



**BRIEFING  
NOTE 25  
ON:**

**Market Access Services Going  
Commercial: Five Key Questions**

**Introduction**

In order to ensure continued flow of benefits to small farmers from better access to markets local market access services need to be commercially operated. Those who are involved in nurturing the emergence of commercial market access companies (MACs) face these key questions: 1) What are the headaches of the MACs clients? 2) What are the ways for MACs to earn money? 3) What are the key characteristics of a MAC? 4) Should MACs be inside or outside the market chain? And 5) How will MACs start?

**What are the headaches of the MAC's clients?**

- Poor linkages between sellers and buyers
- Dependence on one small buyer or middleman
- Low confidence in always rapidly changing prices
- Low quality of produce
- Big hopes for markets but no follow –up to make it happen
- Unreliable contracts
- Lack of price information
- No knowledge about quality standards of produce
- No way to assess reliability of solutions to market problems
- Strong interest in a technology but cannot assess its likely performance
- Lack of post harvest handling facilities
- Lack of information on marketing opportunities
- Inadequate transport and road access
- Inconsistent supply of produce
- Poor sustainability of the market opportunities

- No access to larger markets
- Friction between informal business operations and formal government systems
- Distrustful attitude towards middlemen and brokers
- False commitments from buyers and sellers
- No trust between buyers and sellers

**What are the ways for MACs to earn money?**

Making money from information services

- Adverts on the MAC information boards for which the clients pay a placement fee
- Secretarial and internet services for which the clients pay on use basis
- Pre-paid market information for which both sellers and buyers pay because it provides profitable market access for both.
- Advertising and promotion services for which clients pay because it gives them increased sales through awareness creation

Making money from capacity building services

- Innovative business plan preparation paid for by the clients because they want to get a loan and develop their business.
- Training paid for by the clients because they want quality improvements in their product
- Facilitate trainings in Value Addition and Quality control conducted by third parties, paid by training organization.

Making money from brokering deals

- Arrange for deals for which sellers and buyers pay because they want to reduce costs and achieve quality control
- Producers and buyers pay for brokerage through a commission based on the profits they make.
- Information about where to find products and markets paid by buyers and sellers
- Facilitate electronic trading paid for by users
- Facilitate branding and packaging paid for by producers and buyers wanting to share the increased premium price gain
- Facilitate certification paid for by producers because they want to earn a premium price
- Negotiate contract farming arrangements paid for by both contracting parties
- Business mediation paid for by clients locked in contractual disputes
- Links to transportation paid for by buyers and producers because it reduces losses and helps access distant markets

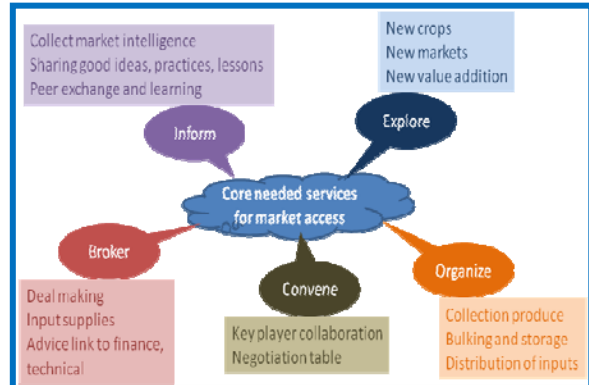
Making money from R&D services

Explore and develop innovations that increase the security of transactions all along the marketing chains. For instance:

- New packaging technologies paid for by the buyer and the producer to meet market requirements
- New product or enterprise development paid for by producer groups
- Market surveys contracted by clients.
- New standardizing and grading requirements paid for by clients wanting to benefit
- New warehouse receipt systems paid for by producers and buyers because it allows storage so they can negotiate better prices
- Commodity sector analysis paid for by public and non-profit organizations
- Finding produce suppliers for processors and exporters to contract paid for by contractors because it meets their supply needs
- New funding channels and mechanisms for reliable transactions, paid for by financial services.

**What are the key characteristics of a MAC?**

The unique selling proposition of the MAC is to provide security and transparency for the transactions among its clients all along a value chain.



Business operations

- Manage market intelligence and market information systems
- Analyse market situation and pick the right enterprises/commodities
- Convene and facilitate negotiations for contracts between farmers and contractors
- Broker deals between clients all along the value chains
- Introduce clients to sources of funding, of inputs, and of legal advice
- Facilitate clients to reach required standards/qualities /certification
- Ensure security of transactions from producer to consumer
- Provide tracking of deals to guarantee quality and accountability for poor performance
- Provide business development and business plan preparation for clients
- Convene key players to improve efficiency in the whole chain

Business competencies

- Interpreting market situations and explaining them to clients
- Efficient and effective networking with market support services such as financial, legal, agric inputs, agric research, etc)
- Researching new opportunities and ventures for clients
- Good internal business management skills

Business values

- Entrepreneurial drive focussing on earning money because clients earn money
- Trustworthy relationships with all clients
- Transform information, knowledge and networks into increased income for all clients
- Practice fair-trade leading to shared profits of all clients along the market chain
- Practice transparency through price discovery mechanisms along the market chain
- Competitive pricing of services largely based on commission taking on client profits only: No profit by client, no payments by client
- Fast decision making and fast reaction to changing circumstances
- Base business on local and national markets before exploring regional and global export markets
- Don't make profit on providing information. Rather earn money by arranging successful deals based on the information that is made available

**Should MACs be inside or outside the market chain?**

Inside the market chain

MAC's become one of the key players in the market chain when they own the product being marketed. This makes them a buyer of the product with the purpose of adding value to the product through storage, processing or packaging. Being inside the chain allows the MAC to make money from direct sales as well as from brokering deals. The implications of buying product are that:

- a) the MAC will need a lot of capital which will be tied up for long periods of time and
- b) the MAC will not be seen as an independent 'honest' broker to potential clients playing the same role in the market chain. Producer groups may start wondering if the MACs will not become exploiters!



Outside the market chain

MAC's are outside the market chain when they do not own the product and do not engage in adding value to the product. They remain outside the chain when their roles are in organizing and brokering deals. Being outside the chain allows MACs to offer independent 'honest' brokering services to all clients. Such a service is desperately wanted by producers, wholesalers and processors. The implications of honest brokering outside the market chain are that:

- a) the MAC will have to show how it is different from the much distrusted middlemen, and
- b) the MAC will not be able to make money from buying and selling the product itself.



## How will MACs start?

### Seeing and seizing the business opportunity

Local entrepreneurs need to first see the business opportunity before they can launch a MAC. Small farmers are desperate to do business with 'brokers' who will treat them fairly and be honest with them. Larger traders and processors are desperate to do business with reliable suppliers. Funding agencies are desperate to find good and reliable investment opportunities. Meeting these needs and solving the headaches of the many clients in a market chain from producer to consumer is the business opportunity. But just seeing the opportunity is not enough; it must also be seized. To seize the opportunity entrepreneurs have to organize themselves and the human and financial resources they need, get legally registered and begin selling services that solve their clients' headaches.

### Top down or bottom up emergence

MACs can emerge 'top down' as part of the operations of donor funded projects with government and NGO's. Such projects can establish local project teams within a district and start offering market access services to local clients. Such teams, however, find it difficult to operate on a commercial basis because clients think of them as 'subsidized' operations. MACs can emerge 'bottom up' where local entrepreneurs see and seize the business opportunity. Such MACs find it difficult to cope with unfilled orders and broken contracts and still grow their businesses fast enough to break even. Will MACs just emerge without a push from outsiders?

### Types of ventures

Local entrepreneurs run MACs. However, to get started they need clients and a network of support. Thus a tension exists between two business necessities: flexibility and dynamism on one hand and networks of clients and support on the other. So we find many different types of ventures emerging as MACs:

- a) We find the one man MAC where one entrepreneur has the courage and resources to bear the risks of starting a MAC. Such ventures face the challenge of building a client base.
- b) We find members of existing farmer associations, cooperatives, field schools, and unions either establishing a commercial branch to their operations or set up independent commercial companies to first meet the needs of their farmer clients. Such ventures face the challenge of diversifying their client base.
- c) We find NGO and government project staff reinventing their project teams into commercial enterprises. Such ventures face the challenge of getting clients to pay enough to cover their large overhead costs.

**For more information contact:**

[clive.lightfoot@linkinglearners.net](mailto:clive.lightfoot@linkinglearners.net)

[uscheuermeier@yahoo.com](mailto:uscheuermeier@yahoo.com)