



Southern Africa Development Institute

Lecture 02: Value Chain Project Design Overview

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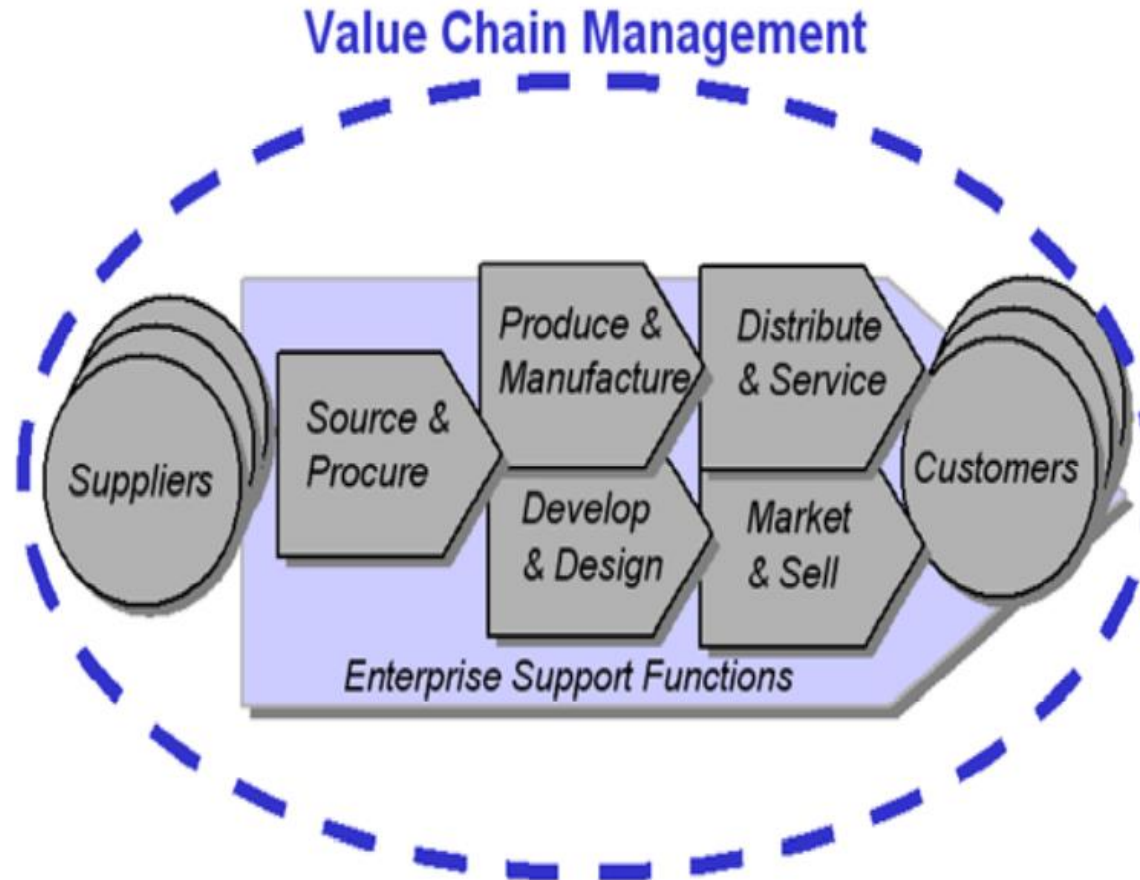
Learning Outcomes

This lecture covers;

- ❖ Selection of a value chain.
- ❖ Analysis of a value chain.
- ❖ New or existing market-based solutions (MBSS) identification.
- ❖ MBS facilitation identification.
- ❖ Market-based solutions assessment.
- ❖ Collaboration structuring and performance monitoring.
- ❖ Practical examples of value chains in agriculture.

Value Chain Analysis

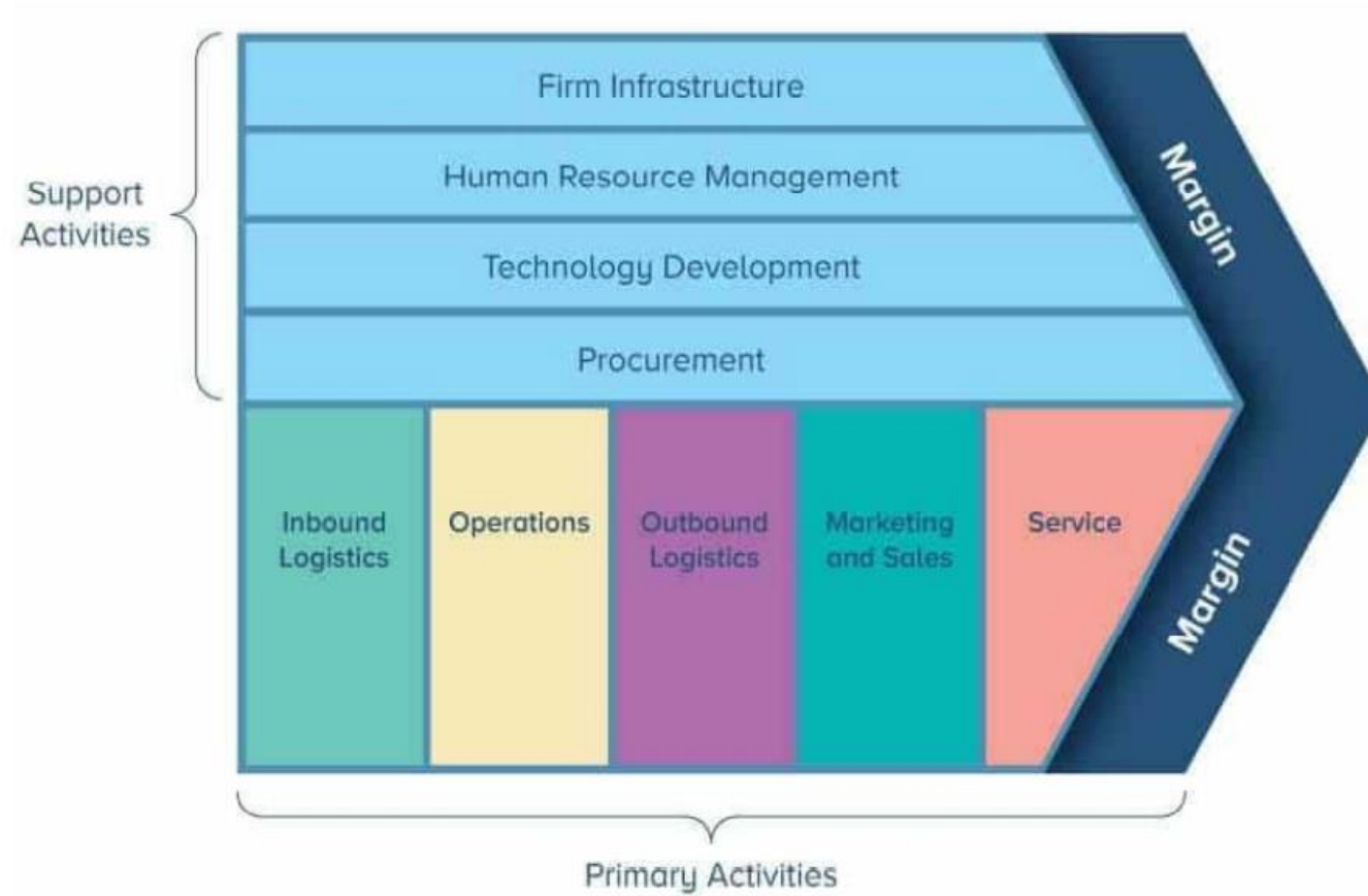
- ❖ Identify final sales market(s) and market segments.
- ❖ Identify market channels and trends within the value chain.
- ❖ Identify the primary actors in the value chain, their roles, and interrelationships.
- ❖ Emphasis on linkages with targeted (MSMEs).
- ❖ Create a value chain map that describes the above.
- ❖ Identify constraints and opportunities that are holding back growth and competitiveness.
- ❖ Identify commercially viable solutions that can address value chain



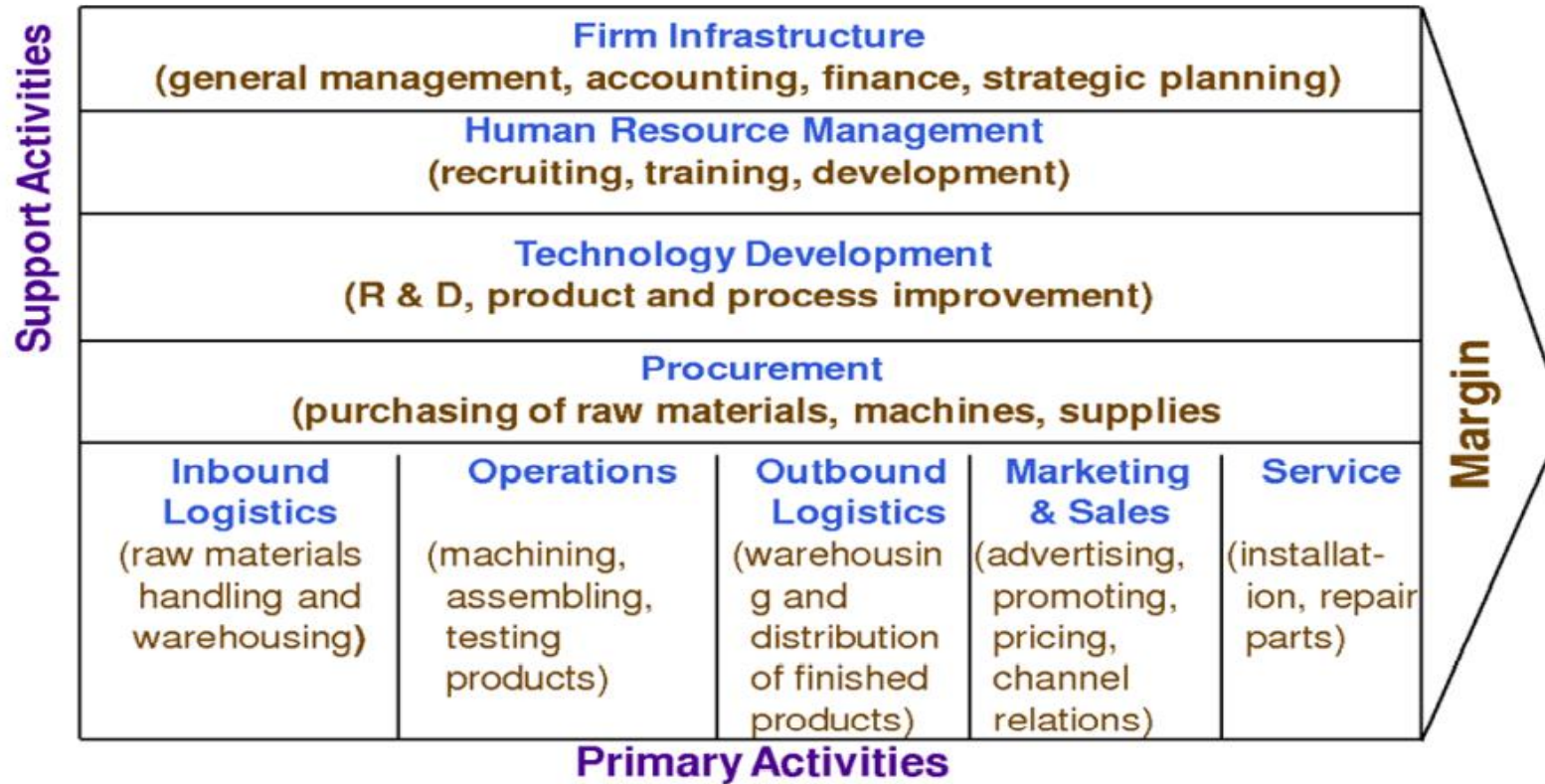
Rationale for participating in a Value Chain

- Identify gaps/weaknesses in a product line (Johnson, 2018).
- To identify opportunities profitability areas of a product/good/service line (Antras and Chor, 2021).
- Improve profitability for existing businesses in the specific product.
- Evaluate the long term.
- To assist new entrants to decide whether to venture into the product line or not.
- **The main objective of a value chain is to improve profits.**

VC Model



Value Chain Analysis for Manufacturing Firms



Example: Passion Fruit Value Chain

| Actor(s) | Example(s) |
|----------------------|---|
| Input suppliers | Seed, fertilizers, pesticides, labour |
| Producer | Farmers |
| Processors | Manufacturers/agro-processors—Juice makers, hotels |
| Traders/Distributors | Those who do bulking from farmers/producers, Retailers, Supermarkets, Wholesalers |
| End users | Consumers (you and me) |

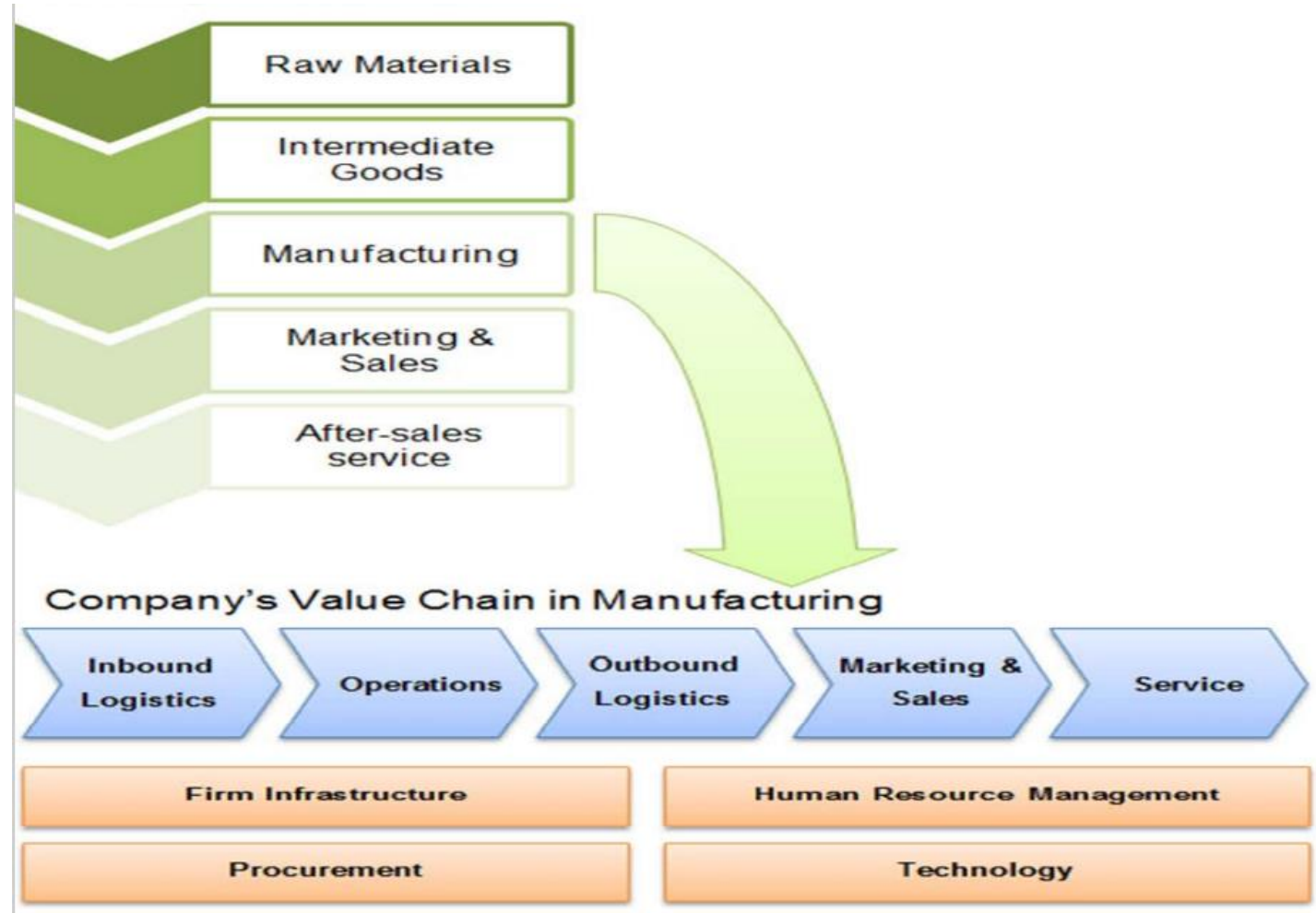
Criteria to Evaluate Value Chains

- Agree on the point of entry in a business process (stage and target group)
- Map out the value chains (non-linear relationships outputs, physical flow of products along the chain and involved services!).
- Incorporate product segment and isolate critical success factors (who are the major buyers, what are their specific product needs-time, quality etc/behaviour, do they have.
- Evaluate how producers access final markets (wholesale, retail, links etc).
- Benchmark production efficiency(use of labour, materials (inputs) and money to establish cost competitiveness, quality, time taken to produce, capacity for minor changes, capacity for major changes).
- Enquire about the rules(evaluate the laws governing the product/service e.g. the potato packaging rule of 50KG).
- Research on distribution issues(locational dimensions: global, regional, national or local).
- Model your business to address specific weaknesses or gaps

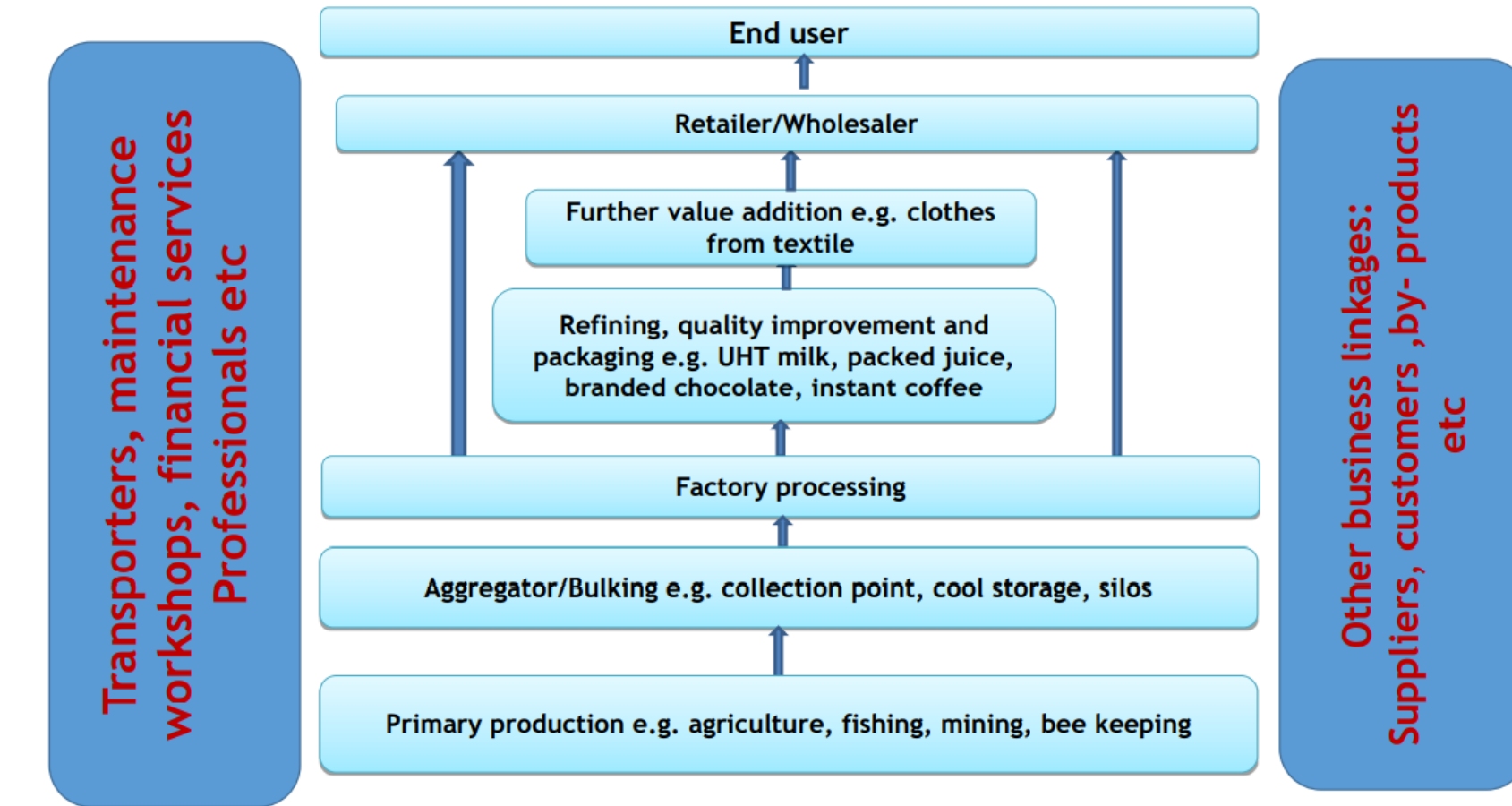
Linkages among Various Actors in a Value Chain

- **Business linkage**: any business activity along the value chain that adds value to the product or service.
- This may take the form of additional players such as traders, distributors, providers of support systems (e.g., insurance, financial services, technical assistance etc.).

Industry's Value Chain



Example: Possible Linkages in a Value Chain



Task: Identification of Actors in Various Value Chains

Instructions:

- (a) Identify the value chain of your interest.
- (b) Discuss the actors and their specific roles.
- (c) Identify the linkages among the actors in the value chain.

References

- ❖ Antras, P. and Chor, D., 2021. Global value chains. *NBER*
- ❖ Johnson, R.C., 2018. Measuring global value chains. *Annual Review of Economics*, 10, pp.207-236.

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