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Title: *Developing Export Food Marketing Channels from the Market Backwards: The Case of the Agricultural Exports for Rural Incomes (AERI) project in Egypt*

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Problem Statement

Over the past decade the Egypt agricultural sector has seen substantial growth, as the government and international agencies have assisted commercial producers to successfully exploit Egypt's natural agro-ecological, location, and resources advantages to enter and develop international export markets for horticultural products. The horticultural sector provides a clear example of where an organized group of commercial producers, brokers, and exporters have successfully broken into the European perishable produce market by identifying and exploiting open market windows that other international competitors cannot cheaply fill. Once in-the-market, these commercial producers have prospered by strengthening their market linkages with European food retailers. These linkages have proved to be invaluable, providing them access to the latest production, processing and handling technology, first-hand knowledge of EU consumer and retailer requirements, capital, and most importantly higher prices for product that meets the European retailers exacting private grades and standards.

Thus, for those producers who can meet the market requirements, business has flourished. This success has however been primarily constrained to a select group of commercial producers, located in Delta region. For the remaining majority of Egyptian producers scattered along the Nile river basin these types of opportunities have not eventuated. These producers are generally severely financially distressed, poorly educated, and operate subsistence-based production systems on very small and fragmented parcels of land. They lack access to the necessary market knowledge, technology, extension systems and infrastructure needed to support entry into international markets. Without access to suitable mechanisms and institutions that can provide the required recourses, these producers' will be unable to access and exploit these high value export markets and thus their income earnings potential will be severely constrained. Recognizing these problems, the USAID and Egyptian government in 2003 initiated the establishment of the Agricultural Export for Rural Income (AERI) project with the goal of assisting small-scale Upper Egyptian farmers' access high-value export markets in an effort to raise rural incomes and thus rural welfare in general.

Project Overview

Taking a unique approach to market-led rural development, the AERI project turns traditional technology-push development model on its head by instead focusing on *building economically viable and sustainable international marketing channels for selected products backwards from the export market to the Upper Egyptian smallholder producer*. Where the traditional model pushed product onto the market and accepted whatever price was offered, this project first finds out exactly what the market requires, then builds marketing channels from the market backwards to meet market specifications.

The project is driven by the provision of market relevant training, through which the collaborating AERI contractors aim to enable and assist Upper Egyptian producers and selected individuals from the supporting government, NGO and industry organizations acquire the necessary skills and tools required to establish economically sustainable self-organizing international horticultural marketing channels. To achieve this the AERI contractors have implemented an integrated program structure composed of several interrelated components that seek to a) build public-private capacity to study consumer demand and global supply chains for selected horticultural products in different global markets; b) reorient and conduct export market driven agricultural research that will directly assists small producers meet export market requirements; c) create social capital among smallholders in Upper Egypt to capture economics of scale in producing and marketing selected crops for these export markets; and then to d) link these smallholder groups to exporters and other agribusiness firms to the most promising export markets; and, finally, e) strengthen the capacity of internal supply chains to meet and supply these export markets.

These five components are delivered concurrently by three collaborating lead organizations - Midwest Universities Consortium for International Activities, Inc. (MUCIA), CARE International and Chemonics International. MUCIA, with the University of Illinois as the lead university, is implementing the *Institutional Linkages* component. The Public-Private sub-component has two goals: 1) building public-private capacity to analyze and evaluate promising export market opportunities, and 2) reorienting public-private researchers so they can develop market-driven technologies, as well as to provide technical training and support to small-scale farmers in Upper Egypt so they can successfully produce for these export markets. To achieve the first goal, the project uses an innovative experiential-learning pedagogy to prepare “public-private” teams to a) evaluate promising export markets for selected crops/products, b) analyze the current supply chain(s) for supplying different export markets, including opportunities, challenges and constraints; and c) translate these findings into international business and marketing plans for specific crops.

These public-private teams are drawn from the Egyptian horticultural industry (i.e. exporters, producer groups and trade associations) nongovernmental organizations

(NGOs) and public sector institutions (i.e. universities and government). These public-private teams are then responsible for disseminating these findings to other exporters, producer groups through business development conference and producer workshops. A similar approach to capacity building has been organized for groups of researchers who have been organized into technical working groups (TWGs) for selected export crops that can be produced by small-scale farmers. In addition to orienting these researchers to export markets, the project funds a small “impact grant” program that provides these TWGs with the resources and incentives to solve critical technical constraints as well as other post-harvest supply chain constraints that must be solved in supplying European markets from Upper Egypt.

The horticultural component organized by CARE International focuses on building social capital at the village level (55 village level farmer associations or FAs have been established to date) and linking these FAs to exporters. Through FA membership, participating farmers gain the requisite training and technical assistance to cultivate specific horticultural products to stringent EU export market standards, including EurepGAP certification. By getting organized, they collectively gain access to export markets from which they would otherwise be excluded. Technical training and assistance is provided to the FAs by the TWGs, horticultural extension workers and the exporters themselves. Technical recommendations, including production schedules, are very specific, covering everything from soil preparation to post-harvest handling and storage systems. Recognizing the need to ensure long-term sustainability, CARE organizes training and study tours for selected exporters, producer group representatives and horticultural extension workers, so they gain the first-hand knowledge of the latest market requirements from selected markets and trade shows and then bring this knowledge back to Egypt.

The final two components are being organized by Chemonics International. These components focus on strengthening linkages between smallholder groups and national trade associations, and expanding the capacity of these trade associations, so they can mobilize their members to increase market share in international markets. This component consists of several inter-related tasks, including grant support to smallholder groups; grant and technical assistance to trade associations; and overall coordination of AERI program activities. FAs that have been organized by CARE will have access to capital grants so they can strengthen the post-harvest infrastructure that will help reduce post-harvest losses and improve product quality. Working capital and marketing grants are also available for processors and exporters to strengthen linkages with export markets. Similarly grants, technical assistance, and training are available to national horticultural trade associations to strengthen their management capacity and improve their services to members so they can expand horticultural exports. Overall, this assistance is designed to improve quality standards, develop market intelligence capacity, improve market efficiency along the entire supply chain, including strengthen linkages between FAs, traders, processors and exporters.

Project Impact

Although the program has only been operating for 12 months significant impacts are already being observed. This past year, farmers involved in high-value horticultural activities boosted their incomes from an average of 3206 LE per annum (about \$534) to an average of 5266 LE (about \$877) for the winter crop season only. This translates into a 67% increase in income. More than 2400 farmers in the 55 FAs have been trained in production, harvesting and post-harvest techniques. In addition the FAs, in collaboration with the other AERI components, are applying for and accessing infrastructure grants that will enable them to establish post-harvest handling facilities and strengthen the supply chain within Egypt, including pre-cooling units, the development of sorting, grading, and packaging facilities, and improving the transportation and logistics system within Upper Egypt.

Implications

The AERI project, with its systematic focus on developing the necessary human and social capital, providing the requisite production, processing and post harvest technologies, and strengthening the supply-chain infrastructure – in a market-led manner – provides a unique model for assisting small-scale farmers to gain access to international markets. In the process, the AERI project is increasing farm income and rural employment and, thereby, directly impacting rural poverty in Upper Egypt.