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agriculture with an aim to improve income levels of the stakeholders, employment opportunities and also for increasing the foreign earnings by improving the exports of the produce.

Agriculture value chain consists of input suppliers, producers, market intermediaries, processors and consumers. One end of the agriculture value chain includes farmers/producers who are involved mainly in the production of the commodities and the other end of the chain consists of the consumers who are involved in the consumption of the produced commodities.

In general agricultural value chain consists of four stages, input logistics, production, marketing and processing.

Input logistics:

This stage involves movement of the inputs from input suppliers to the farmers/producers. The actors or stakeholders involved in this stage are various public and private seed distributing agencies. Few input dealers at village level are also a part of this stage. They supply inputs to the farmers on credit basis. These input dealers not only supply seeds but also fertilizers, pesticides and other input materials required for the production.

Production:

Main stakeholders in this stage are farmers/producers who are involved in the

production of the agricultural commodities. Farmers are the stakeholders who carry out the essential activity in the value chain i.e., production of the commodities. They obtain the inputs required for production from the input suppliers and carry out various activities involved in production like land preparation, sowing, fertilizer application, weeding etc. The produce harvested was marketed by farmers/producers.

Marketing:

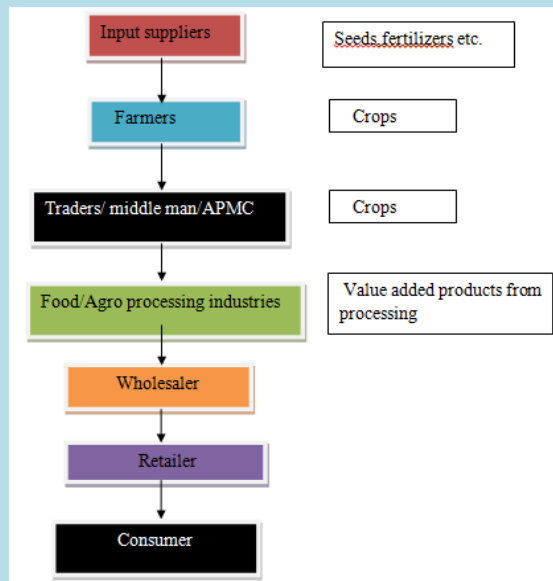
The produce harvested was bought to the market by farmers for the sale of the produce. During the marketing stage, the important stakeholders are marketing intermediaries like commission agents, traders etc. They aid in the sale of the produce which was brought by the farmers for which they take charge in the form of fee or commission/brokerage.

Processing:

The actual stage in the value chain where value addition occurs is the processing stage. The main stakeholders in this stage are processors. Processors obtain the produce either directly from farmers or from the market. They carry out the processing activity and develop value added products which are supplied to consumers through wholesalers and retailers.

Mapping a value chain:

Value chains are mapped and analyzed in order to understand the actions carried out, actors involved, value added through the chain and profits realized by the actors along the chain. Value chain analysis helps to understand the product flow from producer to consumer. Sometimes value chains can be simple with very less number of stakeholders and sometimes complicated with large number of stakeholders and various value added products.



A Model of Agriculture Value Chain

Value chain development is involved with linking farmers/ producers to the processing industries or firms and so into the value chain. Inclusive value chains play a major role in development of the overall chain by incorporating small scale farmers so that production efficiency and quality can be increased. Finance is also an important part of

the agriculture value chain as it is very essential to meet the financial needs of the actors/stakeholders along the chain in carrying out their activities. Information communication technologies (ICT) will also help in strengthening the value chain by providing timely and accurate data related to prices of the commodities, cultivation practices and also in improving knowledge on value addition.

Conclusion:

Value chain analysis is a very important tool through which actors involved, actions carried out through the chain, profits generated and value added products developed can be identified. Value chain analysis also helps in understanding the constraints along the chain and also degree of value addition occurred to the crop. Quality improvement of the produce, inclusion of the small famers into the chain, increasing the profits of the stakeholders and development of value added products can be achieved through value chain analysis; hence value chain analysis is an essential tool for overall development of agricultural sector.

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