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## **Integration of smallholder producers in high value chains: a marketing systems perspective**

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### ***Abstract:***

*Changes in the structure of value chains have opened up lucrative opportunities for smallholder producers to increase income as a means to improve their livelihoods. Yet, recent literature argues that smallholder producers are better off in their current markets than when integrated in high value chains on disadvantageous terms. This chapter studies the terms of integration of smallholder producers in high value chains from a marketing systems perspective. Results indicate that because of uncertainty regarding reliability of supplies from smallholder producers, exporters adopt quasi-hierarchical forms of governance to monitor supplies. To enhance production, exporters offer advanced payments or loans and disbursements to smallholder producers and use smallholders' harvest as collateral. In return, smallholder producers offer assortments of deciduous fruit to exporters. To coordinate delivery of fruit to overseas markets, exporters estimate yields and inform markets; they monitor packing, liaise with cold stores, make transport and shipping arrangements and communicate these with the importer(s). While this approach guarantees smallholder producers access to high value chains, it also locks them into these relationships thus creating dependency. These findings imply a need for smallholder producers to learn to perform the functions necessary to integrate in high value chains in order to increase their margins.*

*Key words: uncertainty, quality, deciduous fruit, exporters, perishability*

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*M31 Marketing; Q15 Land Reform; Q01 Sustainable Development; M21 Business Economics*

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## 1. Introduction

The structure of developing country exports has changed significantly since 1980 with exports from developing countries being characterised by a sharp increase in non-traditional agricultural commodities (Maertens *et al.*, 2012). These non-traditional agricultural commodities primarily include higher-value products such as fish and seafood, fruits, vegetables and flowers as well as products that are consumed in fresh or processed form and for which the value per weight or unit is typically much higher than for more bulky primary commodities that are destined for further processing such as the typical tropical products (Temu and Temu, 2005; Swinnen *et al.*, 2013). The rise in demand for high value products has created opportunities for rural income mobility and poverty reduction among smallholder producers in developing countries (Maertens *et al.*, 2011; Swinnen *et al.*, 2013).

Notably, the shift towards high value products has been accompanied by large and rapid structural changes such as increasing dominance by a few large foods multinationals, an increase in highly vertically-coordinated supply chains and rising food standards which impose a large number of requirements on agricultural exports (Swinnen *et al.*, 2013). While changes in high value chains present smallholder producers in developing countries with opportunities to increase their income, they also bring new competitive pressures which have important implications for the integration of smallholder producers in high value chains and on the distribution of benefits. As a result, smallholder producers may or may not benefit from being integrated in high value supply chains (Swinnen *et al.*, 2013).

Development economists have studied integration of smallholder producers in high value chains. Some studies have shown that among smallholder producers, it is mainly farmers with more land and non-land assets who are involved in high value contract farming while the poorest are excluded (e.g. Minot and Ngigi, 2004; McCulloch and Ota, 2002; Legge *et al.*, 2006). Other studies have documented that the share of smallholder contract farming in high value horticulture supply chains in Sub-Saharan Africa is decreasing as a result of increasing standards (e.g. Dolan and Humphrey, 2000; Danielou and Ravry, 2005). In contrast, Maertens and Swinnen (2009) and Minten *et al.*, (2009) have reported that smallholder farms are integrated in high value chains.

This chapter follows a marketing systems perspective to study the terms on which smallholder producers who were previously excluded from the mainstream economy were re-integrated in high value chains. It also highlights policy interventions that were undertaken by the South African policy makers to integrate this group of farmers in the deciduous fruit supply chain. These interventions were thus considered as a strategy to uplift the livelihoods of these farmers as it was viewed that the reason for their persistent poverty was that they were not part of the mainstream economy (Du Toit, 2009; Freguin-Gresh and Anseeuw, 2008; Ewert *et al.*, 2007).

The remainder of the chapter is structured as follows. The chapter first presents a theoretical framework which covers how the South African government (has) used policies to re-integrate smallholder producers that were previously excluded from high value chains as well as the importance of marketing systems in smallholder market integration. It then outlines the methodology followed to collect and analyse data. The chapter thereafter presents the results and discussion. It finishes off with implications, limitations and recommendations for further research.

## **2. Theoretical framework**

### **2.1 Integration of smallholder producers in high value chains**

The notion of the inverse relationship between farm size and efficiency in which smaller farms are viewed to have higher returns per hectare than larger farms has been used as a basis for South African policies to integrate smallholder producers in high value chains (World Bank, 1995). Individuals and groups of South African citizens who were previously excluded from economic resources were given land for farming purposes. The central focus of this post-apartheid land policy was to integrate marginalised black producers into the agricultural sector (Du Toit, 2008).

This integration was envisaged to be accomplished through a mix of market and non-market measures. On one hand, it was envisaged that liberalisation would be used to open up markets for all participants, while on the other hand; “new entrants” would be provided with selective state support to enable them to compete against established farmers (Du Toit, 2008). Although liberalisation of agricultural markets was accomplished with thoroughness and determination, there has been relatively little in the way of clear or workable processes for thinking about how smallholder farmers would be supported to facilitate their integration in these markets (Du Toit, 2008).

While it was recognised that without assistance, smallholder farmers would not be able to compete against established, large-scale commercial farms, proposals for “levelling the playing field” were confined to proposals for selective support to smallholder farmers through, for example, access to market information and extension services (Jacobs, 2009). Later policy interventions included the facilitation by government of contractual joint ventures, also known as strategic partnerships and/or mentorship programmes between smallholder producers and private investors, the assumption being that there would be a transfer of skills and access by black farmers to capital, markets and technology (Tapela, 2008).

However, this theoretical commitment to smallholder farmer support has not translated well into practical reality; smallholder producers are at a significant disadvantage when dealing with the large retail multiples that increasingly dominate the South African food market. Many of these, especially the large supermarkets that serve high income markets have highly centralised procurement and distribution systems with which smallholder farmers with their lower volumes are not well-positioned

to partake (Du Toit, 2008; Ledger, 2016). In addition, smallholder producers often find it difficult to comply with these buyer requirements in terms of consistency, variety, quality and certification systems (Ponte, 2005; Jacobs, 2009).

For example, vulnerable smallholder producers without the financial means to compete effectively in commercial cotton production found themselves in debt and in danger of losing their land as a result of their integration in high value chains (Tapela, 2008). Some smallholder producers ended up shifting their focus to less profitable and less risky local markets rather than the globalised commodity chains to which policy makers imagined they would be integrated (Tapela, 2008). According to Tapela (2008), smallholder producers have done better when connected to less profitable and less demanding local markets than to high value markets.

This literature thus concludes that success or failure in integrating smallholder farmers into commercial markets as producers has depended crucially on the configuration of the agro-food systems concerned and the precise ways in which smallholder farmers have been inserted within them (Du Toit, 2008; Ponte, 2008; Ledger, 2016). These authors further suggests that the analysis of integration of smallholder producers in high value chains need not look at integration alone but must also pay attention to how smallholder producers are inserted in other non-market systems such as social networks, patron-client relations and systems of transactions and exchange within a specific marketing system (Ponte, 2008; Ledger, 2016).

## **2.2 Importance of marketing systems in smallholder market integration**

Marketing systems make important contributions to the quality of life of the general public by distributing goods and services to meet consumers' basic needs, and by developing assortments of various items to satisfy specific wants (Layton, 2007; 2009; Wilkie and Moore; 1999). Through innovation, they respond to persistent discrepancies between the assortments offered and those desired by customer groups, and they therefore contribute directly to economic growth (Layton, 2009, 2011). These contributions are especially notable at higher levels of aggregation, such as sectors or countries (Layton, 2007), and as such integrating disadvantaged groups with marketing systems can help to overcome the effects of long-time, structural exclusion as the apartheid regime implemented in South Africa.

Layton (2011, p. 259) defines a marketing system as “a network of individuals, groups, and/or entities; embedded in a social matrix; linked directly or indirectly through sequential or shared participation in economic exchange; which jointly and/or collectively creates economic value with and for customers, through the offer of assortments of products, services, experiences, and ideas and that emerge in response to or anticipation of customer demand”. Marketing systems can be described in terms of their structural and functional elements, which include the exchange logic and context,

flows and roles, networks (including their dynamics), and governance. They also can be described by the distinctive features of the customer groups whose needs are served by their operations or the nature of the assortments generated in response to these needs (Layton, 2009, 2011). Marketing systems also refer to different levels, varying from two transaction partners in a micro-system to aggregate systems that span entire sectors in a country (Layton, 2007).

The analysis of marketing systems has a long tradition in marketing literature, starting with early comparisons of U.S. marketing systems with those in other countries (Cundiff, 1982). These researchers recognized that lower levels of economic development were associated with less advanced marketing systems. However, the studies likely followed a deterministic approach, in that they did not distinguish whether marketing also contributed actively to development, beyond passively following economic development and seizing opportunities in markets where wealth already had increased (Hosley and Wee, 1988). The idea that marketing could make active contributions to development through interventions in marketing systems fell on fertile ground (Cundiff, 1982; Slater, 1974). Development planners argued, at the macro level, that marketing institutions, cooperatives, and boards could contribute to economic growth through marketing system interventions that set in motion channel specialization in labour, including role specialization in trade systems, and the development of broader assortments to fulfil the wants and needs of consumers (Layton, 2009).

By changing the exchange logics, contexts, flows, roles, networks, and governance of transactions, marketing systems also can adapt to external events (Layton, 2011). Empirical research offers several success stories in which marketing systems effectively adapted to new conditions and contributed to economic growth. For example, marketing systems unified the once fragmented U.S. market, then segmented it (Tedlow, 1990); they helped the countries of the former Yugoslavia recover from a war (Shultz *et al.*, 2005); and they helped Vietnam transition from a planned economy to a steadily growing, market-based economy (Shultz, 2012). Likewise they may help to overcome the effects of exclusion.

In the situation of exclusion, groups of actors are structurally excluded from certain resources that are needed to connect with and compete in a marketing system. In that respect, the definition of exclusion is consistent with a resource-dependency approach on business, which suggests that businesses depend on the availability of strategic resources controlled by stakeholders (Pfeffer and Salancik, 2004). In structural exclusion, stakeholders structurally withhold resources from a group, either for ideological reasons, as in the case of the South African apartheid regime, or for practical reasons, as in the case of global distribution of wealth.

Policy-makers may place interventions that inject resources which help disadvantaged groups to connect to the marketing system. Several studies also suggest directions for interventions that seemingly should strengthen the development of marketing systems. Arnould (2001) derives

recommendations from an analysis of the onion system in West Africa, such as packaging and branding onions with country-of-origin labels. Manfredo and Shultz (2007), on the basis of a system analysis in the post-war former Yugoslavia, offer directions for financial interventions that could stimulate development of marketing systems. Viswanathan *et al's* (2009b) design for an educational intervention stems from an analysis of a subsistence marketing system in India. Several studies also measure the impacts of interventions, including the effects of fair trade certification (Arnould *et al.*, 2009) and micro loans (Dadzie *et al.*, 2013) for small-scale African farmers.

### **3. Methodology**

#### **3.1 Context of the study**

Regardless of the support provided by the state to integrate smallholder producers in high value chains, smallholder deciduous fruit producers struggled to penetrate high value chains until such time that they ventured into partnerships and/or mentorship arrangements. These partnerships and/or mentorship programmes were entered into with exporting and/or processing firms or with established commercial farmers linked to exporting and/or processing firms. The condition was that smallholder producers would supply their produce to these exporting and/or processing companies serving as strategic partners and/or mentors in the farms. The exporting and/or processing companies, who were also facing serious challenges from both local and global changes at the time (see for example, Genis, 2012), would in return capacitate smallholder producers with skills and capabilities in order for them to be able to farm sustainably and independently in the near future.

#### **3.2 Data collection**

This study used secondary sources of data to source information. We studied policy documents, programme impact assessment studies and/or programme and project (evaluation) reports, policy briefs, commissioned reports and case studies to gather information on the trajectory of integrating black smallholder producers in high value chains.

### **4. Analysis and results**

To understand the terms of integration of smallholder producers in the deciduous fruit value chain, we adopted Layton's (2009) conceptualisation of marketing systems as the basis for our analysis. The analysis specifically focuses on the structural and functional elements of marketing systems as described by Layton (2009). It covers buyer characteristics, governance of transactions, exchange context and logic, assortments offered to buyer groups, product flows and roles as well as networks and their dynamics.



#### **4.1 Buyer characteristics**

Buyers which include mainly exporting and/or processing firms and local supermarkets are characterised by uncertainty regarding the quality and reliability of supplies of deciduous fruit from smallholder producers. Buyers are concerned that smallholder producers may produce products that are not of the required quality or may produce more than the required amount of fruit per hectare so as to increase volumes. This overproduction may be at the expense of quality. The sub-standard quality products may compromise the relationship with the importer (Fundira, 2004).

The imbalance in the number of exporters versus smallholder producers usually makes it impossible for exporters to monitor each and every producer on an individual basis thus creating a window for opportunistic behaviour on the part of smallholder producers. Such opportunistic behaviour may lead to excess fruit (oversupply) being sold at below market prices otherwise high transaction costs may be incurred in search of new markets (Fundira, 2004). Exporting firms generally possess reasonable levels of timely market information while smallholder producers are normally disadvantaged in this regard. As a result, exporters wield a certain amount of power over smallholder producers (Fundira, 2004; du Plooy, 2012).

#### **4.2 Governance of transactions**

Further to creating uncertainty for the buyer with respect to product quality and the reliability (quantity) of supplies, the perishability of deciduous fruit also creates uncertainty for the seller in locating a buyer since perishable products must be moved quickly to the marketplace to avoid deterioration. The lack of infrastructure such as storage and cooling facilities leaves smallholder producers no choice but to sell produce immediately after harvest which means that transactions (must) occur frequently (Fundira, 2004).

The perishability of deciduous fruit adds to the complexity of transactions because the quality of the fruit can deteriorate, thus imposing sorting or information costs on buyers. It also increases negotiation costs as procedures are required to establish which party (buyer or seller) is responsible for product quality at the different stages of the transaction (Fundira, 2004). To ensure that the quality of fruit produced and handled is not compromised, transacting parties in the deciduous fruit value chain generally adopt hybrid forms of governance characterised by quasi-hierarchical relationships such as strategic partnerships or joint ventures and/or mentorship programmes.

#### **4.3 Exchange context and logic**

To facilitate exchange in the deciduous fruit subsector, exporters generally make use of Minimum Guaranteed Prices (MGPs). These MGPs are essentially conditional to the producer satisfying in full such requirements as delivering the agreed quality specifications in the designated weeks and at the specified volumes (du Plooy, 2012). Alternatively, exporters lend money to smallholder producers in

the form of advanced payments or loans and disbursements and use their moveable assets, most notably their harvest as collateral. While such loans carry a procurement hook, many smallholder producers have lived to fight another production season through these financial tools (du Plooy, 2012). The debt repayments and contractual commitments have led to many smallholder producers being obligated to certain exporters for prolonged periods of time (Symington, 2008; du Plooy, 2012).

#### **4.4 Assortments offered to buyer groups**

Smallholder deciduous fruit producers offer a wide range of assortments which vary from pome fruit (i.e. apples and pears), stone fruit (i.e. apricots, plums, peaches and nectarines) and table grapes (both fresh and dried) to their buyers. For fruit destined for export markets, the main destinations are the European Union and United Kingdom (NAMC, 2007). Table grapes from the Northern Cape Province offer specific niche marketing opportunities as producers supply the first Southern Hemisphere fruit into the United Kingdom and the European Union markets in late autumn (NAMC, 2007). Because deciduous fruit is produced primarily for export markets, it is generally fruit that does not meet the standard of export markets that is sold locally (Crouch, 2003).

For sale to local supermarkets, pack houses sort and pack fruit according to market specifications so that it can be transported straight to the customer. This greatly improves freshness and shelf life of fruit. While apples and pears can be stored as long as ten months by means of controlled atmosphere technology, consumers are wary of purchasing poor quality fruit (NAMC, 2007). To ensure an all year-round supply of good quality fruit, local supermarkets import fruit to avail to consumers off-season (NAMC, 2007). Fruit that cannot be sold to export and local supermarkets is often sent to processors for canning, pulping, drying and/or for processing into fruit juice or puree (NAMC, 2007).

#### **4.5 Product flows and roles**

To ensure that deciduous fruit destined for export markets arrives on time and in an optimum condition in overseas markets, the exporter makes a provisional booking to a shipping line which indicates how many containers an exporter intends to use on a particular vessel based on volume forecasts or crop estimates (FPEF, 2011). The exporter must also indicate whether the planned shipment is merchant haulage i.e. the exporter's responsibility or carrier haulage i.e. the shipping line's responsibility. This reservation must be made approximately one month prior to the planned shipment (FPEF, 2011).

The exporter must then confirm the booking with the shipping line one week before the planned day of loading the container. This final booking must contain information on the quantity and type of container required, port of loading, commodity type, load date and time, temperature regime codes and port of discharge (FPEF, 2011).

Upon receipt of information on shipping details, the exporter notifies the cold storage facility at which the fruit is held and allows it enough time to prepare the order (FPEF, 2011). It is the exporters' responsibility to confirm with the cold store whether they will manage the planned workload for a particular day and to also take the transporter's requirements regarding schedule into account (FPEF, 2011). The exporter or the freight forwarder notifies the PPECB (which is the regulatory body responsible for inspection of fresh fruit destined for export markets) in writing of the intended export of a container of (FPEF, 2011). This communication is important as it is then used to plan PPECB services during the container export process (FPEF, 2011).

On the day of loading at the cold store, the container is loaded with fruit and a seal is put on the container as proof that PPECB has inspected the container and the contents thereof. The container is then loaded in a truck to the port (FPEF, 2011). The container vessel is then delivered to the terminal facility in the port of loading (FPEF, 2011). At the port of loading, the consignment passes through an administrative checkpoint (A-check) to ensure that the paperwork identifying the driver, truck and booking reference number corresponds with what the terminal facility's computer was expecting (FPEF, 2011). The seal on the container is also checked at this stage to ensure that it is intact (FPEF, 2011).

A subsequent physical check point (P-check) is encountered where certain container information is physically checked. Once satisfied that all is in order, the personnel at P-check inform the truck driver where to meet the straddle carrier inside the port facility. The straddle carrier then takes the container off the truck and carries it to the address of the export stack. Transnet Port Terminals (TPT) which is the body responsible for the management of the container stacking system usually opens pre-ordained container stacking windows for a particular vessel twenty-four hours a day for three consecutive days prior to a ship's arrival. This allows export containers access to the stacking system (FPEF, 2011)

Once all export containers are in stack, the vessel stack closes and each exporter or forwarding agent must submit a shipping instruction (SI) to the shipping line which indicates the container number, the name of the buyer and of the seller, the port of discharge, the content and weight of the container, as well as the selected temperature regime. The shipping line then prepares the vessel for the export load (FPEF, 2011).

After the vessel has been loaded, the shipping line incorporates the SI information with its booking confirmations and with the (N76) report. This method of cross-checking enables the shipping line to be absolutely certain of the contents of the vessel (FPEF, 2011). When the vessel berths, the ship's agent provides the master of the vessel with the necessary land based documents and collects any documents prepared by him (FPEF, 2011).

The agent presents confirmation of the quantity and fruit specifications loaded according to the mate's receipt to the PPECB, and request an export certificate, certifying that the product complies with the market requirements of the importing country (FPEF, 2011). This certificate is presented to the Department of Agriculture, Forestry and Fisheries (DAFF) in order to confirm that the fruit meets export requirements (FPEF, 2011). The South African Agricultural Food Quarantine and Inspection Services (SAAFQIS) issues a phytosanitary certificate to the clearing and forwarding agent, as well as any other documentation that may be required for special protocol markets (FPEF, 2011).

After loading, the ship's agent checks that the PPECB has inspected, passed and sealed the hatches filled with fruit, and that any specific housekeeping requirements by the vessel's owners have been met (FPEF, 2011). Details regarding completion of loading, unberthing and sailing are recorded and sent to the vessel owners as soon as possible after the ship has sailed (FPEF, 2011). At the same time, the ship's agent must receive the drafted bills of lading, which he or she approves and then sends to the port(s) at which the fruit on the vessel will be discharged (FPEF, 2011).

En route, the master of the vessel forwards an arrival manifest to the port of discharge to inform it of the estimated time of arrival and the details of the cargo to be discharged. This allows the port of discharge time to plan the berthing window and the discharge sequence of the vessel. The shipping line or its agent in the port of discharge notifies the receivers accordingly (FPEF, 2011).

The arrival notice confirms the name of the vessel, the port of discharge, the arrival date of the vessel as well as details on the containers and the exporter involved. This allows the receiver or agent time to prepare the necessary documents for the entry of the container into the receiving country. From the port of entry of the importing country, produce is received by the receiver who then takes it to distributors where it is pre-packed and distributed to the relevant markets who then sell it to the end-consumers (FPEF, 2011).

#### **4.6 Network and network dynamics**

In as much as role players do their best to adopt product flow strategies that create greater efficiencies and economies as a means of increasing their margins, some dynamics which have both direct and indirect impacts in the network are still experienced.

Some producers either do not submit crop estimates or do not deliver close to what they promised to deliver into the logistical chain for a particular week. Some exporters also tend to overbook shipping space as a precautionary measure against a shipping line defaulting on its commitment, or may provide an over-optimistic export crop estimate (Louw and Hoffman, 2004). These practices affect efficient port logistical planning which ultimately results to congestion at the port. Shippers sometimes aggravate this congestion at the port by not submitting correct information and documentation timeously to the port authorities.

Regarding the utilisation of the stacking system, errant exporters tend to either deliver their containers on the last day of the stacking period, in normal business hours only or after the stacking period has lapsed (Schuitmaker, 2005). The poor use of stack availability thus forces direct truck deliveries that create unprecedented bottlenecks at the gates, particularly in the peak shipping weeks. This poor planning on the part of exporters leads to missed deadlines, the costs of which are ultimately borne by producers.

A weak South African currency (rand) in the past and changing configuration of global shipping routes made the Cape Town port a favoured destination for the refurbishment of containers voyage (Louw and Hoffman, 2004). The arrival and cartage of empty containers simply adds to space and traffic congestion in the port. A weaker rand has also made South Africa a less attractive export destination from the perspective of other countries. This reduces the number of refrigerated containers being imported into the country, and therefore reduces the number of such containers available for re-export use in the deciduous fruit industry (Louw and Hoffman, 2004). As much as this may generate revenue for the port authorities, it also adds to the congestion affecting South African export cargo.

The congestion at South African's busiest port, Durban also has a domino effect on other ports. For example, ships delayed in Durban will skip other ports of call (perhaps Port Elizabeth) to make up for lost sailing time. If the apple, pear and citrus sectors of the Eastern Cape, whose exporting windows partially overlap with the tail end of the grape season experience inefficiencies at the Port Elizabeth port, much of that product will be trucked to Cape Town further adding to the congestion woes of Cape Town port. This practice leaves cargo abandoned on the quayside of the bypassed port.

With port congestion continually flaring up at the South African supply end of the value chain, shipping lines have had their shipping schedules repeatedly interrupted. This results to shipping lines incurring some costs. To recover the costs incurred from congestion, shipping lines have resorted to imposing surcharges for port congestion delays. While these non-negotiable costs are a result of port inefficiencies, the shipping lines pass the surcharge on to the exporters who in turn pass it on to their producers.

Labour disputes and accompanying strikes have also had a damaging effect on port productivity in the past. Labour strikes delay vessel departures to the detriment of shippers and as a result, storage costs at the harbour may be incurred. Quality of fruit may be compromised which may affect its price. These factors all compromise the exporter/importer relationship. The producer/transporter relationships may also be compromised.

## **5. Discussion and conclusions**

This chapter studied the terms of integration of smallholder producers in high value chains. The chapter concludes that smallholder producers integrated in high value chains operate on exporters' terms. Because exporters provide financial support and perform most of the functions required to integrate smallholder producers in high value chains, this kind of support gives exporting and/or processing firms the power over smallholder producers. While this financial support keeps smallholder producers in business, it also locks them into relationships with exporting firms.

Considering the attempts by the state to integrate smallholder producers in high value chains, it becomes clear that the resources granted to smallholder deciduous fruit producers were not sufficient to support their integration in high value chains. Smallholder producers still needed support from exporting firms to successfully penetrate high value chains. Because exporting and/or processing firms have power over smallholder producers, they push costs down to smallholder producers which negatively affect smallholder producers' profit margins. It therefore remains questionable whether smallholder producers really benefit from being integrated in high value chains and if they do, to what extent and for how long will the benefits derived from integrating in high value chains last.

## **6. Implications**

From the results and discussion, it is implied that regardless of the resources provided by government to enable smallholder producers to participate and to compete with other producers in high value chains, smallholder producers still depended on exporting firms for the performance of certain functions to facilitate their integration in high value chains. It then becomes clear that there is a specific bundle of resources that smallholder producers require to integrate in high value chains. The extent to which smallholder producers benefit from being integrated in high value chains as well as the sustainability of their participation in high value chains requires further investigation.

## **7. Limitations and recommendations for further research**

This study followed a case study approach and solely relied on secondary data for sources of information. Future research remains to be done to take further the implications of this study. It should study which (other) resources smallholder producers require to compete with established commercial farmers and to farm sustainably and independent of exporting and/or processing firms in the near future. Future research should also investigate the extent to which exporting firms supporting integration of smallholder producers in high value chains contribute to transferring the skills that smallholder producers require to sustain their participation in high value chains.

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