



Demand-driven inclusive supply chain development: product market combinations

vegIMPACT

Product market combinations

A product market combination (PMC) is a pilot implemented with partners in the supply chain, including small farmers (with holdings of less than two hectares), who produce vegetables in a coordinated way and according to specific market demands. PMCs contain improvements and innovations in terms of aspects such as varieties, marketing concepts, packaging materials, branding and supply chain configuration. Supply chain partners make arrangements to improve existing market connections or create new market opportunities. PMCs are considered as a 'proof of concept' which shows that innovations and cooperation in market-oriented supply chains can potentially benefit all supply chain partners and small farmers in particular.

Ten PMC pilot projects were developed within the vegIMPACT programme and implemented in five provinces in Indonesia. Through a multi-stakeholder approach, supply chain partners were engaged in a participative process of joint analyses, learning and strategic planning of interventions to improve an existing or develop a new market-oriented supply chain.



Key lessons learned

To successfully connect with modern markets, small farmers need to cooperate. A solid organisational structure (farmer group) functioning as an entrepreneurial unit is essential to:

1. Organise a continuous supply (a prerequisite for supplying to modern markets).
2. Professionalise business relations with traders.
3. Maintain a high level of quality control of joint vegetable production.
4. Upscale activities and create economies of scale (including investments).

To create strong farmer groups, allow experimentation and build trust among supply chain partners, it is important to take sufficient time, covering a variety of wet and dry production seasons.

PMC's: development and design

1. Exploratory analysis of regional market demand.
2. Identification of promising potential crops.
3. Rapid upstream supply chain analyses, including stakeholders for high-potential crops.
4. Formulation of possible business cases, including options for upgrading the supply chain.
5. Screening of business cases based on financial feasibility, availability of interested and capable participants, and screening of innovative interventions to improve the supply chain.
6. Selection of business cases and formalisation of the commitment of key supply chain partners.
7. Training needs assessments and organisation strength assessment of farmer groups.
8. Design of interventions along the entire supply chain based on development needs.
9. Implementation of product market combination.

Interventions

The PMC interventions do not include any direct financial support for the operational costs of implementing the business proposition. The vegIMPACT programme, however, has facilitated supply chain partners through the provision of training activities (on topics such as cultivation and farmer group organisation), coaching activities, and, where necessary, small loans for investments. With regard to the marketing of vegetables, vegIMPACT supported the development of packaging and the design of product labels and banners. The production costs were covered by traders themselves, however.

By only facilitating PMCs and not financially supporting operational supply chain costs, there are risks for and investments to be made by the participating parties from the start. But it also enhances PMC ownership among participants, who become more committed to making the joint approach a success. The final goal of the PMCs is to build the human capacity to enable participants to maintain or develop new product market combinations in the future.



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Improved vegetable production and marketing for small farmers to increase food security and to promote private sector development in Indonesia | www.vegimpact.com
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