

USAID Enterprise Development Implementation Grant Program Learning Network



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CASE STUDY

**Getting to “Good Enough” in
Product Upgrading: SDCAsia and
the Cardava Banana Value Chain**

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Abstract

This case study looks at SDCAsia’s “good enough” approach to Good Agricultural Practices (GAP)—a choice to promote feasible, incremental improvements in agricultural practices that result in the largest possible increases in yields and profits. That is, picking and choosing parts of GAP, rather than attempting to achieve full GAP certification. The study describes the lessons and experiences of SDCAsia in facilitating chainwide productivity improvements that involved upgrading and aligning practices used to market appropriate food safety and quality standards in the banana chip industry.

About SDCAsia and B-ACE Project

SDCAsia (www.sdccasia.or.ph) is dedicated to improving lives through the equitable and sustainable creation of economic opportunities and enterprise development. SDCAsia designs and implements market-driven sustainable programs in both rural and urban areas.

The goal of the Banana Agrichain Competitiveness Enhancement (B-ACE) Program is to enhance the competitiveness of the processed cardava/banana chip industry, while promoting broad-based growth that involves and benefits the majority of value chain players in a sustained way.

About SEEP

The SEEP Network (www.seepnetwork.org) is an association of over 70 international nongovernmental organizations that support micro- and small enterprise development programs around the world. SEEP's mission is to connect microenterprise practitioners in a global learning community. SEEP brings members and other practitioners together in a peer learning environment to produce practical, innovative solutions to key challenges in the industry. SEEP then disseminates these solutions through training, publications, professional development, and technical assistance.

About the Enterprise Development IGP Learning Network

The Implementation Grant Program (IGP) is a competitive grant program coordinated by the Microenterprise Development office of USAID that serves as a key mechanism for supporting international and local providers of microfinance and value chain development efforts.

The Enterprise Development (ED) IGP seeks to support innovations for enhanced microenterprise participation in value chains and creative, commercial strategies for ensuring access to the services and products needed to be competitive in the marketplace. The ED IGP Learning Network, managed by SEEP, brings together three grantees to document and share their experiences in learning products. The ED IGP learning products are written by and for practitioners in the field of microenterprise development.

For other learning products in this series, please visit <http://seepnetwork.org/pages/EntDevIGP.aspx>.

Introduction

Upgrading a value chain is a collaborative undertaking among all participants in a chain. Establishing clear standards and goals that are communicated on a regular basis is critical to successful upgrading. Food safety and quality, for example, are assured through the combined efforts of all value chain participants. Communication between participants is essential to ensure that all relevant food safety hazards and quality defects are identified and adequately controlled at each step of the chain. This implies timely recognition, understanding, and interactive communication of process and product standards among all players in the chain.

This case study looks at SDCAsia’s “good enough” approach to Good Agricultural Practices (GAP) in the banana chip value chain in the Philippines—a choice to promote feasible upgrades and incremental improvements in agricultural practices that resulted in the largest possible increases in yields and profits (i.e., picking and choosing parts of GAP, rather than attempting to achieve full GAP certification for all value chain participants). The study describes the lessons and experiences of SDCAsia in facilitating chainwide productivity by improving and aligning practices related to food safety and quality standards in the banana chip industry. It also provides guidance to practitioners looking to replicate this strategy in their projects.

The Cardava Banana Value Chain

The production of banana chips has emerged as a strategic industry for Mindanao, the second largest island of the Philippines. The banana chip is a product derived from cardava banana, which is deep fried and sweetened with sugar in the process. As of 2009, there were about 26 banana chip processing plants in Mindanao, compared to 15 factories three years ago.¹ The annual value of banana chip exports from the Philippines is approximately \$35 million, with 70–80 percent of the product coming from Mindanao.²

However, despite the generally positive market outlook, the Mindanao banana chip industry is facing significant challenges. One major threat to the growth of the industry is its price competitiveness and ability to maintain quality—particularly for large-volume orders. In forums with industry players, producers and traders complained that farm-gate prices of cardava were barely enough to cover their production costs. With an increasing number of producers worldwide, the cardava banana market has become much more price sensitive. In more established markets like those of the United States and the European Union, quality and food safety standards and other nontariff barriers are also becoming increasingly stringent threatening to exclude producers and processors unaware of, or unable to meet, these standards.



Banana chips being packaged after frying

The goal of the SDCAsia Banana Agrichain Competitiveness Enhancement (B-ACE) Program was to enhance the competitiveness of the processed cardava/banana chip industry while promoting broad-based growth that involved and

1. Source: “Building Market Linkage for a More Lucrative Banana Farming,” *Agri Business Week*, February 9, 2009.

2. Source: “Building Market Linkage for a More Lucrative Banana Farming,” *Agri Business Week*, February 9, 2009.

benefited the majority of value chain players in a sustained way. The B-ACE Project worked on strengthening three value chains:

- banana chips for the export market;
- cardava banana snack food and dishes sold via street vendors, school canteen operators, and restaurants; and
- fresh cardava banana for the Manila market and export to Japan.

The decision to work on the three chains was aimed at stabilizing the incomes of participants in the chains, particularly micro- and small enterprises (MSEs) and small landholders, by balancing the demand and supply of cardava banana throughout the year.

Specific objectives of the program included:

- a) enhancing the capability of local government units to design and/or implement better plans and/or policies for efficient and high-impact support of the banana industry;
- b) facilitating the increase and stabilization of the supply of cardava banana for the chips industry through improved quality and productivity of cardava farms, including diversification to organic/all-natural bananas;
- c) facilitating the set-up of an infrastructure for a value chain quality system that covered aspects of food safety standards and traceability;
- d) facilitating the improvement of existing inter-firm cooperation as a means of enhancing levels of information, innovation, upgrading, and compliance with market requirements and standards; and
- e) strengthening support markets to provide the services and products that would facilitate the upgrading of value chain players, parallel to the development of systems, to ensure sustained access.

The B-ACE Program hoped to increase the incomes of small-scale cardava banana producers and processors by an average of 30 percent over a period of three years. (Initial indicators are showing that incomes in project areas have increased by nearly 80 percent over the control group.) The benefits to producers and processors were expected to derive from their greater integration into value chains and access to more diversified market channels, resulting in higher, more stable income and a more stable market for their products.

GAP and B-ACE

According to the Food and Agriculture Organization, Good Agricultural Practices (GAP) are defined as “practices that address environmental, economic, and social sustainability for on-farm processes and result in safe and quality food and nonfood agricultural products.”³ GAP comprises sets of general principles regarding different aspects of agriculture, such as soil, water, animal production, and processing and storage. These principles are then further detailed for specific locations and products. The objective of GAP codes, standards, and regulations include, to a varying degree:

- ensuring the safety and quality of produce;
- capturing new market advantages by modifying supply chain governance;
- improving natural resources use, worker health, and working conditions; and/or
- creating new market opportunities for producers and exporters in developing countries.⁴

SDCAsia believed that compliance with food safety and quality standards can play a positive role in (a) facilitating market development; (b) providing the catalyst and incentives for the integration of banana chip value chains; (c) facilitating

3. Committee on Agriculture, Food and Agriculture Organization (FAO), 2003, “Development of a Framework for Good Agricultural Practices,” FAO, Rome, Italy, <http://www.fao.org/prods/GAP/> (accessed September 2009).

4. Ibid.

the modernization of the banana chip industry and regulatory systems; and (d) linking the rural economy in a positive way with the process of economic globalization.

Promoting GAP, then, would accomplish many B-ACE objectives. However, not all end markets (e.g., fresh cardava for export; local street food; banana chips) required the same standards. A second complication was that cardava producers were largely smallholder enterprises that would have found full GAP certification difficult and cost-prohibitive. Finally, whereas many value chain constraints (discussed in more detail below) could be addressed by product upgrading, full GAP compliance or certification was not the key to overcoming the constraint.

Reaching for “Good Enough”

As a result, SDCAsia adopted a “good enough” approach to upgrading that enabled producers and processors to meet buyer demands without necessitating full GAP compliance or certification. This approach was important in encouraging incremental adoption of improved practices and not overwhelming producers or processors with significant, dramatic changes to their practices all at once.

The “good enough” approach may mean different things in different interventions. For the SDCAsia experience, it meant:

- seeing issues such as food quality as a continuum, rather than an either/or condition
- promoting small, incremental improvements (in food safety, quality, and processing) rather than large leaps
- focusing on small, doable aspects of good agricultural practices, rather than on certification
- collectively defining good practices by using input from all value chain players, rather than using outside criteria
- identifying the motives of value chain actors to improve safety and quality (e.g., to increase profits), rather than promoting GAP for its own sake
- seeing the role of value chain actors in upgrading as the beginning of a long-term process in which producers reach levels of certification and high-quality processes gradually, as they became ready for it
- letting the content and pace of upgrading be driven by producer communities

Constraints in the Cardava Value Chain

The context of the Philippines cardava value chain and the specific constraints that SDCAsia set out to address were what drove its decision to adopt the “good enough” approach to upgrading and GAP. Below are a few of the key value chain challenges that B-ACE identified in the Philippines cardava banana industry that led to this approach.

1. Lack of communication and quality definitions among actors

When the B-ACE Project started in 2006, the cardava banana industry was highly segmented, with little organization or communication between participants. Individual growers sold their production by quantity, without price differentiation by quality, and had very little control over the price that they received, whether at the farm gate, by the side of the road, or in the local market. Additionally, quality perceptions were different among players at different levels of the chain. Producers’ perceptions of quality were based on local norms, the procurement practices of local intermediaries (who often sold to different channels and had no consistent norms), and their own guesses as to what would bring higher prices. Downstream actors, such as banana chip processors, based their understanding of quality on the requirements set by their buyers. There was therefore no uniform understanding of “high quality” in terms of banana size, weight, color, fruit maturity, or other aspects.

Why choose “good enough”? GAP is useful for providing an objective, fact-based understanding of what goes into quality production and what standards are sought. This understanding helps build a common language between and

among buyers and producers, enabling producers to gain more control over pricing. However, markets and intermediary buyers may simply want “quality” bananas, not necessarily *certified* high-quality bananas. This possibility has implications for producers in terms of the standards that are necessary to meet.

2. Low productivity and inefficiency

Although cardava provided a steady cash flow for farming households, profits were marginal. SDCAsia determined that this was due chiefly to low productivity, inefficiency in production, and a high rate of rejected produce. Generally, producers did not look after their banana farms. Banana chip processors, on the other hand, had difficulty securing a stable supply of good-quality processed-grade banana due to an erratic production base and the dominance of spot transactions. SDCAsia wanted to promote volume and sales increases through value-added strategies, rather than competing on price.

Why choose “good enough”? Improving agricultural practices—for example, seed quality or variety, planting techniques, irrigation—address issues of productivity, efficiency, and quality. These qualities would improve producers’ profit margins and help banana chip processors promote a steady supply of quality inputs. However, neither chip processors nor other buyers required certification.

3. Distrustful relationships

Relationships between and among players in the value chain were generally adversarial and full of mistrust. At the start of the B-ACE Program, for example, almost 50 percent of the cardava banana growers were not aware of the end user of their produce, signifying a lack of clear market intent at the time of production. Producers saw the market in terms of the next actor in the chain—the person who bought their produce. This view gave them a “very small market” perspective that resulted in adversarial relationships. Consequently, actors were often reluctant to share information on where products were bought and sold. Processors were also wary of each other for fear of losing buyers and their competitive edge. Compliance with food safety and other product and process standards was weak along the entire value chain. Poor-quality information and the lack of information sharing led to an absence of customer focus and difficulties in matching products to market requirements.

Why choose “good enough”? Certification is one way to address issues of mistrust in a value chain because it moves the trust relationship to an objective third party (the certifier). However, SDCAsia had learned through previous work in the region that to build trust and improve relationships, strategies that focused on the social aspect of relationships and improving in communication could be used. By establishing events like a Cardava Festival and organized exchange visits, they facilitated producer communities that could engage in collective marketing.

4. Export market considerations

International banana chip importers regularly switch supply sources between the Philippines and Thailand, primarily because of prevailing price and quality considerations. SDCAsia’s research determined that Thailand was fast becoming a preferred supplier in terms of price, flexibility in payment terms, reliability, and its ability to offer a wider range of goods in similar categories, as well as strong support and relations between the private sector and the government. Competition was also intensifying from other suppliers, such as Vietnam, in key export markets, such as China.

Export markets in general are becoming more selective as well. International buyers are increasingly concerned with the specifications of both products and processes further back in the value chain. Factors such as conformance with social and environmental standards, traceability and authenticity, reliability and guaranteed supply, just-in-time delivery, and product differentiation and innovation are of increasing importance to both exporters and importers.

Why choose “good enough”? The export market was one place where certification—for example, organic certification or HACCP⁵—was important to at least some buyers and could have resulted in gains to producers. However, SDCAsia did not feel that the majority of the targeted producers were ready to attempt certification; rather, a more step-by-step approach was needed. Those producers who were ready could move ahead and implement a full range of upgrades to achieve certification, but it would be on their own initiative rather than on a recommendation of SDCAsia. Additionally, Filipino cardava growers could compete on some of the desirable aspects sought by buyers—for example, more flexible pricing and differentiated products—without any kind of certification.

Box 1. Is Good Enough Right for You?

The following questions may help you determine if a “good enough” approach to GAP and value chain upgrading should be considered by your organization. The list below is illustrative only and should be expanded or adapted depending on the circumstances and specifics of the intervention(s). In general, more positive responses to these questions indicates a greater likelihood that a “good enough” approach to GAP should be considered.

Sample questions and/or points of consideration:

1. Are buyers more interested in “quality” than in “certified quality”?
2. Is the price difference between certified and uncertified produce relatively small?
3. Is under-production or low productivity a major constraint (meaning that any improvement would result in increased production)?
4. Is there a large gap between accepted standards and current practice (meaning that any improvement would result in increased income for producers)?
5. Is there enough support for upgrading along the value chain to justify the investment of doing so?
6. Is trust along the value chain not a significant problem, or if it is, can it be addressed by an intervention other than introducing certification?
7. Are export/domestic markets requiring certification (e.g., Fair Trade, organic, USA or European importation) *not* the primary target market for producers?
8. Would the major constraints in the value chain be addressed by gradual upgrading or collective standard-setting, such that certification or outside standards are not necessary?

If your responses to the questions in box 1 indicate that a “good enough” approach may be a good fit for an agricultural value chain intervention, the following section provides recommendations from SDCAsia on implementing the approach, based on its experience with B-ACE.

Implementing the “Good Enough” Approach

1. Sensitize value chain actors about their contribution to improving overall competitiveness

Often, value chain participants are not conscious of how their actions and behavior affect the competitiveness of the whole chain and, ultimately, impact their livelihood. Many of the cardava value chain actors saw the implications of their actions only from their own perspective and that of their immediate links (e.g., input suppliers or intermediary buyers). To align perceptions of quality standards throughout the value chain, therefore, it was necessary to help producers, intermediaries, and processors understand the entire value chain, not only their specific role in it. SDCAsia’s method of raising their mutual awareness included the following:

5. HACCP (hazard analysis and critical control points) is a certification for safe production. To learn more, visit the Web site of the International HACCP Alliance, College Station, Texas, www.haccpalliance.org (accessed September 2009).

a) *Comics.* SDCAsia held stakeholder workshops where they promoted dialogue and accountability through comic-strip drawings, which illustrated the negotiation process between players who might seem to have competing interests. Comics allowed sensitive topics to be treated in a nonthreatening way and sparked useful dialogue among participants. SDCAsia found this to be an effective way to introduce discussions on themes that otherwise might be avoided.

b) *Festivals and competitions.* SDCAsia organized cardava festivals and competitions as venues to bring players together and improve direct transmission of information on quality standards and market information. During these festivals, lead firms connected with producer communities at places and events where producers felt most comfortable. Actors from all points on the value chain attended the events, so it was easy for each individual actor to cross-check information. Competitions such as the “Heaviest Cardava Bunch” also challenged farmers to come up with better-quality bananas, as each wanted to be known as the source of the best cardava in town.



Lesson learned: Social events and creative media can be good ways to alleviate tension, improve understanding, and create a shared sense of commitment to upgrading a value chain. This is an important first step to facilitating “good enough” improvements at different points in the chain.

2. Define commonly accepted standards as a group

Producers and small-scale processors are typically reliant on traders and larger processors to dictate quality standards. These standards often seem like moving targets and with poor communication throughout a value chain, can significantly increase market inefficiencies, leading to high wastage and lower prices.

To improve the governance of quality along the cardava value chain, particularly at the community level, SDCAsia facilitated the development and implementation of quality standards with stakeholders in the lead. For example, SDCAsia conducted a series of roundtable discussions with representatives of producers, traders, processor/exporters, government agricultural technicians and extension workers, commercial plantation managers, and input suppliers. After covering all aspects of cardava farming and elaborating on how farmer practices could be aligned to GAP, stakeholders were given the opportunity to inspect the final draft to resolve any misunderstandings, insufficiencies, and conflicts. The result was a fast-tracked process of formulating GAP standards and recommendations specific to cardava farming that reflected the knowledge, expertise, and experience of all stakeholders.

Through this process, producers developed a sense of ownership of the standards, which helped remove a sense of outwardly imposed requirements. Immediate benefits included lower transaction costs, as traders and processors had less rejected produce, as well as a significant reduction of conflicts caused by differing understandings and interpretations of standards.

SDCAsia led a similar process of focus groups discussions and development of guidelines to draft food safety and quality standards for banana chip and food service operations of cardava snack vendors and canteens. Government agencies mandated to enforce food safety regulations were active participants in these forums.

Lesson learned: Since rigid standardization is not needed with a “good enough” approach, bringing together value chain participants can be a good way to develop consensus-based norms.

3. Start with identified priorities to create incentives for upgrading

Initially, participants in the cardava value chain were not enthusiastic about upgrading or applying GAP. On the other hand, players were generally open to information on issues that significantly affected their income. Therefore, SDCAsia realized that to begin a dialogue about upgrading, it needed to identify issues that participants could readily connect with. By linking the benefits of upgrading to producers’ priority issues and developing an understanding of the impacts each actor could have on the whole value chain, the B-ACE Project encouraged and motivated participants at different points on the value chain to work together.



Examples of bananas affected by pests and disease

For example, SDCAsia focused its initial discussions with producers on reducing the incidence of pests and disease. This was the issue that producers had identified as the major cause of decreased income. To make the potential benefits evident to small-scale producers, the project guided growers in calculating the costs and benefits of current practices (including losses and poor-quality bananas due to pests and disease) vis-à-vis proposed low-cost alternatives. To get the support of lead firms and traders, discussions were focused on how GAP could contribute to addressing the severe shortfall in domestic cardava supply. The project presented how the adoption of GAP could increase yields by 25 to 100 percent (in terms of kilograms per hectare) while simultaneously improving produce quality. Lead firms and traders could clearly see the benefit in this approach, so the discussion prompted the first lead firms and traders to concretely express their commitment to work with growers. They personally chose which strategies and activities they were willing to participate in and with whom they were initially comfortable partnering.



Demonstration of low-cost alternatives for pest management

Lesson learned: It may be difficult for value chain actors to see how an abstract concept such as “good practices” will result in tangible benefits to them. With a “good enough” approach, programs can start with those improvements that address the most pressing needs of producers, buyers, and traders.

4. Make learning and compliance easy and accessible

SDCAsia knew that to help producers improve their processes and come into closer alignment with GAP, they needed to make information accessible and relevant. They did this in four major ways: supplying user-friendly documentation, offering in-person assistance, promoting friendly competition, and working with the media.

The “GAP Manual for Cardava Farming” was a major output of B-ACE. The project drew from the knowledge and creativity of progressive producers and combined their contribution with knowledge gathered from retired managers of multinational banana plantations, government agricultural extension officers, and private agricultural technicians.

In-person assistance and hands-on demonstrations were also important. SDCAsia used participatory learning methods, such as demonstration plots and training, to build knowledge of less well-understood areas, such as pest control. They also supported lead producers to participate in banana conferences, held interviews with cardava experts, and helped create model farms. The knowledge generated by these events was regularly incorporated into updates for the training manual.

Friendly competition was a major way for SDCAsia to make learning and upgrading fun. B-ACE collaborated with local government units and provincial agricultural offices to offer contests. A panel of judges was composed of government technicians and producer GAP trainers. These events began with easier-to-implement elements of GAP, such as “Best in Farm Layout.” After this contest was successfully completed, more complicated topics, such as “Best in Farm Sanitation,” were introduced.



The contests provided incentives to farmers to become aligned with GAP, while simultaneously demonstrating the effects of good practices. Good practices and innovative solutions that emerged from the competitions were also incorporated into the GAP manual and training modules, helping capture and further disseminate new learning. The competitions were also a way for B-ACE and the local government unit to quickly monitor producers’ understanding of different elements of GAP and take corrective action whenever necessary. B-ACE also provided competition participants guidance to ensure that they fully understood and were properly implementing the different aspects of GAP.

SDCAsia involved the media in its activities, particularly in the dissemination of technical and market information, as well as in highlighting successful initiatives and innovations.

Talk shows, cooking shows, agricultural technology information programs, and television news shows provided excellent platforms for transmitting important knowledge of practices, as well as information about B-ACE activities. SDCAsia helped scriptwriters develop interesting storylines and coordinate location shooting. Grower communities were excited to be featured on radio and television, and local government units were happy to collaborate on these activities. The wide coverage given by the media to the Cardava Festival was largely responsible for accelerating its replication in different areas.

Lesson learned: Disseminating information in a variety of ways—print materials, in-person events, competitions, and mainstream media—ensures that as many value chain actors as possible can hear and understand the messages. The incremental nature of the “good enough” approach makes it easy to introduce different concepts at events, even through contests.

5. Start with quick wins and use a building-block approach

Diversification and upgrading demands a commitment of financial resources. Promoting compliance with GAP—even “good enough” compliance—carries a risk because it involves behavioral changes and financial commitments. Furthermore, since the positive outcomes of agricultural improvements often take a long time to be realized, there is often a high level of abandonment.

The importance of “quick wins” in value chain development has been much discussed and was directly relevant to the B-ACE project. As described earlier, the project focused on aspects of upgrading that tied into actors’ most pressing needs. It also encouraged value chain actors to choose activities that helped them meet short-term objectives.

This strategy was paired with a project plan that began with simpler, lower-cost and lower-risk activities. Compliance with GAP standards was sequenced in such a way that players could commit themselves slowly in stages, allowing them to minimize risks and work out any difficulties before proceeding. As initial successes were achieved, SDCAsia introduced more complex and higher-risk activities.

For example, the project started with the introduction of efficiency and quality enhancements to help microenterprises improve their incomes in the markets that they were already serving, or that were easily accessible to them. With new profits in their current markets, producers and processors could then invest in further upgrading activities that would allow them to meet the requirements of bigger markets, such as those of banana chip exporters and in Manila.

Lesson learned: The "good enough" approach allows programs to start with easier, low-risk improvements that will more quickly yield results. This strategy builds confidence and buy-in among value chain participants, helping them use initial benefits to invest in the next stage of upgrading.

Conclusion

Results from the first two years of the project have been promising. The average income of cardava producers in the assisted areas has seen a 73 percent increase. This increase is about seven times that of the control group. As of June 2009, the monthly producer income from cardava is about \$55, higher than the \$39 computed in the second half of 2008. The sum is also considerably higher than the \$27 monthly income of the control group. Incremental "good enough" GAP compliance resulted in an average annual productivity increase of 24 percent. The average yield in kilograms per hectare for all areas in 2009 was about 668 kilograms. This yield was higher than the 2008 average of 539 kilograms and significantly higher than the 410 kilograms of the control group.

It appears that by increasing competition and creating higher expectations of product quality, producers and processors more willingly embraced an industrywide approach to production and quality delivery. The interventions and facilitation activities that the B-ACE Project pursued were based on a vision of the cardava banana industry defined during a stakeholders' workshop—a vision of efficient, integrated value chain management. The "good enough" approach allowed program participants to make incremental upgrades based on their own needs and means, with a high degree of transparency in terms of expected results. Project experience indicates that this approach can be successful and should be considered by other programs looking for ways to encourage coordinated upgrading of a value chain.

