

Individual and collective activities undertaken by farmers

Comparative-analysis sheets



We have seen in the first chapter that there is a great diversity in the activities undertaken by FOs to improve access to markets as well as to better market their agricultural products.

Among all these individual and collective actions carried out by farmers, fifteen are presented in this chapter in the form of information sheets. They can be grouped into five major categories:

- 1) individual sales undertaken by farmers (sheets 1 and 2);*
- 2) collective activities undertaken by farmers in order to sell more once the harvest is in (sheets 3 to 6);*
- 3) collective activities undertaken farmers upstream of the market in order to manage production (quality and quantity) as well as costs (sheets 7 and 8);*
- 4) collective activities undertaken farmers to organise markets in general in order to improve selling conditions (sheets 9 to 13);*
- 5) collective activities undertaken farmers in collaboration with other actors in the supply chains as well as those involved in the development of sector policies (sheets 14 and 15).*

Each sheet contains the following:

- description of the type of activity involved, with concrete examples of how they are carried out;*
- the advantages and limitations of the activity. These include more analytical considerations and particularly seek to highlight some generic questions: “What are the important issues that a FO needs to take into consideration before engaging in such an activity, or when an organisation wants to support a FO’s endeavours?”, “What difficulties or risks need consideration?”*

These questions provide lines of thought about the activities.

OVERVIEW OF ACTIVITIES IN THE FORM OF INFORMATION SHEETS

The fifteen types of activities presented can be grouped into five major categories:

1) Farmers sell their products individually

The cases most frequently observed in the *Working Group* are the following:

- **Individual sales at the farm gate or near the farms:** These farm-gate sales are made to **intermediaries** or **collectors** acting on behalf of traders (sheet 1). This set-up is found in many of the stories narrated by farmers and it is the most common case for farmers in the countries that have been studied. Which strategies do farmers adopt with respect to these intermediaries?
- **Individual sales at nearby markets** (sheet 2): The farmer carries products to nearby markets and sells them (or at least tries to sell) to **traders or to final consumers**. The experiences differ in terms of farmers' access and remuneration. The initiatives studied highlighted many key factors: the level of organisation of the market and more specifically the level of farmer participation in their organisations. Moreover, individual sales had a higher chance of being positive for most farmers if they were involved upstream in the organisation of the market. As a general rule, the farmers are most often the major losers in these individuals.

2) Farmers organise in order to sell more

The activities carried out in this case by FOs are found **downstream of the production stage** and seek to facilitate **the sales of a given product**. Among the cases studied there are “traditional” activities such as:

- **Organisation of transport for products** by FOs (sheet 3): The FO organises the collection and bundling of the members' products and handles **transportation of these products in order to access** distant markets or buyers. The FO then sells the products itself or merely facilitates the process (in this case the farmers remain the owners of the stock). The question remains: Are the transportation activities carried out by the FO always profitable for the farmers?
- **Purchase and storage of members' products by the FO** (sheet 4): The FO buys the products from the members and takes charge of looking for buyers with the hope of re-selling the products at better conditions. Sales are made done after storage. The FO becomes the owner of the stock for some time. The unanswered question is whether the FO is a better buyer than traders. Is this purchase–storage mechanism necessarily beneficial for the FO and for its members?
- **Facilitation of access to credit** for marketing (sheet 5): In instances where marketing remains individual, the FO conducts collective actions so that the farmers have the means through credit to engage in market-oriented production of quality products or simply to market their products. The warehouse receipt, **inventory credit** or warrantage credit system is a possible credit option which can also be facilitated by the FO. But are these ways of facilitating access to credit always beneficial to the farmers?
- **Processing and post-harvest packaging** (sheet 6): The FO helps in the processing and packaging of products through the acquisition of processing equipment. There are many objectives: (i) to create and, if possible benefit from the added value; (ii) to access other markets (local or export markets with or without branding); (iii) to acquire necessary processing resources to avoid hasty sales at low prices at harvest time and to gain some time in order to sell the products later when prices are better.

These traditional activities often aim at improving profits by obtaining higher prices due to: (i) **improved negotiating power** (given the higher volume of product supply); (ii) **timing of sales** (through storage and deferred sale); (iii) **geographical location of sales** (transportation of the products to find new buyers and markets, “elimination” of some costs or intermediaries).

We will see that the profits generated from these types of activities undertaken downstream of the production process differ greatly for farmers and their organisations. Many experiences pinpoint some failures which lead FOs to change course and contract with external individuals and organisations in order to carry out these activities.

3) Farmers organise in order to manage production as well as costs

- Activities to facilitate **the supply of inputs and advisory–support services** to members to improve the technical production pathways (sheet 7);

- Specific advisory–support services carried out by the FO to improve the **quality** of products (sheet 8) in order to obtain better prices and/or simply to be able to access markets.

These activities can be considered as being traditional or classic if they are seen from the perspective of attempts at improving production “for production’s sake”. It is different when they are developed to improve production **with a market-oriented perspective or in anticipation of placing the products on the markets. Managing supply** (timing, volumes and quality levels) **and production costs** are indispensable requirements which enable farmers to organise in order to meet commitments to buyers and to sell larger volumes of produce or obtain better prices.

We will see that these activities, which are developed before the products are brought to the market or in view of accessing specific markets, increase product sales and get farmers better prices for their products.

4) Farmers organise to obtain better trading conditions

Lastly, there are other types of activity which are less often developed but which aim at **improving transaction conditions and market-making** between farmers and buyers. Here the activities which are developed enhance transparency between farmers and buyers. With the organisation of agricultural markets and fairs, matching the **supply and demand of products** is facilitated, through better visibility for both the supply and the potential demand in terms of prices and volumes. These FO activities aim at:

- **improving the tools** used to measure the weights/quantities in order to ensure correct measurements (sheet 9);
- **improving market information.** This can take place through price information systems; the FO can also facilitate access to and understanding of the factors influencing price signals (sheet 10);
- **gathering supply** at a single place in the market (sheet 11);
- **bringing farmers and buyers together.** This ranges from the search for buyers to the organisation of regulated markets or agricultural exchanges. The FO plays the role of intermediary between farmers and buyers but does not buy the products. It facilitates the meeting, transactions and contracting between the parties (sheet 12);
- **regulate the supply** of local products on the markets (sheet 13).

Here the actions of FOs aim to facilitate supply and demand to meet and in general “improve” on the **market mechanisms**. In addition, the actions seek to **reduce transaction costs** thereby improving the competitiveness of the products. These actions tend to help **balance negotiations and power relationships** between farmers and buyers.²⁷

5) Farmers organise in collaboration with other actors in the supply chain or other public actors

- The FO participates in dialogue and negotiation of sectoral agricultural policies. For example, actions regarding imported products which compete with local products (sheet 14);
- FOs are active in dialogue platforms or **in interprofessional or multi-actor regulatory discussions.** The goal is to establish agreements and modes of regulation involving other actors. The FOs try to make known their positions, ensure that their viewpoints are valued, facilitate interprofessional agreements and put in place rules and market organisations which do not work against farmers (sheet 15).

Here the actions of the FOs aim at establishing modes of operation and regulations. These are designed to make it possible for the FOs to carry out their activities over time, and also to develop activities in the supply chains and/or in rural areas so that farmers end up better off.

²⁷ Transaction costs are the costs related to a market transaction. C.J Dahlman categorises them into: search and information costs (prospection, price/quality ratio assessments proposed by interested parties, market research, etc); negotiation and decision making costs (writing and termination/conclusion of a contract, etc); monitoring and transfer/implementation costs (quality control of the transaction, verification of the deliveries etc.).

FARM GATE SALES TO INTERMEDIARIES: NEGOTIATING MARGINS AND POWER RELATIONSHIPS THAT ARE DISADVANTAGEOUS TO FARMERS

1.1 - Illustrated description of farm gate sales

For farmers who are far away from transportation routes and/or who do not have access to means of transport, the sale of their own products is very often done on their farms or in the immediate vicinity. These types of sales are referred to as “farm gate” sales.

Traders rarely go door-to-door themselves in order to buy products from these farmers who are often scattered over large areas that difficult to reach, especially in the rainy season. They usually resort to intermediaries who take charge of the initial collection of products. The farmer in most cases has only a limited choice of buyers to sell to.

These intermediaries may be individuals. This is the case for many women cucumber seed farmers in Southern Cameroon and many ginger farmers in North West Cameroon who sell their products to other village women and or to those passing through (intermediaries called “Bayam sellams”). Sales are often made on the basis of personal relationships or proximity: the farmers know the intermediaries who come regularly to the region. This situation is also found among livestock breeders in the north of Benin who sell their livestock to village intermediaries in their camps (box 1a).

In the case of export-oriented products, the intermediary often acts on behalf of a distant trader who never comes to the local market (box 1b).

(1a) Livestock breeders and Dilani intermediaries in North Benin

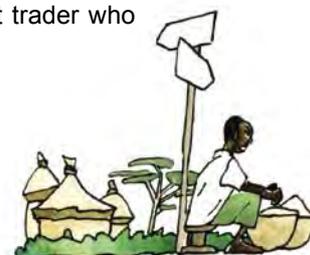
Just a few years ago all livestock breeders in the north of Benin sold their animals from home or at traditional collection markets. Each transaction between the livestock breeder and the buyer was indirect, taking place through an intermediary called the “Dilani”.

Furthermore, many factors drove livestock farmers to sell their cattle from home: (i) migratory breeding (camps very far away from markets), (ii) administrative hassles which deterred many of them and (iii) difficult access to transport facilities needed to take the animals to the markets.

After negotiations the animals were sold by the head, sometimes on credit and often at prices that were unprofitable for the livestock breeders. Conflict was common.

Ref.: Self-managed cattle markets in North Benin/P. Onibon. - Udoper, 2004. - 58 p.

Self-managed cattle markets: a Beninese example. - SOS Faim: Peasant Dynamics n°10, 2006. - 8 p.



(1b) Intermediaries in the export supply chains of cocoa in Cameroon and cashew nut in Benin

In the most traditional case in Benin, cashew nut farmers sell their products at the farm gate to collectors. These intermediaries pay them with advances from the (mainly Indian) traders.

In the cocoa–coffee supply chains in Cameroon, the intermediaries (“coxeurs”) are often subordinates of exporting traders. The intermediaries are sent out by the exporters. They give them instructions on how to negotiate and provide them with advance capital. The exporters do not go to the field to check the truthfulness of the information they receive from the intermediaries (quantities available, quality).

Consequently the intermediaries can filter the information between farmers and exporters and in some cases withhold information. For example, they do not tell the exporters that there is no produce in the field because they know that this type of information can push the exporters to go to the field to check with the farmers themselves. The intermediaries go as far as making very high commands and promising to buy at higher prices (which they may or may not be able to honour).

The strategy of the collecting intermediaries is generally short-term and is based on the volumes collected and on the barest minimum investment. They buy products at a price which does not take the quality of the product into consideration (coffee in Cameroon, cashew nuts in Benin), and which they sell quickly after collection. Their profit margins are derived mainly from the price differential between locations.

Ref.: An interprofessional organization for coffee and cocoa in Cameroon, for which services and for whom? - CTA, Inter-réseaux Développement rural, 2008. - 10 p.

Réflexion paysanne sur un modèle de commercialisation collective de l'anacarde au Bénin – UDP Atacora, 2004. – 20 p. + résumé, 2005. - 6 p.

1.2 - Obvious limitations and hidden interests

It is clear that the farmer has a very weak negotiating position in farm gate transactions with intermediaries acting on behalf of a trader. Information and negotiating power are highly asymmetrical: in contrast to the farmer, the intermediary has at least partial information on the supply situation, demand and prices for the product at different locations. The strategies used by the intermediary are often not aimed at achieving transparency in the transactions in terms of volumes available and prices, nor are they aimed at remunerating the quality of the product. The intermediaries have a monopoly situation. In the end the farmer usually gets a price that is well below the market price. The farmer can also be cheated during weighing, calculating and paying. He is no more empowered with regard to types of payment (advances, cash and credit).

Are intermediaries useless actors who should be removed from the chain?

“How can intermediaries be eliminated?” is a question that is heard often, and many attempts to circumnavigate them have been made by individuals, at the level of FOs and sometimes with the support of NGOs and yet...

Different roles and functions of intermediaries

It is important to recall that the intermediaries or collectors who buy the products at farm gate level provide **many services and play essential roles for isolated farmers**. They arrange to come and collect products from distant places with difficult access, considering the state of the roads. They have to remain informed, organise rounds, hire transport facilities when they do not have any in order to transport the products.

Moreover they often grant loans to the farmers, provide pre-payments for harvests and carry out on-the-spot purchases. These services are paid for by the farmers at very high interest rates. No formal financial organisation accepts to provide these services which in effect are needed by the farmers and their families. This applies not only to agricultural activities but also to the education of their children and the purchase of medicine.

Through these intermediaries and networks of associated traders even very small farmers who are isolated and far way from markets are in fact integrated into the market system. This enables the farmers to sell their products when they are in need of money, to access credit and/or to buy the products they need to consume during periods of scarcity.

Intermediaries who do not necessarily want to go away

Eliminating the intermediaries is certainly not easy. Individual farmers who bring products to a market might encounter traders who refuse to buy their products. This can even go as far as denying them a place in the market (this is often the case with “Bayam sellams” in Cameroon).

If an FO takes over an activity, the farmers must succeed in taking collective charge of the functions habitually carried out by the intermediaries. Assuming that the intermediaries refrain from engaging in this activity; if the collective activity is carried out badly by the FO and takes a long time to implement, it is easier for intermediaries to disrupt these activities. They can propose prices that are higher than those negotiated by the FO or they can support the dissident strategies of some farmers that counter the collective action and discredit the FO in buyers’ eyes, etc.

To quote a FO member: *“If all our products were sold in batches, the intermediaries would lose money and even their jobs because they would no longer have a reason to exist. They know this and often sabotage batch sales by discrediting us.”*

Eliminate intermediaries to get the added value? This can work... sometimes

There are many cases of batch sales organised by farmers to cut out the intermediary collectors and sell directly to wholesalers. In this case the farmers recover at least some of the added value that would otherwise go to the intermediaries. This happens among banana farmers in Macenta in the Guinea Highlands or in the Federation of Onion Farmers in Fouta Djallon who have organised collection points. By dealing with FOs which are able to offer a given quantity of produce, the wholesalers save time, reduce their costs and do not have to pay advances to intermediaries. In this way they can pay a higher price to the farmers.

Collaborate and negotiate with intermediaries: this can work too!

In areas where farmers are isolated and less organised, eliminating intermediate collectors appears to be a short-term strategy which would not be beneficial for farmers. Rather than trying to eliminate the intermediaries, who despite everything provide certain services, farmers developed another option: **dealing and negotiating with intermediaries**. This may be counter-intuitive and it is particularly difficult to establish long-term relationships if the intermediaries change frequently. But dialogue, negotiation and changes in the behaviour of actors is always possible.

The case of livestock breeders in northern Benin illustrates this well. After negotiation with the livestock breeders Dilani intermediaries have been given **new responsibilities** in the self-managed market. They oversee transactions between livestock breeders and buyers and are in charge of recording the taxes on behalf of the market. It is true that this was made possible only through the intervention of a highly charismatic traditional leader who played a very important role in the negotiation process. This example shows that in other situations support organisations can also facilitate these types of negotiations.

Sometimes collectors offer farmers a price per kilogram which is about the same as the price proposed by wholesalers. However when this is analysed critically, it is observed that the intermediaries' margin does not come from the price differential as would be expected but from a quantity variable. In this case the issue is not eliminating the intermediaries but instead working with them to improve measurement units. By so doing farmers' share of the added value can be substantially increased. Of course, intermediaries will not necessarily want to lose the gains transferred to farmers when accurate scales are used. But they will accept if the balance of power is not in their favour, and/or if they find other means of recouping the difference (see sheet 9 on weights and measures).

Add actors to the supply chain and thus increase farmers' revenue!

This is the case of cocoa farmers in Madagascar who use an organisation that serves as intermediary between isolated farmers and buyers (box 1c).

(1c) Transactions between farmers and an exporter via an "intermediary" organisation

Cocoa from Sambirano, the cocoa production zone in Madagascar, is famous for its high quality product (destined for high standard export markets). The farmers, however, derived very limited benefit from their crops given that they individually sold their cocoa beans to collectors who paid very little for the product.

These farmers had very bad memories of the State-run cooperatives of the 1970s. About fifteen of them created an association called Adaps (Development Association for Agriculture and Rural Life in the Sambirano) in 2000. Adaps is organised into some 20 village cooperatives and currently has close to 1,000 members.

These cooperatives bundle their members' products in order to amass sufficiently large volumes that enable them to negotiate directly with exporters. They also process (fermentation, drying) fresh cocoa beans into cocoa of good market quality which can be traced by customers (something which cannot be done by individual/isolated farmers).

Adaps facilitates the direct relationship between cooperative members and the exporter. It coordinates the actions of the cooperatives, mainly by negotiating marketing contracts with an export company. This contract set the purchase price for the cooperative members and different bonuses and premiums (for processing, sorting, quality and organic produce certification). To gain credibility, Adaps has emphasised the quality of the cocoa beans, organising numerous technical training sessions to support the cooperatives in crop maintenance as well as in processing. It also oversees and controls compliance with organic farming requirements.

Of course the creation of the cooperatives impinged on the market intermediaries' activity, and they tried to destabilise the system. However the system survived and today the farmers receive a higher price which buyers are ready and willing to pay. It is a **win-win situation** in which all the actors benefit.

N.B.: This system should be seen in its specific context. In fact the traders find it difficult to obtain good-quality beans. Moreover, they often lose the advances they pay to the collectors. They are therefore ready to pay the farmers' higher prices by dealing through Adaps, which facilitates the transaction.

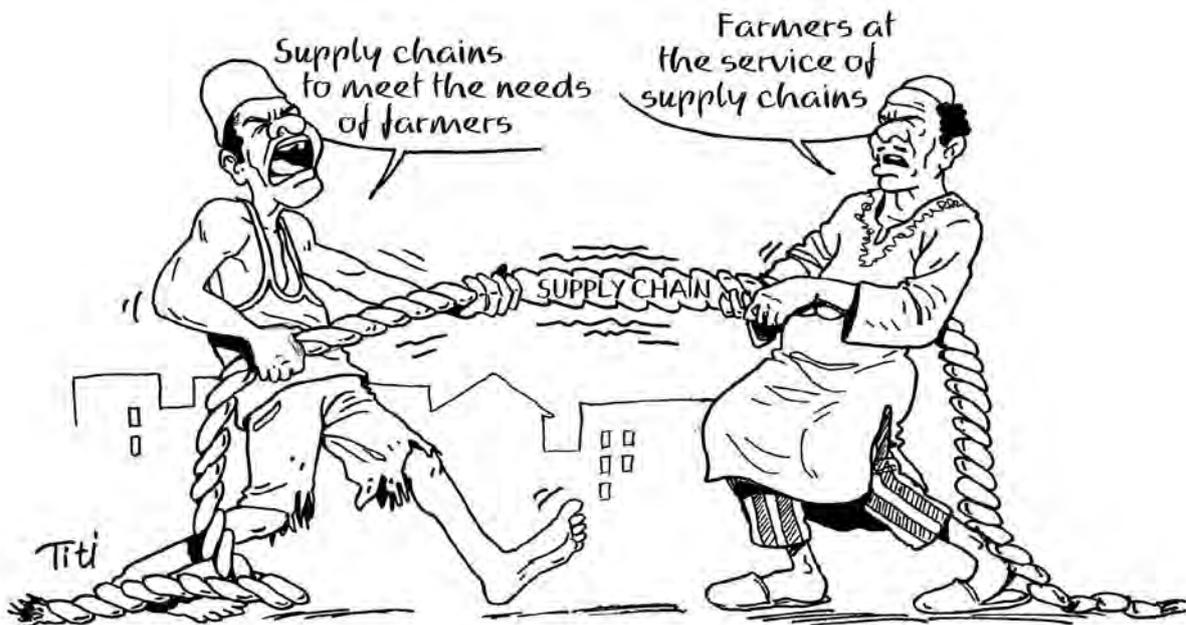
Source: Afdi (www.afdi-opa.org).

It is important to give another example (box 1d) which may seem anecdotal but which contradicts the generally accepted idea that "to have more income, the intermediaries have to be eliminated from the supply chains".

(1d) The example of the Mogtédo cooperative which adds other actors into the supply chain

In Mogtédo, the farmers voluntarily included other actors in the supply chain in order to sell more of their rice. These new operators carry out processing of the product: parboiling by village women and hauling by private individuals and companies. They are paid for their services based on the gains obtained from the value added.

They can be seen as intermediaries who deprive the farmers of added value. But the farmers prefer this system because it benefits them much more than selling paddy rice in the local market. These examples of new functions developed by or in collaboration with a FO are repeated and described in detail in the following information sheets.



Lose –lose strategies? (Titi, GDS 28, 2004)

INDIVIDUAL SALES AT A NEARBY MARKET: CONTRASTING REALITIES

Case studies show that when farmers carry their products individually to the local market, different situations are observed. This depends mainly on the level of organisation of the market and more specifically on the participation of the farmers in market organisation.

2.1 - Illustrated description of individual sales at nearby markets

In many cases, the individual farmers go to the market and try to find a place and a buyer for their product. This is not always easy and sometimes it is even impossible, given that the market is often dominated by a small number of traders who control the movement of products as well as prices. The farmers, who are unable to negotiate prices, are at a disadvantage. For this reason farmers often declare that, **“the traders are the ones who fix the price!”**.

One can cite examples from the case studies of farmers who sold their products **directly and individually on the market** under less favourable remunerating conditions, before they organised themselves to obtain better prices.

- In Cameroon, ginger farmers sold at a loss on their local market because the supply of the products to the market was much higher than the demand of the traders. Excess produce in the market was ideal for the traders, and the farmers who managed to sell were those who agreed to lower their prices. Faced with this situation, the FO Nowefor got involved to better organise the market and manage the supply in order to regulate the products which were brought to the local market (box 2a);
- In Benin, individual livestock breeders were losers on the collection markets when the Dilani were intermediaries. But the livestock breeders took part in the process to change the rules regarding the operation and management of the local market. On this self-managed market, managed by professionals – i.e. livestock breeders themselves, negotiations now take place directly between the breeder sellers and the trader buyers. The livestock breeders and traders have since been in a win-win situation. The Dilani intermediaries who are now in charge of overseeing the transactions are not losers either in the process (box 2b);
- In Burkina Faso, farmers in the irrigated zone around Mogtédó were badly paid for their rice by traders who had a dominant position on the market (price agreements, excess supply at some periods). This went on until the Mogtédó cooperative participated in a major reorganisation of the local market by working on the regulation of supply, on market transparency and on the prices negotiated (box 2c).



(2a) Individual ginger sales at a loss on the local market of Bafut in Cameroon

Farmers – mainly women – in Bafut traditionally cultivated ginger but this had been replaced by the production of coffee. With the fall in the price of coffee, interest in ginger was rekindled. When they were not selling to Bayam-sellam intermediaries- (who buy and resell) the farmers sold their ginger on the local market in Bafut.

The farmers usually sold their products individually each in his own location in the marketplace. Given that they were dispersed and unorganised, the farmers had no visibility of either supply or demand for ginger. They were subject to highly variable prices and the Bayam-sellams and other traders were in a dominant position with a strong influence on the prices (in the absence of competition). There was also cheating on the quantities (modes and measurement units).

Different support organisations (such as Sald) enabled significant improvements in the production practices of this crop (variety, yields, quality, productivity). But with an increase in production and a stagnant demand from traders, the price fell considerably, from 2.500 Fcfa per bucket of 15 litres in 2000 (production of 100 tonnes) to 500 Fcfa/bucket in 2003 (production of almost 500 tonnes). This only contributed to worsen the situation of the farmers.

Lack of organisation on the part of the farmers (selling individually) and excess production resulted in losses for the farmers during sales. This situation continued for some time until the market was organised by Nowefor to allow farmers to obtain worthwhile prices for their products.

Ref.: Supply, demand and equilibrium price: a case for study. Improved prices for farmers through the organization of the local market and the regulation of the supply of ginger by Nowefor in Bafut (Cameroon) / Lothoré, Delmas, based on contributions of Sald and G. Fongang, E. Deniel. – Inter-réseaux, CTA, 2006. – 12 p. + summary 1 p.

(2b) Unprofitable individual cattle sales for livestock breeders in the North of Benin on a regular market... to controlled sales on a regulated and self-managed market

Livestock sales on the traditional markets take place through the “Dilani” (see above) and are unfavourable to the livestock breeders. The hearsay circulation of information on prices is not reliable in this system, and sellers run the risk of undervaluing their cattle. The creation of a self-managed cattle market with strong participation of the livestock breeders in the management boards made it possible for the Dilanis to be converted into overseers of market transactions.

Sales now take place without any intermediaries between the buyers and the livestock farmers. The livestock breeders readily prefer to sell on these self-managed markets than to sell at home or at traditional markets. Transactions in the self-managed markets are done strictly on a cash basis because credit sales are forbidden. The incomes of the livestock breeders are increasing and the intermediaries now converted to market overseers also have a source of income and are better respected in the communities. There are fewer conflicts and a larger volume of cattle is sold on the self-managed market.

Ref.: idem supra.

(2c) Individual sales by rice farmers of the Mogtédó cooperative on a regulated market in Burkina Faso

Rice farmers had many difficulties selling their rice (see below, the evolution of marketing systems in Mogtédó). This led them to question the role of their cooperative and its ability to sell rice. Finally the cooperative decided to let the farmers sell their paddy rice directly on the market.

After each farming season the cooperative receives only two bags of 100 kg paddy rice from members for the farming season credit (for seeds, manure). Apart from this deduction each coop member stores his/her products at home and sells them on the market located opposite the cooperative.

The cooperative plays various roles on the local market (management of supply, price negotiation), but it does not buy the rice. The farmers sell their paddy rice on the local market and exclusively to women processors from the region. The women resell the rice, which they have husked and processed, to traders who come to buy rice in the local market.

The farmers sell the rice at a designated place in the local market, not only to comply with the decision taken collectively at the level of the cooperative but especially because this common selling location enables them to obtain better prices and to correct measurements for their rice.

Ref: Creation of a secured and self-managed market by rice farmers of the Mogtedo cooperative in Burkina Faso / Inter-réseaux, CTA, based on contribution of FENOP, 2006. – 10 p. + summary 1 p.

2.2 - Limits of individual action and market advantages

Compared to the situation of sales of products at the farm gate or from home, the existence of a market in which products of a given type are sold in one spot enables farmers to **improve access to information** on a wide number of issues when buyers and sellers come together: information about other markets (prices, volume of transactions), information on harvests, health situation of the herds, technical information, etc. **However this does not necessarily give farmers a better in price negotiations** with the traders.

Are markets necessarily dominated by traders? There are certainly situations where individual sales on markets by farmers are difficult and less profitable. But there are also situations where farmers in positions of “individual” salespersons can access markets under more favourable conditions, by selling their production when they want, receiving cash payments and selling at higher prices.

In these cases, it is important to underscore the role played by FOs and the services they provide upstream before the products are effectively brought to the market or sold. The FOs negotiate and define the rules of operation for regulation and control of markets (see sheet 12 which explains how FOs improve markets for the benefit of the farmers).

To obtain a more favourable balance of power farmers must organise. This is one of the major lessons learnt from the cases presented so far.

The market is essentially a place where products are sold. FOs have shown that the functioning of the markets can be improved for the benefit of the farmers. In Cameroon, Guinea and Burkina Faso actions taken by FOs to “simply” improve on the functioning of the “traditional” markets deserve close attention. These actions are effective. They clearly help increase the value of farmers’ and breeders’ products through better pricing. Moreover, they do not cost anything in terms of financial investment because they do not

require credit or working capital. These actions carried out by FOs are put in place most often without any project support. We will come back to this in sheet 12 (market organisation).

Obviously, this process does not happen spontaneously and often requires lengthy collective action involving farmers in the first instance. This action is thus possible only if there is solidarity among the farmers and if they have confidence in their organisations. Unfortunately these two conditions are often not met.



Slippery deals (Samson, 2009)

ORGANISING TRANSPORT TO ACCESS DISTANT MARKETS AND BUYERS

3.1 - Principles and examples

When buyers in a nearby market do not satisfy farmers, an alternative is to sell the products somewhere else. There can be multiple objectives: the FO can search for **better prices** at urban markets than those offered in local markets. In fact prices in towns are very attractive and enticing to rural farmers. The objective in this case is often to bypass the intermediaries (collectors or initial traders) and pocket the price difference due to geographic location. But the FO can also simply look for **other buyers** when those who are nearer the production areas do not satisfy the farmers (irregular or deferred payment, small quantities of products bought, consumers with low purchasing power who cannot pay more for better quality).

The choice “to sell elsewhere” brings with it the **problem of transport**. This is an activity which is not easy to carry out or to control in many local contexts in Africa. FOs have nevertheless engaged in the organisation of transport in order to carry members’ products to urban markets which are far away from the production zones. There are many problematic issues when the FO takes charge of organising the transportation of members’ products to distant markets. In many of the cases studied, the FOs did not have a clearly identified reliable buyer or formally signed contracts with buyers before taking the products to the distant markets. When the FOs arrived with their products, the potential buyers “saw them coming”. In these the FOs were in an unfavourable position and the buyers took advantage of the situation, knowing that the farmers had just two options: either to take their products back home or to reduce prices in order to sell. Here are some examples that illustrate these experiences.

- In Burkina Faso, the Mogtédou cooperative at one time in the past tried to transport the rice of its members to sell directly on markets in the capital city. This was an attempt to find new buyers, as the State-run structure to which they sold before no longer satisfied them. But this attempt was abandoned quickly. For Mogtédou, the real problem was not transportation but the fact that they brought the products to the market without having a real buyer. In the absence of a buyer or an agreement that was already negotiated, the farmers were bound to receive poor prices for their products;
- In Cameroon, many farmers try to sell their products on urban markets, hoping to obtain better prices. However, there is usually a traders’ “reception committee” which prevents them from entering the marketplace or which will agree to pay only a low price for the farmers’ products. It is important to note that many markets are dominated by organised traders (or Bayam-sellams) who control the market location and prices and who coerce farmers to sell their products at lower prices. Nowefor tried to find new buyers in the cities in order to sell excess ginger that was found on the local market. It was able to find buyers in the urban markets and to organise transport of the products to the cities. The difficulties arose when buyers proved unreliable once the product arrived at the market (box 3a);
- In Guinea, the Federation of Fouta Djallon realised in the course of time that the organisation of direct sales to the cities was difficult. It also re-oriented its activities and revised sub-contracts to transporters and traders.



In other cases, **the buyer in the urban area was well-identified** and relatively reliable. But then the **problem of the transport costs** arose:

- Nowefor in Cameroon organised the transport of members’ tomatoes to an urban market. The buyer was a supermarket, but the organisation and the very high transport costs posed problems (box 3b);
- The UDP Atacora organised the transport of cashew nuts from northern Benin to the port of Cotonou (500 km) in 2004. The FO wanted to bypass the intermediaries (collectors/primary traders) and sell directly to exporters. After many trials and much time and effort, the FO learnt its lessons: very high transport costs (more expensive for producers than for traders) and lack of mastery of unofficial administrative costs considerably reduced the margins derived from the operations. The result was that very little profit was made compared to very high risks involved (box 3c).

(3a) Batch sales of ginger and the organisation of transport by Nowefor

Farmers of the Nowefor FO tried to sell their products outside the local market, which was already saturated. They hired trucks to carry their products to Yaoundé and Douala. This experience was interesting in terms of lessons learnt but less so from an economic standpoint. Of course the prices the farmers received from selling in the cities were much higher than those obtained in the local market, but the operations encountered many difficulties. In Yaoundé, the transaction was not satisfactory because once the product arrived at the market, the buyer reduced the prices which had been negotiated and agreed upon beforehand. Without a signed contract or substitute buyer, the farmers were forced to sell the product at an unfavourable price. In Douala, the buyer took the products, asking for credit, and ultimately did not pay.

These problems and last-minute surprises are unfortunately frequent. These problems make farmers suspicious of the team that is in charge of organising the transport and sales of the products. The consequence is that this destabilises collective action. Meanwhile the constraint perceived as most important by the Nowefor farmers was the deferred payment. The delay was about ten weeks between the time the products were collected from them and effective payment. The farmers were dissatisfied and tried other alternatives. Today the FO continues to collect members' products and brings the buyers to the community to buy rather than transporting the products itself. The prices are lower but the risks are limited and most importantly payments are made in cash. In Nowefor's case, the FO pays the farmers upon collection of the products. The FO then looks for a buyer and sells the products. Here it is the FO which bears the risk.

Ref.: Supply, demand and equilibrium price: a case for study. Improved prices for farmers through the organization of the local market and the regulation of the supply of ginger by Nowefor in Bafut (Cameroon) / Lothoré, Delmas, based on contributions of G. Fongang (Said) – Inter-réseaux, CTA, 2006. – 12 p. + summary 1 p.

(3b) Negotiations for the transport of tomatoes by the Nowefor FO in Cameroon

Nowefor farmers tried to transport their tomatoes from the production zones to Douala. It proved to be very difficult and expensive in terms of product handling. After discussion and new negotiations with the buyer, the latter agreed to pay for the transport. A new agreement was reached and the farmers agreed to bring their products to the village at the request of the buyer. Once the products are gathered together, the buyer comes to the village and buys the product which he then transports to Douala.

The farmers also considered changing the delivery dates to take into account the perishable nature of the tomatoes. The issue was also discussed with the buyer who accepted to review the dates. A new arrangement was reached with the buyer wherein he indicates the quantities to be supplied by the farmers on a monthly basis. A contract was signed between this farmer organisation and the buyer based on a minimum quantity of tomatoes that the farmers are to supply each month for a period of six months. The product is supplied at a constant price over this period of time.

Ref.: Idem supra.

(3c) Group organisation of cashew nut transportation to Cotonou by UDP Atacora-Donga

The UDP Atacora-Donga, in northern Benin carried out a trial batch sale of about 25 t of cashew nut in 2004. The experiment involved a brokerage role for the FO, which did not buy, store or sell cashew nut. UDP contacted a wholesaler directly at the port of Cotonou to whom the cashew nut was to be delivered, and took charge of organising the transport. The farmers took over the initial collection, sorting, packaging and transport operations which had previously been carried out by collectors.

This type of operation required little investment, given that the FO did not have to make advances for the products: only the transport from the production zone (northern Benin) to the port (500 km) is financed up front. However, during transportation, the UDP farmers encountered many difficulties. A poor choice of transporters and the hiring of a defective truck led to a delay in the delivery of the product. The FO incurred unexpectedly high servicing costs and problems with payment of taxes on the way. Once the products had reached the port the buyers found that the quality was low and reduced their prices while other traders refused to pay cash for the products. What could the farmers do? Carry their products back over hundreds of kilometres? No, they sold their products at the price imposed by the traders and were paid only two weeks after delivery.

Once costs related to the transport operations from the production zone to the port were deducted, the farmers obtained an added value of 20% on the price per kilogram sold in the production zone. The gross difference in the profit came from gains in the quantities of cashew nuts, given that collectors in the local areas paid less for the product in terms of actual weight. The farmers also evaluated the risks which they had undertaken during the transport operations (informal taxes, mechanical problems with the truck and disputes with the driver), and the time which they had spent on the action. They concluded that it was wise for them to work together and sort their nuts at the local level, based on their own standards and offering volumes large enough to incite

representatives of the exporters in Cotonou to come and buy in their communities. They also realised that they had to verify the weights and measurement of the cashew nuts!

Ref.: Réflexion paysanne sur une commercialisation collective d'anacarde Bénin - UDP Atacora, 2004. - 20 p. + résumé 6 p.

3.2 – Advantages and limitations

In theory, price differences between production zones (collection market) and consumption areas are significant. Many FOs have tried to place their products directly on the consumer markets. In their experience two obstacles always arise.

First of all, coming to a market with a truckload of products without a known buyer or without prior negotiation places the farmers in an unfavourable situation; the buyers can team up to bring down prices, the products may deteriorate if they are not sold quickly and it is very expensive for the farmers to carry the products back home over very long distances.

The second obstacle is gross transport costs. There is a difference between the prices which can be obtained by a professional who is involved in the activity on a more regular basis (the majority of traders) and by a FO which uses the services of a transporter just occasionally.

The margin of the trader like that of the FO is reduced by the transport costs: hiring or depreciation of the vehicle, fuel, servicing, rents or depreciation of office and warehouse space, telephone, capital costs (if a loan is required), losses from product deterioration during transportation. There is also a cost related to the risk taken (box 3d). All these transport costs combined with the risks involved diminish the potential gain of the organiser (trader or farmer).

However, to minimise these costs it is necessary to master material, financial and risk management over time, and to have a network of diversified and reliable partners. Traders have this know-how and the networks. This is far from being the situation for FOs.

Finally, for many FOs, transportation of products from the village to distant markets is often more expensive than for traders. This significantly reduces the gains obtained from the difference in prices between the local areas and consumer markets, and in some cases transforms the potential gaining economic losses for the FOs.

(3d) The cost of risk

A bag of onions bought at 7,500 Fcfa from a farmer in Burkina Faso can be sold at 17,000 Fcfa in Accra (Ghana) and enable the trader to see a final profit of 2,000 Fcfa per bag.

But, the market in Accra is volatile. The trader may find himself unable to sell at a higher price and forced to sell at 14,000 Fcfa per bag instead. This means that he may end up with no profit or in the worse case even lose 1,000 Fcfa. His capital is therefore not replenished.

If this occurs every other time, the trader has to increase his margin so that for each two shipments he gets a benefit of at least 2,000 Fcfa per bag.

A trader can make huge gains on ten journeys but also suffer major losses on the eleventh trip: the shipment can be entirely lost if the truck is blocked for a week on the way (the onions rot) or simply if the products are stolen.

Ref: Patrick Delmas, 2009.

Lastly, even when the operation is economically positive, many FOs are nonetheless less efficient than the traders. This is especially true at the beginning when they take on new activities as well as other associated roles. They often lack adequate know-how on how to search for buyers and transporters, and how to negotiate and manage risk over time.

Another point which can strongly work against the farmers is related to the mode of operation of their FOs. Within the FO it is necessary to bring together many members of the General Assembly to take sales decisions or to agree on a price. Lack of dialogue can lead to misunderstanding among the members and eventually to suspicions of embezzlement of funds. The traders on their part make decisions immediately and individually.

The costs of placing the products on the markets, higher transport costs, time and energy mobilised can strongly limit the benefits for the FOs in carrying out transport activities.

Transporting agricultural produce, a profitable activity? Yes, for some

Many traders earn their living not by speculating on price differences between periods of harvest and scarcity (purchase–storage) but by transporting products from production zones to consumer markets. **Many times** during the farming season, they buy and resell the products quickly (within a few days or weeks, short periods during which prices do not vary much). The margin is not very high each time and can even be negative on some rounds but given that there are many transactions taking place, in the end the operations are generally profitable.

Several factors differentiate traders from farmers. Traders have **networks of buyers** in the cities. These networks have been built up in the course of time and even over several generations. If one of the buyers fails to buy the products, they have other options as to where they can find alternative buyers. Because of their networks and given that they move around quite a lot, it is also easy for them **to have information on the prices** that are practised in the different sales locations. This enables them to know in advance what margins they can count on.

It should also be noted that very few traders have their own means of transport. The traders **know the transporters** and are able to organise and negotiate with them. When it comes to transportation and the payment of the numerous road taxes, they know how to make the necessary arrangements. On the contrary, farmers who organise the transportation of their products **just occasionally** can face many unpleasant situations during transportation (taxes) and on arrival at the market place (reluctance/refusal of the buyers, modification of the prices and time of sale).

Finally, the traders generally **do not specialise** in a single product and never travel with empty vehicles. They therefore make efficient use of all the trips that they undertake.

Their transport operations are **much less risky and much more profitable given the advantages that they have over the farmers:** (i) knowledge of several buyers and transporters, (ii) **quick turnover with price differentials known in advance** and (iii) **multiple activities**.

A precondition for transport operations: have reliable buyers

Two essential points must be kept in mind before engaging to undertake transport activities.

In the first place, it is useful to verify whether the expected **potential profit** can actually improve the remuneration of the farmers **compared to other alternatives**. In effect the question can be posed as follows: what is the advantage in getting a higher price in the cities if the margin that is gained is used up in transport costs (without taking into consideration the time and risks involved)? It is therefore important for the FO to explore possibilities of sub-contracting some of the tasks to traders who have a network of buyers and to transporters who have a mastery of the different taxation agents on the road.

Secondly, if the activity is undertaken, it is important to make sure that the FO has a **reliable buyer and/or help them evaluate the reliability of the different buyers**. It is better, whenever possible, to diversify the potential buyers in order to reduce the risks, given that it is difficult to distribute the goods if the buyer makes unexpected changes in the sales terms at the last minute. It is therefore important to strengthen FOs' understanding of buyers and traders so that they have several opportunities to sell. This can be used to generate some competition among buyers or at least have an **alternative situation** to sell products at acceptable terms.

The reliability of the buyers is an important challenge. The reliability of the FO with respect to the buyers is also an element that has to be taken into account: relationships of trust are built in two directions. Moreover, the reliability of the farmers with respect to their FOs is also an element to take into account.

PURCHASE-STORAGE BY THE FO: WHO BENEFITS WHEN THE FO BUYS ITS MEMBERS' PRODUCTS?

Farmers have to get organised when faced with strong buyers and/or intermediaries who buy products at very low prices. In most cases, the organisation that is set up will directly take charge of marketing with the objective of *"improving the farmers' price, buying produce at prices higher than market prices, and this is expected to be achieved immediately after creation..."*.

This is the traditional image of the ideal cooperative, which buys the products of its members and then sells the products on their behalf. Through the cooperative, marketing activities are carried out by the farmers for the benefit of the farmers, which is different from what happens in the case of commercial relationships between farmers and traders. These are just principles. Actual achievements are much more modest.

Many farmers find outlets for their products as well as buyers at the level of their FOs. The conditions under which the products are bought can be very different: the farmer takes the products to the FO and the latter takes charge of transportation; payment is made in cash upon delivery or after the FO sells the products, and after marketing charges have been deducted as well as advances on inputs made to the farmers by the FO. There can also be rebate systems.

That said, during its study the *Working Group* did not find many examples which follow the traditional cooperative mode of operation where the cooperative buys the products from the farmers and later on sells the products. The examples that were observed portrayed more failures of this system than success stories: revolving funds for marketing that were lost, farmers not paid, destabilised organisations. Even if the FO buys the products, it is not always easy to find market outlets and remunerative prices.

4.1 - Illustrated descriptions of the purchase-storage activities undertaken by FOs

These operations are based on the inherent nature of agriculture which is characterised by production cycles. At harvest, there is abundant produce on the market and the prices are low. Some months later, during periods of scarcity (low supply) the prices go up, sometimes quite significantly. The dream of the farmer is that the FO buys his products at harvest time but at off-season prices. In fact, many FOs buy the products of their members at harvest hoping to sell them later at better prices.

When all goes well the FO stores the products and resells them with a profit. The priority in this case is to cover the transaction and storage costs and where possible obtain an additional profit which can be shared between the members and/or the FO. The profit margin comes from the price difference between harvest time and the time when the products are sold a few months later if the FO stores the products, or from the difference in prices between the production zone and the buyer/market if the FO transports the products to a place where prices are higher. Advances may also be paid to the farmers in order to secure the supply of products to the FO.²⁸ Purchase of the products is done at harvest, requiring the FO to either borrow or have its own working capital. We will come back to the cost of this money that is borrowed and mobilised for a long time in the form of stocks.



Access to funds is an important and recurring constraint to this type of operation which necessitates working capital over a long period of time so that farmers can be paid cash on delivery. In most instances the self-financing of purchase of agricultural products from farmers is limited by insufficient working capital on the part of the FO. More often than not the FO buys members' products by resorting to **bank credit** or through **revolving funds** obtained from a support organisation.

When it buys its members' products, the FO often has to **take charge of multiple activities**: finding and negotiating credit, organising product collection, weighing and packaging (buying of bags, filling the bags, bundling batches, labelling the bags, recording, transport, etc.).

The FO also has to **look for places to sell as well as buyers for the products** in order to sell off the products it has bought from members. The FO can sell to (i) other FOs which are not producing or not producing enough to satisfy local demand; (ii) urban consumers (local communities, institutional kitchens, main consumer buying centres, nearby clients and civil servants); (iii) organisations (charity organisations,

²⁸ Common practice used by traditional collectors and often at usurious rates.

international organisations like the World Food Programme, State-related organisations which issue invitations to tender for the supply of products within the framework of their activities .

The examples illustrated here highlight the difficulties encountered by FOs given their lack of adequate financial resources, poor organisation and/or poor understanding of economic realities.

The project for the marketing of maize in a farmers' union in Benin (box 4a) outlines the set-up which farmers often want to have in their FO in terms of marketing of their products: the FO buys maize from members at harvest time at a price that is slightly above the market price, stores the crop and then resells it at a profit for the members (rebates) and for the FO. The first type of difficulty faced by this type of operation pertains to **financial limitations**.

This case is very instructive. At the local level, this type of operation can have a major impact by causing an **increase in the price offered by traders** who want to make sure that they get the products and therefore follow the purchase price offered by the FO. The farmers are therefore winners not only because of the quantities sold to the FO, but also on the other sales they make on the market. On the other hand, the FO alone bears all the risks. In the event that the FO uses credit to buy the products from members and sell them later, it will try to wait until it can sell at a maximum price. But this is very unpredictable because the prices can fall at different dates from one year to another, depending on different factors.

This example shows that this type of purchase–storage operation depends a great deal on managing the different costs for storage and treatment, on managing storage, and on the capacity to set a “fair” price.

Other examples illustrate the risks related to prices and the measures put in place by the FOs to limit these risks.

- Price setting is illustrated by the Union of Agricultural Product Marketing Associations in the “Boucle du Mouhoun” region (UGCPA-BM) in Burkina Faso (box 4b). The UGCPA set up “preventive measures” so as to limit the risks of price overestimation and the last minute disengagement of farmers. These risks are often related to the **conflict between individual members' interests and collective interests of the FO**;
- The organisation Faso Jigi in Mali carried out action similar to that of UGCPA-BM but at a much higher level. It has access to financing and it provides advances to farmers. In order to limit the risks, Faso Jigi put in place a **security fund** to cover potential losses which can occur in case of accidents (poor **cost analysis, losses incurred during storage and/or overestimation of prices** to be paid to the farmers with respect to falling market prices at the time the FO actually sells the products);
- The FO Binum in Cameroon (box 4c) carried out purchase–storage activities which left them with very bitter memories. It expected a buyer to purchase the products **at an artificially high price** but at the last minute the buyer did not purchase the products. The FO was then obliged to sell the maize on the local market at a lower price. Moreover, the quality of the maize had deteriorated during storage. In the end its working capital melted away like snow in the sun.

This case illustrates the other side of these good intentions. Conclusion: **an artificially good price cannot serve as a base to build a reliable operation over time**.

Faced with these types of difficulties, some FOs abandoned these traditional systems of buying and storage. The Mogtéo cooperative in Burkina Faso is a good example: trends in the sales of rice by farmers of the cooperative are very instructive. The Mogtéo case (box 4d) shows that alternatives exist to the buying and storage system.

Lastly, we would like to tell a story from Burkina Faso for readers to consider. This story starts from a classic case where farmers sold their rice to their cooperatives and these cooperatives, waiting to access hypothetically better market outlets, ended up with stocks which nobody wanted. The wives of rice farmers in the plains of Bama and Banzon finally saved the cooperatives (box 4e).

(4a) Project for the marketing of maize within the communal Union of farmers of Zogbodomey in Benin: limits of financing for purchase-storage operations

For several years, the Union bought maize from its members just after harvest (when the price is at its lowest) at a slightly higher price than the market price (additional gains of 5 Fcfa/Kg). The FO took charge of treating storing and reselling the maize during the off-season when the prices would theoretically be much higher.

The FO covered all the costs involved (purchase of the maize and pesticides, packaging, renting of the warehouse, and security). It had managed the storage perfectly, covered all the costs and realised some profits which were shared out between the different levels of the FO and the farmers.

The farmers particularly benefited from the purchase price which was a little higher than the market price and especially from correct measurements for their maize. But the FO was not able to deal with more than 50t because of lack of funding.

Ref.: Acheter, est-ce là un rôle obligé pour l'appui d'une OP à la commercialisation ? Note Post-forum / Lothoré, Delmas – Inter-réseaux, 2005. – 3 p.

(4b) Mode of price setting for farmers at the UGCPA in the “Boucle du Mouhoun” region in Burkina Faso: attempts to limit the risks of overestimating purchase prices for farmers

Just before harvest time, between October and November, UGCPA producers come together to agree and to set prices for the members' products (maize, sorghum). Price setting takes a number of elements into consideration:

- **analysis of the market situation** by UGCPA: information from head farmers in union collection zones, contacts with potential traders, analysis of the assessments of cereal farmers at various levels (State, CILSS and other institutional actors such as the WFP that issue invitations to tender for the supply of maize);
- **analysis of results of family surveys** carried out by UGCPA with key focus on:
 - 1) “preliminary surveys” carried out between April–May to evaluate: (i) existing stocks at the family level, (ii) forecasts of production volumes (estimation of cultivated land area, expected yields), (iii) volumes required for home consumption (evaluation of family members to feed and household needs) and (iv) the **cereal surpluses which can be sold** (through the Union and beyond);
 - 2) “validation surveys” just before the harvest with the **signing of the final individual engagement contracts** between each farmer and the union for a given volume at the price set by the union. The contracts are notarised at the police stations with official stamps. These contracts provide for penalties in case of infringements. There is a clause that defines what is to be done in the event of a catastrophe or epidemic;
- **analysis of production and storage costs with the members.**

The elected officials and the members come together to vote on a purchase price for the members. A secret ballot **voting system** has been put in place, with an electoral commission made up of elected officials and staff. Another commission is given the mandate to eliminate unrealistic votes which do not take into account the recommendations of the surveys mentioned above.

The rigorous system in place requires a **situational analysis and preliminary organisation to discuss and define prices which are accepted by the members**. This system calls for taking the market situation into consideration, polices witnesses, provision of flexibility to revise prices when necessary and contractual provisions for catastrophes or epidemics. These measures were taken by UGCPA to consolidate its marketing activities for members' products and to avoid deficits which had already reached millions of Fcfa. These deficits had accumulated because the union had bought products from members at a higher price than the market offered and also because of non-respect of supply commitments by farmers in earlier years.

Ref.: Discussion with Soumabéré Dioma at Inter-réseaux in 2008.

(4c) Batch sales of maize by Binum in Cameroon: waiting too long for the buyer

Since its creation in 1998, the FO Binum has carried out many activities on behalf of its members. Among others it organises crop purchases, storage and batch sales since 2001. In 2003, the FO made a very good transaction, selling 900 t of maize at 160 Fcfa/kg to the World Food Program (WFP), at a time when the local market price for maize was just at 140 Fcfa/kg. The FO took charge of bundling the maize, quality control, treatment, weighing, recording and packaging.

This operation at first had positive effects: the members had better revenues and with the income obtained the FO started a fund for future operations. It also gained credibility and membership grew. But the following year (2004), the FO decided to buy maize from its members after harvest, when the farmers are in need of money, at a price which mirrored the prices obtained in the previous year with the WFP. Negotiations with the WFP dragged on that year, and finally no sales took place. There were other buyers in the market, and they proposed prices that were below those of 2003. The FO then waited in vain for the prices to go up. In between, the storage and the interest on loans had significantly increased the FO's costs (the FO had borrowed money from a bank because its working capital had been insufficient to buy all the maize from the members). The FO also lost some stock as some of the maize was not adequately dried.

In the end, with the high prices the FO had paid to the farmers, the cost of the purchase–storage operation was higher than the sales price on the market. While the farmers were satisfied (they had obtained a price higher than the market price), the FO lost money and its working capital. To renew the purchase–storage operation the next year, the FO resorted entirely to a bank loan. To be sure that it was going to repay the loan and cover the operational charges, it assessed the risks involved and proposed a lower price to its members. The members were less motivated and the batch sales operation did not take place. Each of them tried to sell the maize individually. It became clear that selling to the WFP at exceptionally high prices had unfortunately generated a speculative tendency among the members during the following year. The members became disconnected from the market realities and stopped investing in and working to improve the FO's marketing capacity.

This experience poses the question of understanding price determination mechanisms in markets (apart from institutions/projects) as well as the setting of realistic purchase prices for farmers in the FO (so as not to be in a deficient situation at the time of sales). Many FOs waste their working capital in this manner and after that expect other funds to come from an NGO or an external project.

*Ref.: Le stockage, une opération qui vaut le coup ? / Lothoré, Delmas – Grain de Sel n°36, p 7. – 2 p.
Achat-stockage de maïs – Binum, 2006 – 16 diapos.*

(4d) Evolution in the marketing of rice by Mogtêdo Farmers: abandoning the traditional approach of purchasing from the farmer members and reselling by the cooperative

Before 1996, two State-run companies managed the rice supply. One was in charge of the purchase and transformation of paddy rice, and the other in charge of importing and marketing of the local rice. Generally, members of the Mogtêdo cooperative have bad memories of this period because the prices that were proposed by these companies were neither remunerative nor transparent.

The year 1996 marked the beginning of State disengagement and deregulation of the supply chain, coupled with the suppression of the State-run companies and their replacement by private companies. These companies bought rice from members of the cooperative (until 2004) but did not complete payments for the products collected. The Mogtêdo cooperative tried to **sell directly** on urban markets by eliminating the intermediaries. These attempts to sell rice directly in distant markets were not successful.

In 1998, some members of the cooperative questioned its management; they did not understand why the cooperative was having difficulty selling their products and was unable to obtain better prices.

A financial audit carried out by the Ministry for Agriculture however showed that the cooperative was well-managed. The cooperative's managers then understood the need for more visibility and transparency in the handling of the commercial operations for its members. A decision was then taken to **abandon the marketing of rice by the cooperative** and to set up another system at a nearby market that would give the members greater visibility, mastery and oversight of the operation.

In this new system the members are directly in charge of selling their products and also benefit from batch sales (consultation to set prices, transparency of transactions). The first measure that was taken was to **let the farmers sell their paddy rice directly on the local market in order to be remunerated**: the members sell their products themselves. What could seem to be a regression in fact is not: some measures have been taken to counterbalance this approach which appears to be individualistic and therefore less supportive of the cooperative spirit, and the cooperative takes on other functions to facilitate and increase sales of members' products.

Ref.: Idem supra.

(4e) Women buy, parboil and sell all the rice of two cooperatives in Burkina Faso

The Bama cooperative (1,158 members, 1,120 ha) and the cooperative society of the Banzon Plain (670 members, 454 ha) are located around the irrigated zones near Dioulasso Sore. In 2007 they had an unusual experience.

That year there was no **agreement on the price of local rice** among traders and persons involved in rice processing. The traders then imported rice from the world market. However the two cooperatives were saved by the local women, who bought, parboiled and sold all their husbands' rice.

Having very few resources, they started by buying very small quantities consisting of just a few bags, until the warehouses of the cooperative were emptied. This parboiling operation enabled the cooperative to sell off all its rice production, with the end result that the rice farmers and the women obtained substantial revenues from the rice sales (estimated at 200,000 Fcfa per woman in a year).

Unfortunately the influx of parboiled rice in the local market led to a fall in the price of rice. Other market outlets were available through different networks which helped take pressure off the local rice market absorbed some excess produce from the market and brought in significant added value. But to invest in these more lucrative markets, it was necessary to improve on the quality (by eliminating black grains and dirt) and to present the marketed products more attractively.

Initiatives to improve the quality of the product are underway in collaboration with the Interprofessional rice committee in Burkina Faso (see sheet 8). The future of rice production in Bama and Banzon must include consultation between farmers, their wives who are in charge of processing and financial institutions, in a process that aims at **sharing the added value locally** and to improve on the living conditions of rice farmers and their family members.

Ref.: Article (in French) by Yersin Y. - GDS n°40 p.27. – Inter-réseaux, 2008. - 1 p.

Film: Les étuveuses de Bama et de Banzon. Quand la commercialisation du riz passe par sa transformation au Burkina Faso. – CTA, Fenop, Performances Communication, 2008 – video.

4.2 – Some clear advantages and risks that are not always controllable

For the farmer, selling to a FO can appear to be the ideal solution given that it is practical and apparently easy because the FO offers a price that is higher than the market price and that this is done at harvest time (when the prices in the market are at their lowest).

Compared to individual sales, this type of sale has obvious advantages:

- it enables farmers to have money at harvest time, when they need money, and to get more for their products through better prices;
- larger batches of products can be of interest to traders, exporters and institutional buyers. This represents economies of scale and time gains for buyers who no longer have to move through the whole community in search of products and can therefore accept to pay higher prices;
- better access to information on prices and better negotiating positions;
- the farmers have close relationships with the head farmers and the staff of the FO. These relations can help buyers to have a better understanding of the farmers than new buyers;
- greater access to funds (banks, NGO) in order to carry out group sales.

However, this way of selling has many risks and the benefits for the farmers remain uncertain.

New activities... and new problems

This system where farmers sell their products to their FOs creates new activities as well as problems which must be dealt with collectively at the level of the FO:

- **collective management of stock**: the FO must have a reliable place to store the stock, and must master storage techniques in order to limit losses and costs;
- the experiences studied show that if the products are to be kept in good conditions, there is need for **collective discipline** among the farmers before storage. This collective discipline starts at the level of drying handling and sorting the products into homogenous batches;
- resorting to bank loans can be difficult and expensive. This requires **transparent management and administrative capacities** to determine prices and to pay farmers, to avoid members becoming suspicious of their leaders;

- **determination of a realistic purchase price for the farmers:** The FO must propose a good but also reasonable price for the farmers and one that ensures the viability of the FO. Some FOs carry out ill-considered speculative practices which lead them to expect prices which are simply unrealistic because they fail to assess their operating costs (collection, storage, transport) correctly, or because they do not fully understand price determination mechanisms. Pressure from some members can also push up the prices. The leaders, who are farmers themselves, may also allow themselves to be influenced. All short-term strategies can weaken the FO;
- **anticipating agricultural price variations:** changes in costs do not always cover the cost of capital (interest) or storage. The FO also has to carry out a self-assessment of its ability to absorb risks; it must remain realistic, taking market prices into account, and foresee the likelihood of renegotiating prices (to work with price ranges, or collectively negotiate minimum sales prices). If not, there is a risk that individual strategies will increase which will only weaken or destroy the initiative that has been decided on collectively;
- having good **knowledge of buyers and their reliability** is imperative: many operations fail because of payment problems of payment (lower prices proposed, delays, or outright theft in the case where the buyer simply disappears with the products);
- **analysing fluctuation in the prices of agricultural products:** the FO must have access to and disseminate useful information to its members on prices and quantities available and/or requested by buyers, and the measurement units selected. It must take part in building members' skills, so that they can collectively analyse the environment in which they operate, and to enable them to make realistic decisions that are understood and accepted by all (contract terms, mode of price determination) to avoid hazardous overestimation of prices and to limit risks. This requires continuous work on communicating with and educating members.

The hidden side of price increases and the price risks

The difference in prices between the harvest and scarcity periods is not only the result of speculation on decrease in the supply with respect to demand. This difference is explained by **real costs**. There is an increase in the value of the products because of (i) **storage cost**, (ii) the **cost of borrowed capital** (bank interest rate) and (iii) the **cost of immobilised capital** (opportunity cost given that the money blocked in the purchase–storage operation could have been invested in some other activity e.g. small livestock farming or placed in a bank). The longer the product stays in storage, the more its worth increases.

However, **risks** are always involved because it is **difficult to know in advance what the price will be during the period of scarcity**. Many factors which are not controlled by farmers come into play. In **world markets**, prices can fall and imports may flood the market and cause a fall in prices in the local market. On the contrary, if the prices in the local market increase too much, the government may cap prices or implement measures to bring them down (**release of stocks, food aid**, etc.). In the final analysis, the prices during the scarcity period are not always as expected, and neither are the aspirations of the farmers nor the costs incurred in the process.

It is important to note that it can appear very contradictory and hazardous to speculate on prices at a time when there is much talk about **encouraging the free movement of products** between countries of a sub-region. Very low prices at harvest followed by very high prices during scarcity exist and storage in this case is very profitable. This is the case particularly when there are unforeseen events like droughts.

Traders rarely carry out storage and speculative operations of this type. Instead they try to have a very high turnover from their working capital. They do not earn their living by speculating on price differences between harvest and scarcity periods. They obtain their profits by transporting products from production to consumption centres. For them, this is less expensive than carrying out purchase and storage operations. There are no large investments, no storage costs, nor losses during storage and most importantly, their **money circulates and keeps working**.

Members' interests and the FO: setting limits

The FO is not a buyer like other traders. Relations between farmers on the one hand and their leaders and staff on the other are different in nature. **The FO does not pay for the members' products as a trader would.** Farmers sell to "their" FO, know the leaders, who are themselves farmers and thus can be tempted to fix rather optimistic purchase prices for farmers. The farmers also have close relations with the employees who in theory are at the service of the farmers. It can therefore be easier for farmers to have the quality of their products recognised, to fix a price which at least covers the production costs and have favourable system of payment (cash payment at harvest, advances).

Limitations nevertheless have to be considered, so that the FO does not engage in economically risky activities which will weaken it too much, even if these activities are beneficial to farmers in the short run. Because in the medium term, this type of activity can **jeopardise the very existence of the FO and the services** which it provides to the farmers.

Anticipating and limiting risks in order to avoid losses

We have underscored the high financial expenses, high storage risks (if there are post-harvest losses), the lack of visibility concerning future market prices and the absence of resources to protect against falling prices, the risks of losing working capital as well as cash. **The advantages of purchase–storage activity for farmers** and their FOs can also be questioned.

We do not mean to denigrate the purchase–storage operations carried out by FOs which can indeed provide some facilities for members. The members can be paid cash on delivery of their products and therefore have liquidity that is needed to take care of their family needs or agricultural activities. There are experiences on a large scale (Faranfasiso) where effective services are provided to members.

The risks borne by the FO (and therefore the farmers) however, have to be taken into account: **many issues have to be controlled** given that the activities are neither easy nor guaranteed to succeed, and can destabilise the farmers' lives. These operations are surely among the most **difficult to undertake**. They require high amounts of working capital and as much mastery of the market as that of the traders (whose profession is buying), with an additional difficulty related to the demands of members and their privileged relationships with their FOs.

If this type of activity is undertaken, it is not enough to have working capital. **Precautionary measures** must be taken and many issues have to be worked out:

- from the farmers' perspective, it is necessary to properly differentiate this type of sale to a FO and one which is made to an unspecified and anonymous company: the FO is not a typical business;
- training and capacity building for farmers and the FO are essential to enable them to better understand the market and improve organisation;
- the question of obtaining loans from banks has to be analysed carefully: resorting to credit (for the totality of stock) is very expensive and intermediate solutions should be explored (for example, negotiating an advance payment from the buyer at the time of the order and receiving payment of the balance at delivery in order to reduce the volume of funds needed by the FO). Value is created when the funds are used (case of traders). During storage operations, capital is immobilised and given the cost of credit, one can question whether in the end the storage operations benefit the farmers or the bankers. The FO theoretically has no reason to work for the banks.

Imperfect management of the operation explains the numerous failures.

It is always important to recall that there is no magic formula or ready-made solution; instead there are modes of organisation that are appropriate for the context, actors, situations and products. These modes have to be economically sensitive with little recourse to high volumes of investment. They should not require fundamental reorganisation of the FO which has to integrate many other activities and new functions. It is also important not to take any major risks which can destabilise the FO and the organisation of farmers.

The experiences of FOs are full of new findings, including cases where the FOs do not carry out the classical functions of purchasing and sales but instead intervene in the market regulation and control, compliance with respect of rules, transparency, regulation of supply, regulation of prices and creation of alliances with other actors (among whom are intermediaries). This is illustrated by the following information sheets.



Profit tomorrow, perhaps? (Stew, GDS 36, 2006)

THE FO FACILITATES MEMBERS' ACCESS TO CREDIT TO MARKET THEIR PRODUCTS BETTER

Seasonal credit and marketing credit

Facilitation of access to **seasonal credit for members by FOs** (granting of input loans to farmers through the FO) is a case which is often encountered. Credit is clearly a factor which enables farmers to improve their production conditions. If farmers do not have the means to produce, they are likely to stop producing altogether, whether it is for the market or for their own consumption.



Among the case studies, the Federation of Fouta Djallon in Guinea can be cited: credit makes it possible (i) to buy quality seeds (batch importation) and (ii) to obtain inputs needed to improve soil fertility and the quality of the products (Irish potatoes, tomatoes, onions). In return, the quality of the farming practices and the products obtained largely determine the capacity to repay loans: good yields obtained when recommended farming practices have been applied enable farmers to earn income and pay for the inputs and associated loans.

One can also cite the example of tiger nut farmers from Maradi in Niger where the **warehouse receipt system** (inventory credit) is a tool to obtain inputs. The Sa'a Federation put in place a warehouse receipt system to enable farmers to place a group order for good-quality inputs needed to produce tiger nuts in this zone where access to quality inputs is difficult (box 5'b in the sheet 5'). Other examples and reflections on the warehouse receipt system are presented in the following sheet (box 5').

Many other experiences exist where FOs take part in the organisation and facilitation of credit to give their members access to loans to **better market** their products. Uniting in FOs improves access to **marketing credit** even if loans are small or difficult to obtain from banks, NGOs and support programs.

Here we will only cite cases which are **directly related to marketing credit** within the framework of the *Working Group*.

5.1 - Principles and examples

The FO can facilitate access to credit aimed at financing most of the activities presented in the various information sheets in this chapter:

- creation of working capital so that the FO can buy members' products: purchase–storage which allows the FO to store products and to gradually sell them off without having to sell at very low prices (batch purchase–storage, with all the limits evoked in sheet 4);
- acquisition (hire or purchase) of the means to transport, process, weigh/measure and package products. These means make it possible to profit from geographical price differences, “to eliminate” intermediaries, to obtain greater added value and to gain from accurate unit measurements (within the limits mentioned; see sheets 3 and 9);
- improving production in order to access new markets or to get better prices: new varieties, farm practices which spread out production over time to have better prices at harvest, improved quality for specific consumers, etc.

The FO can also carry out **collective production activities geared towards individual marketing** as in the GIC Nnem Mbock where a group farm was set up in order to generate funds needed for individual sales of cassava (box 5a).

(5a) Collective farm for individual sales of cassava in the Nnem Mbock GIC

The Nnem Mbock GIC is a small organisation in Cameroon with interesting experience in terms of a collective approach to financing cassava marketing activities of individual members. Cassava farmers have to make initial monetary outlays in order to produce (establishment of the crops and possible use of hired labour during peak work periods), and sell (packaging of the product, transport, etc). However the women of the GIC did not have the money.

The GIC set up a cassava field of a few hectares. The cassava is collectively cultivated, harvested and transformed into “cassava batons” which are then sold by the GIC's marketing committee. The receipts are

deposited in a savings and loan fund. This same fund then grant loans to members to finance the production and marketing of individual activities other than cassava.

Ref: *Un champ collectif pour des ventes individuelles de manioc au GIC Nnem Mbock*. – Odéco, 2006. – 8 p.

Marketing credit versus consumption credit?

It is important to make a comment on the link between credit and marketing. Many farmers are obliged to sell their products at harvest because they need money. These farmers do not produce for the market but have to sell part of their crop because they need money. They therefore have to sell large quantities of the products because the prices at harvest time are very low. At the same time they pay very high prices for these same products when their granaries are empty. The behaviour of these net deficit farmers (they buy more than they sell) is not linked to the behaviour of agricultural markets. Their behaviour is simply driven by their need for money and therefore cannot respond to market signals. *“A hungry person cannot produce nor sell: the poverty trap is not a marketplace”*.

Taking the differences between farmers (net deficit or net surplus farmers) into account makes it possible to use different approaches to support marketing actions or simply to give necessary support via safety nets and social protection with consumption loans, direct assistance, etc. By taking the differences between members into consideration, it is possible to limit members' tendencies to sell their products outside of the collectively organised operations. Moreover, it can facilitate the organisation of strategies and collective marketing action.



Dumping when you can't get a loan (Samson, 2009)

FO FACILITATION OF ACCESS TO INVENTORY CREDIT

5.1 - Principles and examples

Another form of credit is storage–credit, also called the warehouse receipt system, inventory credit or warrantage credit. This credit makes it possible for farmers to have money right after harvest (which is one of the aims of the traditional purchase–storage operations). This enables farmers to sell their products at higher prices some months after harvest. The warehouse receipt system refers loans guaranteed by stocks of agricultural products which are locked up in a warehouse.

The amount of money received in loans covers only part of the value of the harvest at storage time. In order to limit the risks, the microfinance institution (MFI) which grants the loan allocates credit below the real value of the stock (70 to 80%). It is a safety rule that anticipates possible declines in the sale price of stocks.

The warehouse receipt system is a form of storage where the FO does not buy the products: the individual farmers remain owners of the products stored in a place agreed between the FO and the MFI bank. This system makes it possible for the farmers to have access to credit while at the same time maintaining ownership of their products, and for the MFI it increases loan security.

Farmers can expect better remuneration for their products because of the deferred sales. While waiting to sell, farmers have access to money for different ends: to buy consumer goods, to invest in marketing, in the purchase of inputs or in income-generating activity (on or off the farm).

In the process, the FOs can handle some of the duties related to the warehouse receipt system: (i) provision of inputs and work on farming practices to improve production, (ii) information on prices, (iii) training in order to understand market mechanisms and enable the farmers to reduce risks during sales when stocks are released, etc.

Information provided by the FO to the members is also essential to help the farmers to understand the warehouse receipt mechanism and the real costs of the loans which they receive. Thus farmers avoid being misled at the time when destocking takes place (and avoid ill-thought-out speculation on prices which may lead to poor valuation of stocks). They also derive the most benefits from the loan obtained, for example through support in the development of income-generating activities. Without this support, credit which is poorly used can end up being very expensive for the farmer (purchase of goods on credit, which has to be repaid through sales of stored crops no matter the price at the time the stocks are released).

Storage–credit remains a risky operation for the farmer, and any measures by the FO to limit this risk will be welcome...

Fifata in Madagascar is a FO that helps farmers store their products but is not involved in marketing activities. The farmers store their rice in common village granaries through a warehouse receipt system put in place by the FO; the farmers take back their rice once the stocks are released during periods of scarcity and after they have reimbursed the loan. From then on each farmer is responsible for the outcome of the rice sales or home consumption during the lean period (box 5'a). The original feature in this case is that farmers individually assume control of their stocks when they want, after they have reimbursed the loan. They may sell or consume the rice. The FO helps consolidate the stock but the guarantee on the stock is individual, not collective.. Here the MFI considers only the individual farmer's stock and not the whole stock. The farmers can obtain the price differential but also assume the risk in case of low prices or losses. In many other warehouse receipt systems, the stocks are released by the MFI only when all the farmers have reimbursed their loans.

In the case of tiger nut farmers in Niger (box 5'b), the warehouse receipt system operation is combined with other activities of the Federation. The stock is locked up and is released only after everyone has reimbursed all the loans. The sales of the stocks (during the lean period) enable the group to carry out grouped purchase of quality inputs for the new farming season. The warehouse receipt operation is carried out here within a larger framework of FO activities for its members.



(5' a) Getting a better price by selling rice during periods of scarcity using storage with credits in the common village granary: The experiences of Cecam and Fifata in Madagascar.

“Common village granary” credit was set up by Cecam at the request of its farmer members. Its objective is to enable the beneficiaries to profit from the price difference between harvest and lean periods while at the same time having money at harvest time to meet immediate requirements. Given the many community savings and loan schemes that exist, Madagascar’s storage–credit capacity is estimated at 50,000 t (national production is estimated at 3.5 million tonnes).

The farmers store mainly paddy rice at harvest. They withdraw the rice only during the lean periods after repayment of the loans. This fixed period obliges the farmers to look for external sources of revenue. The credit covers a period of 5 to 10 months at an interest rate of 3% per month. The whole stock constitutes the guarantee for the credit. The bags of paddy are stored in a doubly padlocked warehouse, farmers and the MFI each holding a key. The farmers receive credit which is worth about 50% to 75% (according to the MFI) of the value of the market price of the stored bags of rice.

Each farmer signs an individual contract, while committing to a collective guarantee. Stocks are rigorously controlled (inspection visits, monitoring of pests and rats, etc) during the storage period. While waiting for the stocks to be released (which can take place only after all the loans have been reimbursed) each farmer has to search for external sources of income (other agricultural activity, small business etc.). At the end, each farmer receives his bags of paddy when the stores are opened.

There has been mounting interest for this financial product since 2004. This year was characterised by large increases in the prices of paddy rice and many farmers got involved in storage–credit operations. Ever since then, even if prices at the lean periods do not increase, farmers continue to wait hoping that the prices will increase. They continue to stock but in smaller quantities.

In fact, the farmers have very little knowledge about the market mechanisms and rely often on their intuition. Some speculate with their stocks, and accidents and credit reimbursement problems are therefore frequent. These past years, the farmers have become aware of the necessity to be informed about the market, to manage the supply chain and to act prudently, and they are getting organised to achieve these goals. It is only under these conditions that storage–credit can become a tool for increasing the farmers’ revenue.

Ref.: Getting better value for rice by selling during periods of scarcity after storage with credits in the community village granary: the experience of CECAM and FIFATA in Madagascar / C. Beaure d’Augères, based on contribution of Fifata, Cecam. – Afdi, Inter-réseaux, CTA, 2007. – 12 p. + summary 1 p.

Warranty or storage credit: a mean for peasants to get more value for the products and provide security to rural finance / C. Beaure d’Augères. – Afdi, Inter-réseaux, CTA, 2007. – 12 p. + summary 1 p.

(5' b) Grouped purchases of inputs using warrantage credit for the tiger nut production of the Sa’a Federation in Niger

Tiger nut is a particularly important cash crop in the Maradi region in Niger. Market outlets are rare and fertiliser supply for the production of this demanding crop is subject to many irregularities brought about by the State-run centralised purchasing structures. The Sa’a Federation also carries out other activities. It groups together input orders so as to negotiate fertiliser prices and quality. To make farmers respect their grouped orders for inputs, and the Federation puts in place a warehouse receipt system.

In the Sa’a Federation, the warehouse receipt system takes the form of loans granted for a number of months and guaranteed by a stock of products. Storage involves many stages: awareness-raising for farmers, training of leaders, identification of warehouses, constitution of inventories, identification of income-generating activities, contracts, monitoring of inventories and markets, search for outlets, reimbursement, final assessment. The tasks are well-defined at each level of the Federation: follow-up and management of stocks, price monitoring, technical advice, responsibility for placing in storage, control, repayments, etc.

When the stock is sold, the revenue from the sales is used to carry out group purchases of good quality inputs for the production of tiger nut. Group sales also ensure that members have revenue, and increase their profits. The farmers are more inclined to invest in technical improvements as they have funds and fertilisers for the coming season.

The Federation adjusts its processes as needed according to the difficulties encountered: risk management with the arrival of millet imports or late storage, changing MFIs (excessive interest rates and inadequate financing capacity), by-laws following the release of stocks before repayments, etc. There is not enough storage space or financing capacity. However a network of partners is being built and the experience and results are very encouraging.

Ref.: The Sa’a Federation and its experience selling agricultural products under the warranty mechanism / Barthe Attahirou G. - Niger: FUPSN-Sa’a, Inter-réseaux, CTA, 2007. – 12 p. + summary 1 p.

5.2 – Advantages and limitations

Different advantages for different actors

For the MFI the risk is reduced since the stock of products serves as the guarantee. This system makes it possible for the MFI to lend funds which it would otherwise not release. Accordingly the farmers have access to cash, as is generally necessary right after harvest, without having to sell off their products at very low prices.

The warehouse receipt system is therefore a means of securing rural financing and a means for the farmers to get better value for their products (with the risks mentioned in sheet 4 on purchase–storage operations: prices drops, stock losses, etc).

The FO incurs less risk in this system of warehouse receipt system compared to the traditional purchase–storage system. In effect the **results** obtained from the deferred sales are **shared out by the individual farmers**.

In the case of agricultural produce destined for sale, the FO can more easily organise sales since the products are already bundled.

This form of credit can also be used by a FO for its own stock. But that would require partial payment from the farmers who may not be prepared to do this.

Limitations at the level of the MFI

For warehouse receipt system operations to work MFIs with a local presence are required. Contrary to other forms of credit, warehouse receipt systems require a lot of time in the field: regular inspection of the warehouses (periodic opening, closing, and inspection). This has a cost.

Limitations with regards to the types of products and volumes involved

It is obvious that one cannot carry out warehouse receipt system operations with all types of products. Only non-perishable products can be stored.

When a warehouse receipt system is carried out on a large scale (large volumes stocked compared to those brought to the market), it has a regulating effect on prices: if everyone stores products to resell later, prices do not go up significantly!²⁹ This limits the advantages of operation which involves fixed overheads.

The warehouse receipt system is thus especially adapted for products with large and regular price variations.

Limitations related to storage and deferred sales

There are inherent risks involved in the storage activity: stock losses, floods, theft, fires, and pests. There are also risks related to deferring sales (uncertainty about price increases). Prices may not increase enough to cover the costs involved in the warehouse receipt system (interest on loans, rental of the warehouse, handling of bags and possible losses).

Moreover, if the farmers do not have good knowledge of market mechanisms – particularly as regards pricing and price dynamics – speculating on price increases can be very risky for them. The FOs that engage in this activity can help farmers understand these processes.

Recommended pre-requisites and conditions at the level of the FO

As for traditional storage operations, warehouse receipt systems require FOs that are particularly well-organised, that have adequate storehouses (or access to them) and can constitute stocks quickly after harvest, verify and check the quality of the products stocked, track prices, etc.

In any event, **the warehouse receipt system works best when the farmers are supported by their FOs**, building and strengthening their capacities through training and information, especially on market mechanisms, and setting up collective activities (acquisition of inputs).

²⁹ The same as when the state intervenes in the markets when consumption prices increase too much by putting out products on the market to increase the supply of the products and bring down the prices.



<http://inter-reseaux.org/ressources-thematique/warrantage-ou-credit-d-achat/>
Translated for this report from the French original

The warehouse receipt system or inventory credit or warrantage credit

The warehouse receipt system is a loan for a few months guaranteed by a stock of products which can be liquidated by the bank in case of non-repayment. The farmer can thus access credit which enables him to meet his obligations at harvest time, and to keep his products until prices are high. For the microfinance institution (MFI), the guarantee is secured.

The warehouse receipt system is one of the major themes discussed at length in the *Working Group "Market access and agricultural product marketing: FO initiatives"*. Other themes were related to the management of supply, market organisation and market information systems.

Different experiences were discussed during the forum which took place in Bamako in 2007. This complementary dossier was put together to feed into the debate. It comprises a selection of articles and documents:

- ▶ **reference documents and analytical notes** on the principles and challenges of the warehouse receipt system, on inventory credit for small-scale producers and inventory credit transactions in general
- ▶ **documents presenting experiences from different countries** particularly Madagascar, Niger and Ghana.

FO PROCESSING AND PACKAGING ACTIVITIES

Processing and post-harvest packaging make it possible for some products to be stored for longer periods, while waiting for the right moment to sell or for access to new urban market outlets. As the number of urban consumers (who are not inclined to spend long hours preparing traditional dishes) grows, the processing of local cereals into ready-to-use products is a very important challenge (box 6a).

(6a) Challenges surrounding local cereals

In the Sahel, local cereals like millet and sorghum are daily staples. Mali, Burkina Faso and Niger produce these cereals in sufficient quantity to feed their population, but they most often remain in their primary state which does not satisfy the needs of the ever increasing numbers of urban dwellers. Often called upon to work outside the home to increase the household income, urban women no longer have the time to produce traditional dishes from local cereals (six hours to pound, wash, and sieve). These town women now require products which are ready to use. At the same time, eating out is also on the rise. However, traditional cereals available on the markets are not able to satisfy this demand. This situation is explained partly by the seasonal nature of production of these local cereals and partly by other factors.

The principal competitor to millet and sorghum is rice, which, as it happens, is often imported. For a long time, rice consumption was limited to urban areas (where the life-style is not compatible with very long time required to prepare millet-based meals). However, rice is also consumed in the rural areas. Rice is often preferred to other cereals bought in the market, particularly during a food crisis (surveys show that households feel that “rice goes further, it lasts longer” than other cereals). Despite the fact that rice is often more expensive than millet, consumers prefer rice for a number of reasons: less waste, more accurate quantities per bag, fewer concerns about quality and likelihood of dirt, preparation and cooking time. All these arguments favour rice consumption.

In the current context characterised by increasing prices of imported food products, locally transformed products from local cereals can provide an appropriate answer to the needs of the consumers and address the current challenge which is specifically to “*feed Sahelian towns and the Sahel Region in general*!”. It should be noted that local cereal products were very little affected by increases in world food prices: this situation might be an opportunity.

To make use of this opportunity implies moving beyond trade in unprocessed cereals. Dry cereals processing and marketing of semi-finished products have become important and are a challenge. The objective is twofold: provide an outlet for farmers and a chance to increase their incomes by working to change the image of traditional cereals for consumption, and secondly promote income-generating activities for persons involved in processing to supply consumers with diversified products which are quickly and easily cooked.

The challenge is at different levels: producing large quantities of quality processed cereals, and supplying the finished products in attractive forms. The development of the market depends on two important factors: on the one hand implementing a set of standards and norms which make it possible to improve and ensure the transparency of the market, and, on the other hand, promoting processed cereals in order to win over consumers.

Source: *Afrique Vert website (www.afriqueverte.org)*

The *Working Group* studied very few cases of processing agricultural products at the level of FOs. However, there is an interesting example of women processors in Benin.

In this case, the processing of traditional local products (maize, beans, cassava) into ready-to-use products for urban consumers is a recent response to a new demand. The study of the supply chain for these new products revealed the difficulties encountered by persons involved in processing activities: (i) supply (raw materials are scattered and costly), (ii) technical aspects (achieving the same homogeneous quality over time; appropriate labelling and packaging) and lastly, selling the products (box 6b).



(6b) Marketing dried products in Benin

In Benin, some women took the initiative to cook and dry some of their basic commodities in order to sell them in the Cotonou city market. These products are traditional foods: aklui from millet, fortified gari, yam paste.. After processing, these food products are “ready to use”. These products are an innovation in Benin given that they have only recently appeared on the market and they are little known to consumers. Meanwhile, these products have shown promise in other countries of the sub-region (Senegal and Ghana) where they are consumed as often as the traditional staples.

The study carried out on the supply chain of dried products (organisation, relations between actors) reveals that processors encounter some difficulties:

- difficulties at the supply stage: the raw material is widely scattered and there is a need to obtain a purchase price such that consumers can afford the finished products;
- technical difficulties related to consumer demands in terms of quality: the need to master the processing/ drying techniques in order to obtain consistent product quality; the need to improve labelling and packaging (there is no market in the supply of suitable packaging material for the different forms of the product);
- marketing to make the products known to customers and to achieve recognition for the products to build consumer loyalty;
- sales and distribution through supermarkets, hawking, door-to-door or specific sales points.

Ref.: Commercialisation de produits séchés au Bénin: contribution au Forum Accès au marché des produits agricoles / Djevi H., Outtier AC. – Agro-Bénin Développement, Geres, Inter-réseaux, CTA, 2004. – 22 p.

It remains to be seen how farmers can organise to position themselves in these new markets for processed products. As for transportation, one can ask if farmers are the best suited to process products. A necessary first step appears at the production stage: the need to grow crops in sufficient quantity and quality to supply to processors. Next, the processors require the means with which to buy the products to be processed. Many activities can be undertaken to assist them in this (box 6c).

(6c) What Afrique Verte has done to support women processors

Afrique Verte’s activities in support of processors focus on:

- technical (product quality) and financial training (small enterprise management);
- supply of raw materials and packaging: bulk purchasing of unprocessed cereals, group trials and purchases of packaging, design and printing of labels;
- search for appropriate funding by bringing together processors and structures financing small and micro enterprises;
- search for suitable equipment, especially for drying;
- marketing the products to consumers: taking part in national and international trade fairs, search for sales outlets, producing and broadcasting commercials, information programmes on radio and television. Participating in international fairs enables exchanges between processors of the Afrique Verte Network and gives the participants professional experience;
- market research makes it possible to identify new outlets: “Fair Trade” rice supply chain in Europe or organic fonio; study of regulations covering processed cereal imports from Europe and the challenges involved, etc;
- producing information sheets on preparing local cereal products for distribution to consumers. Products include tô, pre-cooked fonio, mablériz (made of maize, wheat flour and rice).

Source: Afrique Verte website (www.afriqueverte.org).

FO MEASURES TO IMPROVE TECHNICAL PATHWAYS: GROW MORE TO SELL MORE

FO measures to improve technical pathways are a classic way of trying to increase production for its own sake, but they are far more innovative when they are designed to improve production **prior to placing the products on the market** from a **marketing perspective**. **Managing product supply** - timing, volumes, and expected quality - and **associated production costs** becomes essential. Farmers must be able to organise to meet collective commitments made to buyers, and ensure that they sell larger quantities of products or obtain better prices, which will cover any extra costs related to the adoption of the chosen technical pathways.

7.1 - Principles and examples

Farmers face many challenges, starting with production:

- to produce food that meets buyers' requirements (taste, physical quality and conservation). Products must meet certain standards, especially when they are destined for export;
- to produce at reasonable prices (and therefore affordable production costs) for buyers and final consumers, while allowing the farmers an income. It is important to remain competitive vis-à-vis imports in order to find local outlets and access export markets;
- to produce the necessary quantities at the time they are required to meet commitments to buyers and limit the risks associated with contractual non-compliance;
- to spread production over time so that not all the crops enter the market at the same time, causing prices to fall.



To meet these challenges, farmers must improve and master technical pathways, organise production at the individual and collective level and win over consumers and buyers with products suited to their needs and preferences. Of course there are always other challenges: rain, locusts, pressure to sell for lack of money, underhand sales outside official channels by competing buyers offering better prices, etc. But the first hurdle is still to manage production.

Let us recall the various services FOs offer their members: (i) search and select quality input suppliers or those offering good value for money; (ii) negotiate wholesale prices, deadlines and delivery terms; (iii) monitor contracts signed with suppliers; (iv) provide inputs after solving transport and storage problems; (v) negotiate the method of payment between suppliers and farmers; (vi) control the quality of the supplied inputs, etc. None of these FO activities are directly related to marketing agricultural products but they will have an impact on marketing success later on. Indeed, the quality and cost of inputs influence final product yields, volumes, quality and prices and therefore their competitiveness in the markets.

The leaders and farmers of the Fouta Djallon Federation understand this very well. For many years, they have organised to import quality Irish potato seed from Europe. These seeds allow them to produce quality products that can compete with Dutch potatoes. The Dutch potatoes that were once imported were temporarily banned and today they are no longer imported even though all protectionist measures have been lifted. Trade barriers are no longer required as Dutch potatoes are no longer competitive compared to the local "Belle de Guinée" (Box 7a).

The FO can provide technical and economic advice to improve farming techniques such as fertility management and timely, appropriate application of pesticides and herbicides. Sometimes the FO plays an important role by creating ties with research and extension services to try new seed varieties, confirm new technical pathways and later on obtain the support and tools needed to carry out wider application of the techniques best suited to local conditions (Box 7b: Burkina Faso Onion; box 7c : Irish Potato in Guinea).

(7a) Quality inputs obtained by the Fouta Djallon Federation

To be competitive vis-à-vis the imported Irish potato (the Federation's aim from the outset), it was necessary to improve the quality of the Guinean Irish Potato and reduce production costs. Improving quality required importing selected seeds as the local market only supplied degenerated seed, which had been used many times and were not available in sufficient quantities to cover the increasing need for seed. FPFJ thus started **importing quality inputs** from Europe.

At the same time, because the farmers did not have the means to pay cash for the inputs, FPFJ set up a **seasonal credit scheme** for members. Select Irish potato seed imports increased steadily from then on: from 12t in 1991 to over 300t in 2005...

Ref. : Activités de commercialisation de la FPFJ : capitalisation et perspectives / Diallo, Barry, Beauval. - Guinée : Cellule commercialisation de la FPFJ. – CCFD, 2006. – 30 p. + 46 p. of appendices.

(7b) From quantity to quality: the much needed contribution of research to improving onion marketing in Burkina Faso

Onion production has increased consistently in Burkina Faso in recent years. Onions are produced for a very short period of time (January-April) and are sold immediately by the farmers. The farmers use techniques to produce the largest possible quantities, which means applying very high doses of fertiliser. Since 2007, the harvest has exceeded demand in local and export markets. To improve the situation, it was necessary to store and conserve the onions in order to spread sales out over time.

Initially, FOs researched the storage practices that were best suited to their needs. The idea was to construct storage warehouses. But through exchange visits and discussions with experts and other farmers, it became clear that to conserve the onions, they had to be grown in a different way using specific technical pathways. The aim was to produce a "storage onion" that could be kept for 3 to 6 months with very limited losses. The required storage facilities had to be easily accessible to farmers (cold houses using electricity did not appear to be a realistic option). A number of FOs then started drawing up new technical pathways: onions that can be stored for a long period receive smaller doses of fertiliser, and therefore are smaller. The resulting loss in weight can be offset by making the onions denser. But most importantly, it is necessary to organise farmers to share the production volume requirements for each onion variety and the production capacities of each farmer as well as establish collective rules. An onion variety that can be stored for a long time is also of considerable interest to traders in the regional markets (Togo, Ghana, etc.), who are ready to pay a higher price for it. The fact that it can be conserved for a long period makes it possible to spread sales out over time without experiencing stock losses.

Ref.: Note Afdi Burkina, P. Delmas and video "Handsome onion needn't worry about the market slump". – CTA, Jade Productions, Inter-réseaux, 2008. 19 minute video + accompanying guide. - CTA, Inter-réseaux, 2008. - 10 p.

(7c) Partnering Farmers, Research and Extension Workers in Fouta Djallon

At the Fouta Federation, a two-pronged approach was taken to improve potato technical pathways: (i) research was used to identify the most suitable potato varieties and organic and inorganic fertiliser practices, and thus adopt technical pathways that stagger and spread production over time to reduce the drop in prices during peak production periods and (ii) a partnership was sought with the public extension services to help the Federation's technical staff disseminate the techniques as widely as possible to farmers who were new to this technique for growing onions.

These efforts, combined with the use of quality inputs, increased yields significantly from an average of 8-10 t/ha in 1990 to 15-20 t/ha in 2006. Potato technical pathways and the associated costs are constantly being adapted to consumer demand (customers' ability to pay) and target markets. The reduction in production costs enabled the FPFJ to target Conakry's "middle class" and access new markets (imported potatoes used to be the preserve of the rich). A similar effort involving technical pathways, fertility management, production costs and yields enabled Guinean potatoes to compete with imported onions, even without trade protection (see sheet 14).

The FPFJ has been working for many years on setting up a system to dispense technical and business advice. The FPFJ selected a limited number of farms covering various locations, agro-ecological conditions, product types and farmers. This system of farm monitoring should help to ensure that technical staff and researchers are asked the right questions and ultimately validate the results and communicate them to many more farmers.

Ref.: Idem supra.

FO MEASURES TO IMPROVE PRODUCT QUALITY: WHAT QUALITY, AT WHAT COST, AT WHAT PRICE AND FOR WHICH MARKET(S)?

There are many differing ideas about what constitutes quality. First of all, the concept of quality is very subjective because it is defined by different actors in the supply chain. And the actors may be very diverse: (i) processing enterprises or supermarkets that want regular, standard, homogeneous products year round which they can transport over long distances and store easily; (ii) end consumers, who require unblemished, evenly-shaped, tasty or pesticide free products year round (box 8a).

(8a) Quality or qualities? A multiple reality using coffee as an example

Based on Benoit Daviron and S. Ponte*

“There is a widening gap between consumer and farmer prices for coffee. Gross margins for operators in importing countries (roasters and the retail industry) are constantly rising while farmer prices, when compared as a percentage of consumer prices, are shrinking. Farmer prices represent barely 10% of final consumer prices and this percentage is decreasing in direct proportion to the quality of the coffee.

This widening gap between the “consumer price” and the “farmer price” is linked to the increasing emphasis on coffee quality attributes. These attributes include their symbolic quality and “**personalised service**” quality.

There are 3 types of product quality:

1. **Material quality**, which refers to the **intrinsic attributes of the product** (e.g. colour, flavour, size of the grain). This is the “**historical quality**” of agricultural products;
2. **Symbolic quality**, which derives from the existence of a mark of quality: a **trademark, geographical specificity or a label** (e.g. fair trade). This form of quality has developed **in recent years** and its existence depends mainly on the establishment of property rights that define the value of the mark of quality;
3. “**Personalised service**” quality, which refers to the type of relationship that exists between the buyers and the seller of a product. One example of this type of personalised service is a human relationship, e.g. the relationship between a coffee boy and a consumer in a bar (which is critical to the value that can be created from the bar). This form of quality has developed **very recently**”.

*Source: *Our transcript of a interview of Benoit Daviron introducing the French edition of his book entitled “The Coffee Paradox”, Daviron B., Ponte S. - Editions Quae, 2007. - 360 p. (Available in French on-line, at the Cirad website: www.cirad.org).*

Regardless of the particular quality, quality criteria (and the selection and segmentation of the associated markets) are becoming very important to buyers through a system of norms, marks of quality and also “entry rights” per market segment (“Ethical”, “Fair Trade”, “Organic”, etc.).

Who defines these standards? That is the first question. Another is: how do farmers interpret these standards and what strategies do they adopt to meet them? There are many different initiatives and complex actions designed particularly for export products. An example from Peru illustrates the significant strides taken by some FOs with regard to the quality of their coffee (Box 8b).

But the improvement of product quality often takes place through far more modest measures taken by FOs based on a thorough knowledge of their markets. These measures are put in place with available resources, particularly through the good will of farmers.

This chapter does not treat the question of quality in its entirety but only revisits some of its aspects drawn from FO marketing initiatives discussed by the *Working Group*.

8.1 - Principles and examples

The example of rice alone indicates that quality standards are not the same for all consumers: rice that swells, rice that cooks quickly, clean rice, taste, etc. Farmers have problems selling their products and receive poor prices when their products do not meet quality standards or average market criteria. This was the case with rice farmers in Benin. FO involvement to improve marketing involved taking a series of measures to produce a marketable product – **rice that meets the quality criteria required by consumers** who are already used to eating imported rice. It was necessary to review the choice of varieties, seed production, harvest and post-harvest operations... (Box 8c).



Other farmers' organisations know how to focus on and maintain specific product criteria, which helps strengthen their activities and facilitate marketing, leading to better prices for their products. This can be observed in the Mogtédó cooperative in Burkina Faso. The cooperative produces a "local variety" which is very much appreciated by traders (i.e. consumers). The cooperative organised seed multiplication to meet demand, using the **quality of its rice to win customer loyalty** (female traders) and thereby obtain higher prices for its rice than other production zones.

The following cases are also revealing:

- in Cameroon, Nowefor tomato farmers sought new markets to increase production and obtain higher prices. The farmers had to control pesticide residue on the tomatoes (by changing their farming techniques – box 8d) to meet the requirements of a large retail outlet located in Douala – which was also involved in exporting tomatoes to neighbouring countries. Large distributors can thus set standards or specific requirements for farmers to satisfy their clientele and meet specific demands. But this can also lead to relationships of dependence (Box 8e);
- in Burkina Faso, farmers praise the quality of "this year's" rice as opposed to imported rice which has spent many years in warehouses before arriving on the market. The culinary quality of the rice farmed in irrigated areas is highly valued. The rice also has to suit the new cooking methods and meet the requirements of mainly urban consumers. It has to be ready for use, i.e. to be cooked directly without going through the tiring process of sorting to remove foreign bodies. This means the rice farmers' organisation and the parboilers must review their technical pathways and the processing steps to identify all the critical points where impurities are likely to mix with the rice: drying the paddy rice in the field, parboiling, working spaces, etc.;
- again in Burkina Faso, in the villages of Zam and Mogtédó, onion production is mainly intended for the Togolese markets and thus in direct competition with Niger (the onion-producing country). To sell their products at a higher price compared to the price of their competitors from Niger, Benin or even Burkina Faso, farmers from Zam and Mogtédó developed quality technical pathways. Their seed is grown under good conditions; they have reduced the use of chemical fertiliser; they manage irrigation at the end of the production cycle; they sort the onions at harvest. In the end, onions from these villages are smaller in size than those from other irrigated areas but they are drier and their conservation quality is highly valued by traders who are very concerned with the shelf life of their onions³⁰;
- in Guinea, the Woko cooperative sought ways to increase the value of its members' coffee through a "quality initiative" using **agronomic research** (Box 8f);
- the potato farmers of Fouta Djallon have long grown a potato widely recognised for its quality. They succeeded due to the Federation's registration of a **label** ("Belle de Guinée"), which is recognised by their partners;
- finally in Mali, the GIE Jèka Ferée improved the quality of its rice by introducing rice huskers and training the users.

(8b) Improving coffee quality in Peru: progressiveness and levels of complementary action

Coffee is the main source of income for farmers in the North of Peru. Until 2002, coffee was harvested and treated using the wet method under poor conditions: quality was low and a large percentage of production did not meet export standards. The available technological package was not suited to the local situation. Production was not linked to processing or to marketing. Production costs, quality, marketing and promotion were unknown concepts; the farmers were selling undifferentiated coffee at low prices. Support from the Norcafé project to improve the quality of the coffee came in two stages.

The first step was to improve the average quality of the coffee. The first measure was to build up working capital managed by the FOs to acquire the wet method coffee treatment equipment required for the farms. To maintain the equipment and ensure some uniformity in basic treatment practices, teams of farmer-promoters were trained and put in charge of monitoring the implementation of training given to farmers and raw quality by physical inspecting the coffee beans. The gradual improvement in the average quality of the coffee enabled the FO to move towards certification to access Fair Trade and organic markets.

Then, starting in 2005, umbrella organisations (200 to 2,000 farmers) received support to assess the organoleptic profiles of the coffee. Sensorial analysis of the farmers' coffee provides a better, more objective

³⁰ This know-how was the subject of an exchange visit by another cooperative in Burkina Faso as well as the production of a video (www.inter-reseaux.org)

description of the quality, allowing it to be gradually harmonised for other actors in the coffee supply chain, especially traders. A trained professional is in charge of testing and describing coffee samples with respect to various criteria (size, acidity, bitterness and aroma). Sensorial analyses gradually determine which technical and agro-ecological conditions are needed to obtain high quality coffee with specific aromas.

Two types of promoters were trained within each grassroots organisation: internal inspectors (to monitor the certification measures and the technical pathways) and commercial representatives (in charge of collection, quality control, transport and payments). Through these promoters, improvements were made in the physical quality of the coffee and gradually different prices could be charged according to the different qualities. Various systems of remuneration are being introduced in the FOs for these services.

For the umbrella organisations, a quality analysis laboratory was set up with training for farmers and the involvement of specialists to develop other coffee analysis capabilities within the FO, correct mistakes and work on specific aromas. The organisations are gradually developing collection policies based on the different qualities of coffee. They are also harmonising their own parameters for evaluating and classifying the different kinds of coffee they produce. Quality is controlled at three levels: the grassroots organisation, the umbrella organisation and at the coffee factory laboratory. The processing of the coffee intended for export is carried out by a third party, but quality control is ensured collectively by the umbrella organisations.

These investments led to growth in the exports of quality coffee by the FOs (from 1,000 t in 2001, to 2,500 t in 2006). The organisations improved the marketing conditions for the farmers with the acquisition of different quality labels for fair trade, organic and sustainable markets.

These guarantees made it possible for the FOs to have a broader range of customers in various countries and to develop long-term trade relationships. Finally, brands were developed for specific organisations in partnership with buyers.

Ref: Cafés de qualité et accès au marché : l'appui aux OP péruviennes / Aquino S., Lacroix P. – GDS 36, p.29. – Inter-réseaux, 2006. – 2 p.

(8c) Actions and challenges in rice quality in Benin

Rice is gradually becoming a food staple of the Beninese. Despite the development of rice farming, local supply is far from adequate to meet national demand and it also has to compete with imported rice that offers better value for money. Rice farmers in the Dangbo region in Benin have problems selling their rice because of its poor quality and competition from cheap imported rice.

If rice quality is highly valued by individual farmers, given the small quantities they produce, it becomes even more important when they are dealing with larger quantities at the level of their organisations. The rice farmers have tried, however, to take measures to improve quality with the help of the rice farmer's consultation committee. By consulting research, they were able to select suitable varieties and farmers were trained in harvesting, drying and husking techniques.

The farmers are working together to obtain a product that is comparable in quality to the one consumers are used to. This demand-driven approach may yield fruit. Another approach might consist in differentiating the rice according to production zones or local specificities while at the same time informing and educating buyers about the different types of rice (marketing!).

Ref.: Transformation et commercialisation du riz au Sud Bénin. – CCR, Inter-réseaux, 2004. – 19 p. + résumé 2 p

(8d) Grouped supply of quality tomatoes to new outlets (Nowefor)

The cultivation of tomatoes is known to be very demanding with regard to technical requirements, especially the use of pesticides. To find buyers for their products on the Douala market, farmers from the Bambui region in Cameroon, with the help of various organisations (Said and SOS Faim Luxembourg), improved on their farming techniques to limit the use of chemical products and reduce chemical residues in the marketed tomatoes: the farmers received training on integrated pest management and the management of pesticides.

Nowefor helped the farmers modify their farming practices to meet the market requirements of a new buyer: a large retail outlet that did not want chemical residues in the tomatoes. The FO informed the farmers about the permissible chemical residue levels specified by the buyer and helped them adapt their technical pathways accordingly, mainly through the use of organic manure. The FO also facilitated the delivery of tomato samples to the buyer to measure the chemical residue levels.

After performing many tests on samples, the large retail outlet in Douala (Leader Price) finally decided to buy large quantities of tomatoes from Nowefor. More than 25 tons were supplied in less than one year at a price slightly higher than that in the local market (3,200 FCFA per 20 kg bucket compared with 3,000 FCFA in the local market). The tomatoes were subsequently sent to other big retailers in Equatorial Guinea and in Gabon

where consumers were very satisfied with the quality. The buyer then indicated the possibility of increasing the purchase price of tomatoes and requested other products (potatoes, etc.). The increase in volumes and product diversification are the direct result of the FO's ability to improve the quality of its members' products.

Ref.: Nowefor réussit la vente groupée de tomates en grande surface / Fongang G., Forbah D. Nuijueh. – Cameroun. – Saïd, 2007. – 6 p.

(8e) Increased dependence of farmers on large distributors

Nowefor adapted its farming practices to produce tomatoes in accordance with the requirements of major distributors.

But what happens to the FO when it starts to specialise in the supply of large quantities and the buyer changes the rules abruptly without consulting the farmers?

In the case of Nowefor, tomatoes that actually met pre-established standards were rejected by the buyer (which checks residue levels) on many occasions. The farmers then have to scurry around and spend time looking for other neighbouring markets to unload their products. Such situations, when there are no contracts and the buyer can change the rules of the game without prior consent, are very detrimental to farmers. The collaboration between Nowefor and the distributor Leader Price ended because of these types of problems.

Source: Communication Mbzibain A., 2008.

(8f) Quality of the coffee produced by the Woko Agricultural cooperative in Guinea

The Woko cooperative is a farmer-led initiative: this cooperative was created in 2003 by small coffee farmers in the Macenta Division after they sold their coffee at a loss.

Since then, numerous measures have been undertaken by the cooperative, including establishing contractual relationships with other actors. To increase the members' incomes, the cooperative focuses on the production of high quality coffee. The search for better pricing levels for the coffee is based on a "quality initiative" contracted with research institutes, which are in charge of characterising the coffee. There are also contracts with transporters and coffee buyers from Macenta.

Ref.: Initiative de la Coopérative agricole de commercialisation de café et d'approvisionnement Woko / Gnekoya L., Honomou C., Makolo K. – Guinée : CNOP-G, Coopérative Woko, Inter-réseaux, CTA, 2006. – 12 p. + résumé 1 p.

8.2 – Advantages and limitations

In the various experiences that have been analysed within the FOs, the steps taken to improve the quality of the products are linked to privileged contacts between farmers and buyers, usually within the framework of short market channels. These cases are observed when the FO is in contact with importing traders or when the farmers try to sell the products themselves on the markets or try to meet the demand of buyers. On the contrary, in the cases where the FOs sell to various intermediaries regardless of their reputation, the notion of quality is scarcely taken into consideration.

Collective efforts to improve the quality of agricultural products require strong organisations and strict discipline regarding compliance with rules by all the farmers. Apart from the supplementary costs (technical pathways, equipment, etc.), the quest for quality always represents additional costs related to mobilising, informing and training. And one is never sure whether these improvements will be compensated by better remuneration. Experience shows that this varies.

Individual and collective levels of investment

Collective marketing and organisation make it possible to undertake the quality improvement approach as a means to obtain better sales prices for products. It is this organisation of marketing enabled a better price to be "imposed". The value added on quality is accompanied by other measures. In the case of rice in Mogtédo, buyers generally take steps to organise the market in advance: predetermined prices, regular supply and rice quality. For Nowefor, the tomatoes contain an acceptable chemical residual rate and the farmers' organisation is able to supply the large quantities required as well as comply with delivery periods.

The steps taken by the FOs to improve quality are closely related to their knowledge of the market (or markets). This is because they engage in dialogue with the buyers and know the level of consumer appreciation of their products. It is interesting to note that the leaders of the FOs who take these measures to improve quality can talk about them in much the same way as technical sales representatives of big cooperatives all over the world. They can explain how their products differentiate from other products, why

the buyers accept higher prices, what their advantages are, etc. On the other hand, they should not be afraid to break with market standards and differentiate their products in hopes of attracting a buyer or getting better prices.

Does quality pay?

It is not a sure thing; rather it depends on a number of factors that change over time. In the case where large volumes of products are proposed to buyers in traditional markets, an individual attempt to improve on quality may not lead to a better price. However, quality products can enable farmers to sell their products more quickly on the market. This represents an undeniable advantage.

In 2007, in Burkina Faso, parboilers priced their rice higher in local markets in line with its quality. To achieve recognition of the quality, it was important to focus on short marketing channels and supply products directly to sales points. Since 2008, following general price increases for basic food commodities, the same parboilers can now sell their higher quality product at better prices.

Specific qualities and big retail outlets (distribution)

The experience of Nowefor in Cameroon with the distributor Leader Price is very instructive: at the beginning, the opportunity to supply large quantities of tomatoes was advantageous. But the situation was reversed very quickly because of unequal power relations (Box 8d).

Experiences from Latin America where the integration of the retail industry has been in place for a long time (work of AVSF) reveal the problems than may arise (Box 8g).

(8g) Development of large-scale distributors and the imposition of norms

The development of the self-service retail industry has resulted in imposing increasingly restrictive norms and health standards on suppliers than in traditional markets. If this form of industry expands in Africa as it has in Latin America, where it has become dominant in less than 15 years (Readon, Timmer et al., 2003), then we can expect small farmers to be marginalised. The latter will not be able to make the investments needed to meet the norms and constraints imposed by large distributors as is the case in Latin American countries".

**Source : De la grande distribution Agroalimentaire et lutte contre la pauvreté en Afrique subsaharienne. Le rôle des micro et petites entreprises / Broutin C. (Gret), Bricas N. (Cirad).*

Create qualities according to specified criteria controlled by farmers?

If the first approach is to have products adapted to food industry requirements, the second approach is to adapt the quality of the products to new markets and new consumer demands: "Fair Trade", "organic", etc. Others now propose a third approach: this involves the creation of "personal service" quality based on human relations developed between the sales representatives and the buyers. Can the farmers not personalise their services to meet the requirements of consumers as they get to know them better (Box 8h)?

(8h) Symbolic quality - a path to better revenues?

According to Benoit Daviron*, "today farmers" strategies to improve the development of their coffee are built above all around symbolic quality and include:

- the development of **geographical specificity**³¹: this is a strategy that is used by many groups, not without some difficulty however. Production can be done in a location far away from where processing takes place: but not having all the supply chain actors in one area makes it impossible to market on the basis of the product's geographic origins.
- the creation and the promotion of **sustainable standards**: this is the case with Fair Trade and organic coffee, where the quality of the product is not defined by its intrinsic qualities (colour, aroma, etc.) but with respect to the conditions of production. Social conditions (child labour, farmers' revenue, wages) and environmental conditions (presence of trees in the coffee plantations for migratory birds, etc.) are taken into consideration. These sustainable practices, which in the past were promoted by associations or NGOs, have since been appropriated by big roasting companies".

There are more and more farmers in the "fair trade" or "organic" market segments: supply is increasing! But demand is not increasing at the same rate (the consumer markets for these products are small). With

³¹ See online - Bulletin de veille Inter-réseaux n°141 Spécial "Indications géographiques" (19 March 2009)

the arrival of large groups and large retail industry in these market segments, farmers find themselves in a much weaker position to maintain high prices. Also, B. Daviron encourages farmers not to neglect “**personal service**” **quality**, which would give them more leeway to increase their incomes.

**Source: idem supra (transcript of a interview in French of B. Daviron on-line on the Cirad website).*



Products that find buyers (Stew, GDS 25, 2003)

TACKLING MEASUREMENT OF QUANTITIES AND WEIGHTS: ONE WEIGHT, DIFFERENT MEASUREMENTS?

9.1 - Principles and examples

There is often a multitude of practices and measurement units for the same product from one market to the next, but also sometimes in the same market (and therefore certainly from one country to another). The units change from one product to another: basins and bags of different sizes or completely variable measuring units. The same follows for the measurement techniques used. Even for the same measurement unit, the weights differ depending on the person who is weighing (buyer/seller) and the owner of the tool (scales, basin, etc): scales may be badly graded, basins deformed, twisted, with corners enlarged to increase the size, poorly filled or sometimes over-filled using hands to ensure the corn does not fall out, etc.

Corn bags differ in weight from one seller to another and/or from one market to another, and there are differences between the actual and the declared weights. Consequently, the real price per kilogram may vary. This is a **source of considerable variation and uncertainty in prices**. These variations and inaccuracies in the measurement units are often to the disadvantage of farmers. The sometimes-long periods spent arguing during the sale of agricultural products are the price paid by buyers to recover sometimes-high commercial margins.

FOs organise themselves to improve the quality of the measurements and control the quantities of products measured. Two examples illustrate the issue here:

- members of the Mogtédó cooperative in Burkina Faso where the measurements are controlled by selected farmers who are trained and paid to carry out that function (box 9a);
- Macenta union of banana growers in Guinea, where the sale of bananas per kilogram and not per bunch was instituted (box 9b).



(9a) Weighing rice at Mogtédó in Burkina Faso

During sales of farmers' paddy rice to village women processors, the measurement units and the weights are managed only by farmers who have been trained by the cooperative to carry out this function. The measurement tools are defined by the cooperative. None of the women is allowed to measure the rice they buy.

The farmers in charge of the tools and weighing of the paddy rice that is sold to the women are directly paid by the cooperative at a rate of 100 FCFA/100 kg: they are intermediaries who are paid to provide these services. Anybody can perform this function provided he or she has been trained by the cooperative. Competition among them leads them to perform their duties properly. Farmers are directly remunerated by members of the cooperative to carry out the measurement operations.

Since the implementation of these measures, members of the cooperative have achieved a profitable difference in the weights of paddy rice bags. While the traditional women buyers measured the bag of 100 kg paddy with 35 dishes (measuring unit), the farmers trained by the cooperative realised a difference of up to 15% given that they obtained 40 dishes for the same 100 kg bag of paddy.

Ref: Creation of a secured and self-managed market by rice farmers of the Mogtédó cooperative in Burkina Faso / Inter-réseaux, CTA, based on contribution of FENOP, 2006. – 10 p. + summary 1 p.

(9b) Banana-weighing by farmers of the UPBM in Guinée Forestière

Organised banana marketing was initiated because a factory in the town of Kankan had introduced banana-weighing when it carried out rounds in the area with its trucks to collect fruit. After this factory was shut down, weighing was abandoned in some localities and was only re-adopted after the creation of the first farmers' groups and with the agreement of traders.

Today traders provide advances to the groups in order to "reserve" part of the production (these advances are requested by farmers from the traders through the mediation of the offices in charge of carrying out the measurement operations. These advances were instituted by the union to enable farmers to finance the harvesting operations). When bananas are ripe, they are harvested and gathered at the measurement offices where they are weighed and loaded under the supervision of farmers and the traders (unripe banana bunches are excluded). It is at this time that the trader pays the balance of the transaction to the farmer and

they part on good terms. Some of the measurement scales are mobile and are transported on motorbikes from one measurement office to another because all the offices are not equipped.

Ref. : UPBM Commercialization system: Negotiation of prices and programming of commercialization between farmers and traders- Guinea: Inader, UPBM, Inter-réseaux, CTA - 12 p. + summary 1 p.

9.2 – Advantages and limitations

These actions to control weights and measurements help reduce problems and the transaction time: they keep buyers and sellers from having to weigh and reweigh the products before they can agree on the weights or give up on the transaction all together.

Some FOs have made their choice and preferred to **increase their profits from 5% to 15% by controlling weights** rather than spending a lot of effort and time on operations whose benefits are uncertain, such as purchase-storage-sale operations or organising transportation of agricultural products (see. box 3 on the organisation of transport and sheet 4 on the purchase-storage of agricultural produce).

However, these actions to control weights and measurements are obviously not always easy to set up. New measurement practices may scare away buyers as well as farmers or they may simply seem too complicated. For example, in the north of Benin, livestock breeders worked to change many of their practices even though they were strongly rooted in their social system. By so doing, they succeeded in improving the organisation and management of the self-managed markets. A set of scales was installed in the Gogounou cattle market to try selling the animals per live kilogram. This measure was still not accepted years after it was introduced.

While it is difficult or even impracticable to seek to standardise the measuring units in a given area, it is possible through the use of other means to verify the quantities of agricultural products that have been measured. FOs can be helped to move in this direction and find appropriate solutions for each context and type of product.



One weight, two measurements (Samson, 2009)

IMPROVEMENT OF MARKET INFORMATION BY THE FO: WHAT INFORMATION IS USEFUL?

10.1 - Principles and examples

Traders have access to information and a good knowledge of markets and their actors because of their activities, **network organisation** (family networks consolidated over tens of years and over large geographical areas), and **frequent trips to different markets**. Farmers are more isolated and lack information. Some farmers use the telephone to contact their commercial partners in their target markets.³² This is only possible for a very small minority and is limited after all to the zones where there is a telephone network.

From the 1980s, market information systems (MIS) were set up by states for different reasons: (i) ensure greater transparency in the market, (ii) correct information asymmetries between traders and farmers, and (iii) enable farmers to improve their sales and adjust their production volumes to demand and prices. However, many farmers consider the diffusion of price information using this type of MIS to be insufficient: the information is not current, lacks forecast analysis and can neither help them to make choices nor to plan agricultural production activities (box 10a).

(10a) General limits of market information systems

Farmers consider information on prices, which is mainly disseminated by radio, as necessary but not sufficient:

- the information remains difficult to use because prices can vary very quickly and information which is dated quickly loses its value;
- farmers have little choice of their sales outlets. Given their lack of money, farmers do not always have the choice between selling their products immediately and waiting for better prices. In some cases they may even be indebted to local traders;
- the information produced by the MIS only presents the current market situation and says nothing about trends or forecasts, which farmers need to make choices and to plan production.



The MIS did not succeed in replacing the traditional information systems used by the traders. The latter quickly adopted new technologies, especially the mobile telephone. Moreover, the objectives of MIS are integrated into public services and have objectives in line with the basic functions of the state (transparency and market regulation). It is difficult to finance their operations and train personnel once the international financial partners withdraw.

Ref: Renforcer les institutions de marché / P. Delmas - Inter-réseaux, GDS 33, 2006.

Changes have taken place recently to take the needs of the actors into consideration and adapt the services provided in terms of information on prices and markets, e.g. the agricultural market observatory in Mali with decentralised structures located in regional chambers of agriculture. This observatory selects the products and markets it intends to monitor based on the requests made by the users in each region to better respond to the concerns of farmers. Private MIS have also emerged. For example, the Manobi systems in Senegal, which uses a combination of WAP and mobile telephones to provide information on market gardening products. Finally, it is important to note that there is also a trend towards regional integration with the creation of supranational MIS networks (like the Agritrade platform created by the Mistowa Project).

Small farmers generally do not benefit from the services provided by these systems (except in the case of peri-urban agriculture). Some FOs therefore decided to introduce specific information systems for their members. These systems may be relatively simple and on a very small scale: for example “the market observatory” put in place by the Mogtédou cooperative in Burkina Faso (box 10b), or the system set up by the Federation of Farmers of Fouta Djallon in Guinea, which informs them of prices in their target markets (box 10c). Other systems can be much more “burdensome” and “systematic” like the one introduced by ANOPACI in Ivory Coast (box 10d).

³² Farmer leaders who sell their onions in the important Malanville market in Benin also use cell phones to negotiate on equal terms with traders operating in their market.

(10b) “The market observatory” at the Mogtédó cooperative in Burkina Faso

Rice farmers in Mogtédó seek the highest possible price for paddy rice. But this price must be realistic and acceptable to external buyers. This requires good knowledge of the market and prices.

Initially the cooperative had contacts in the market in Ouagadougou to inform them about the prices for local and imported rice. With time, experience, networking among rice farmers’ organisations and the spread of the telephone, today the leaders of the cooperatives are able to obtain regular information on the markets and price variations in the production as well as consumption zones. Thus they have a basis on which to negotiate prices for their products.

The Mogtédó cooperative then set up a local market control body made up of 10 people who, in collaboration with the executive board, make up the **market observatory**. These individuals regularly survey the evolution of demand and supply and prices of imported rice and monitor the activities of the farmers who are in charge of carrying out measurements and weights in the market. They also ensure that what is sold in the market comes from the geographical area covered by the cooperative.

Ref: Creation of a secured and self-managed market by rice farmers of the Mogtédó cooperative in Burkina Faso / Inter-réseaux, CTA, based on contribution of FENOP, 2006. – 10 p. + summary 1 p.

(10c) Price information system at the Fouta Djallon Federation (FPFD) in Guinea

The FPFD developed a system that enables it to know the **prices of products upon their departure from the production zones**. There is already information on the prices of food products on the major urban markets provided by some services in Guinea (Sipag-Dynafiv; Project Aca USAID).

These are mainly retail prices, which could be quite different from the **wholesale prices in the major town markets** that are of interest to farmers and traders of Fouta.

The FPFD is also trying to set up a system to monitor information on the **wholesale prices in the target city/town markets** on a weekly basis. This system would be put in place using rural radio(s).

Ref: Activités de commercialisation de la FPFD : capitalisation du vécu et perspectives / Diallo K., Barry M., Beauval V. – Guinée : Cellule commercialisation de la FPFD, CCFD, 2006. – 30 p. + 46 p. appendices.

(10d) Information system on the markets of Anopaci in Ivory Coast

Following government disengagement, some state responsibilities were transferred to FOs without the necessary resources and means. Anopaci (umbrella FO in Ivory Coast) then defined priorities to provide services to its members. Marketing appeared to be the main problem faced by farmers particularly because of lack of market information.

A MIS was set up in 2002. It makes it possible to collect technical, economic (cost price) and commercial (price, volumes, supply) information about four main supply chains: pineapple-bananas, food crops, market gardening and livestock. Information is captured through 8 village information points (VIP) via Internet. Each VIP has a person in charge of data collection in five markets, who processes the data and broadcasts the information through rural radio stations. A quarterly report is published and is also disseminated on radio programs dedicated to agriculture. It is also transmitted through the Tradenet website which enables the exchange of information in the region. Farmers therefore have more resources to help them negotiate and suspicion between buyers and sellers is reduced. Revenues increase and crop intensification takes place.

It is difficult to cover the whole zone and to finance the activities of the MIS over the long term, but MIS have succeeded in adapting to the needs of farmers. They have become a precious, essential tool to enable farmers to become informed, negotiate and win the trust of buyers. The question remains whether farmers will be ready to pay for this service over time.

However, Anopaci hopes to be able to combine this information with technical-economic data from the farmers’ management committee for farms (production costs, sales price, transport costs, input prices, etc.).

Ref.: The Market Information System (MIS), conditions for the success of commercialisation operations, the ANOPACI experience / Kouao S., Sindikubwabo I. – Côte d’Ivoire : Anopaci, 2007. – 10 p. + summary 1 p.

10.2 – Advantages and limitations

Is it enough to be informed of a good price to obtain it?

Even if a farmer is informed of a price on a market, it does not necessarily mean **that he will obtain it**. The farmer still has to go to this market and have negotiating power in relation to the buyer, and the quality of his product must correspond to the price (e.g. conservation quality).

These factors are obviously important in determining the purchase price paid to the farmer. In fact, when farmers are informed of the price, they are often limited in their “choices” of the place of sale (accessibility of the markets, means and transport costs), and in their “choices” of the dates on which they can sell (lack of funds to wait for better prices and defer sales), and in their choice of “buyers” (committed sales in view of advances made by traders and collectors).

Improving market access conditions and systems that facilitate farmers’ access to funds certainly influence their choices and the value of information on prices. The MIS will be useless if they are implemented without other complementary action. They can even have negative consequences: for example, instead of **facilitating relationships** between farmers and traders, the dissemination of price information can sometimes lead to conflicts between these actors (farmers annoyed with the traders when they think they are being poorly remunerated for their agricultural products).

What information is useful to help farmers make decisions?

Current situations and future trends

The MIS often give information on the “current” market situation. However, the actors usually want more analytical information on the **trends and evolution** of prices and markets, price fixing **mechanisms**, and **quantitative** characteristics. Actors are more interested in information that is analysed and forward-looking rather than merely statistical information on prices. Also many FOs would like the information on prices to be accompanied by information that helps them understand the elements that make up the market price or an analysis of the trends: information on prices is only indicative and the price in recent weeks does not necessarily give an indication of future market prices.

Prices and farmers’ decision-making

In addition, **farmers do not react to price signals** as much as some would expect. Indeed, many other parameters come into play such as: (i) accessibility to production factors (access to land, equipment, fertilisers or credit), (ii) the costs of these production factors, (iii) the risks involved (health and/or economic risks) or (iv) the existence of a relatively transparent network of traders (no monopoly situation, accessible market, etc.). *“Farmers think more in terms of relative incomes than price. And, there can be competition as well as complementarity between the crops and herds within the production systems³³”.*

Management boards/Advice to family farms

Management boards or systems to advise family farms exist in many FOs and/or in service providers’ organisations. The information available in these systems could be used and exploited as decision-making tools. Within this framework, decision-making is based not only on agricultural or input prices but also in relation to crop technical pathways and practices (seed production, fertility management, adaptation of cultural practices according to the quality and target markets, etc.), and even to the combination of different crop and livestock systems with the whole production system.

Apart from enabling farmers to adjust decisions on crop technical pathways and practices as well as farming systems in general, these management boards or advisory systems can also facilitate access to credit (the link between management boards and individual credit demand or between the FO and banks³⁴).

Importance of price information systems coupled with marketing activities

In many collective marketing activities, a simple but targeted price information and follow-up system appears to be important, especially when the information obtained is of interest to farmers and when it can help them make decisions. For example, when the FO facilitates the warehouse receipt systems or warrantage credit and at the same time tracks the evolution of prices and introduces a system of information and price analysis, this can prevent members from adopting risky behaviour (waiting for higher prices while credit and other charges increase, etc.). The same applies when the FO carries out purchase-storage-sales activities; such a system can help it to avoid paying over-estimated prices to farmers and therefore to sell its products at a realistic market price without using so much of its working capital.

Market Information Systems: the higher the costs, the more inappropriate the system

Like the state-run MIS, the MIS put in place by FOs are often complex and have **problems obtaining financing**. In the end, even if the “smaller” systems set up by the farmers are not called “MIS”, they are

³³ Boum du maïs dans un pays de cacao : Sulawesi, grenier de l’Indonésie / Ruf, Yoddang, 2008. – 2 p. (inter-reseaux.org).

³⁴ See *Pôle Conseil à l’exploitation familiale (CEF)* co-organised by Inter-réseaux and Afdi (www.inter-reseaux.org).

simpler and less expensive and therefore pose fewer financing problems over time. The advantage is that they are actually linked to more general marketing activities. The information is adapted, usable and is used by farmers: farmers know what is hidden behind the prices and to what they actually correspond. The conception of a MIS must be built on an appropriate diagnosis, one that leads to the creation of a customised MIS is adapted to the specific needs of different countries, actors, products and the types of marketing activities that are undertaken (individual or collective).

Information flow on volumes and prices: MIS, the ultimate tool?

Beyond the MIS, information on the elements that make up these price signals

The information that the actors lack is often not related to the transaction itself or on the price signals but to the market environment or the factors that make up the price signals. For example, it may include information on the availability of credit, the level and location of harvests and stocks, rainfall data, regulations, availability of transport means, etc. This information can be used on a case-by-case basis to provide prospective indications or forecasts that are useful to farmers in making decisions.

A multitude of other possible and/or complementary action

In terms of circulation of information on volumes and the prices among different actors, **other actions are developed** by farmers and their FOs as well as by traders. This is often done with strong collaboration from administrative authorities and local traditional leaders: gathering the supply of the product at a single sales site in the market or agricultural fairs, market organisation, regulation of the supply, etc. Finally, FOs and support organisations can facilitate farmers' access to information about markets and supply chains in general. They can do so through the development of strategies that enable farmers to have a vision and better understanding of the traders involved and important segments of the supply chain. This can take place through exchange visits and collective thinking involving all the actors.



<http://inter-reseaux.org/ressources-thematiques/dispositifs-d-information-sur-les/>
Translated for this report from the French original

Market information systems

Market information systems were largely put in place in the 1980s to support liberalisation policies under the structural adjustment programmes.

Presented as important tools for liberalisation policies, they were aimed at solving market failures related to problems of information characterised as being incomplete or unevenly distributed among the various agents (farmers and traders in particular): by reducing the information asymmetries and rendering information more transparent, these systems were expected to improve on the decision-making of individuals, rebalance power relationships between actors and finally reduce transaction costs.

Management information systems have multiplied in recent years in Africa under the initiative of donors and/or POs. These MIS have variable lifespans and impacts.

THE FO FACILITATES THE GATHERING OF SUPPLY AT A SINGLE SITE IN THE MARKET: FOR MORE TRANSPARENT SUPPLY AND DEMAND

11.1 - Principles and examples

There are often on one side scattered farmers with weak negotiating power and on the other organised buyers and/or intermediaries who are much better informed about prices and markets than farmers. To avoid a very strong power relationship and negotiating power between farmers and buyers – for example preventing farmers from finding themselves in an unfavourable position in the market and even from selling off their products or at worst from carrying the products back home, the FO can take part in physically grouping the supply at a single site in the market.

This contributes towards greater transparency regarding the volume of products available and demanded, and the number and type of actors involved, be they farmers or buyers. The place where the products are gathered and the market remain the physical location where the products come together; the market also represents a given unit of time that can take place at different times but always for a defined length of time.

This unit of place and time is important for demand and supply to come together: to sell one's products at a specific place, space and time in the market offers the chance for greater visibility of product supply and demand.

Even if the FO itself does not organise the collection, it can bring farmers together at a single place and time to sell their products instead of being scattered at different places in the market or at the periphery or at different periods outside of normal market time.

Many experiences show how farmers and the FOs negotiated single sales sites from local, traditional and administrative authorities to allow them to control the flow of products and transactions at different places in the markets:

- women farmers of cucumber seed in Cameroon (box 11a);
- ginger farmers of the Nowefor FO in Cameroon (box 11b);
- rice farmers of the Mogtédó cooperative in Burkina (box 11c).

Local Market



(11a) One market day and place for cucumber seed: a space organised by Afebid women in Cameroon

The members of Afebid produce more than 100 t of cucumber seed per year but have serious problems to sell it all: sales of small quantities at the local level, distant and difficult access to markets, and many unsold products.

These past years, the women decided to gather their products at a unique place and precise date. Before the day of the market, the women carry out two types of action: on the one hand they approach potential buyers to have an idea about the quantities demanded and prices and on the other hand, they discuss among themselves to agree on the prices and assess the quantities available for the agreed price.

The installation of the local market place was done in collaboration with the local village and administrative authorities and also with the involvement of the youth. This experience properly illustrates the role of the association to support a fluid encounter between supply (farmers) and demand (buyers) of cucumber seed

Ref.: Ventes groupées de graines de concombre par Afebid / Odéco. – Inter-réseaux, CTA, 2006. – 6 p.

(11b) Negotiation of a unique ginger sales place by the FO Nowefor in the Bafut market in Cameroon

The market control committee (made up of three farmers' union leaders and a local assistant) made a proposal to ginger farmers in the Bafut zone to come together at a place in the local market to sell their products together at a unique sales point. The idea was to gather the supply in the market to have more visibility: what volumes are brought to the market and by whom? Who is buying and in what quantities? At what prices? In fact, the ginger sellers did not have an allocated place in the market and were scattered throughout the market: this made farmers weak in the face of the traders (bayam sellams) and also made it impossible to put in place measures to regulate the supply of ginger.

To negotiate the single sales point in the market, the local market control committee undertook negotiations with the Fon of Bafut (an important traditional authority) and the municipal council so that they would get

involved in the setting up the new strategy and to obtain their support. It was difficult to reach the Fon, but finally the latter received the delegates of the control committee and agreed to allow the farmers to use his authority to control the market mechanisms.

A single, permanent place for the gathering and sales of ginger in the market was therefore obtained with the support of the authorities. The committee selected a strategic position at the entrance of the market that is easily accessible to the buyers and sellers and facilitates loading the ginger bags into taxis and trucks.

Once the gathering of the ginger in the market was done, farmers realised that the prices were low because of **excess supply of the product**: there were 7,200 kg for local demand of 2,400 kg. By becoming aware of the imbalance between supply and demand, they understood the reasons behind the lower prices for farmers. A few bayam sellams (about 10) and mainly wholesalers had full latitude to impose low prices: with a supply of ginger three times greater than local demand, farmers were obliged to sell their products as low as half price.

Cohesion among the ginger farmers was reinforced at this stage as farmers recognised the situation: **by coming together in the market, they realised that they could evaluate the level of supply on market day and together take a joint negotiating position** on the selling price with respect to the buyers.

They also decided that it was necessary for them to set up a system to control the flow of ginger and the transactions. This led to the creation of a system aimed at regulating the supply of ginger in the local market: Nowefor developed a system of sales rounds in the local market and at the same time put in place alternative collective action to sell the excess ginger outside this local market (see sheet 12).

Ref. : Supply, demand and equilibrium price: a case for study. Improved prices for farmers through the organization of the local market and the regulation of the supply of ginger by Nowefor in Bafut (Cameroon) Lothoré, Delmas, on the basis of contributions from Saïld and G. Fongang, E. Deniel. - Inter-réseaux Développement rural, CTA, 2006. - 12 p. + 1 p. summary.

(11c) A single market site for Mogtédó rice in Burkina Faso

Starting from unfortunate experiences and relying on its own internal skills and capabilities, the Mogtédó cooperative put in place a marketing approach based on principles that were rigorously implemented. A fundamental option was to focus on the local market and bring the market closer to the cooperative. The cooperative also invested in the development of the local market.

To ensure grouping and better control of the supply, it selected a single sales point in the market with the help of the administrative authorities, which had to be used by all the cooperative members: a single location in the market reserved only for operators involved in selling rice in front of the cooperative's warehouse.

The consolidation aims to promote discipline and facilitate the implementation and control of the marketing rules that are defined together with the various partners (mainly concerning the prices and weights or measurement units). Farmers sell their rice only to women who reside in the Mogtédó Division, who transform it and then resell it in the local market. Any sales of rice outside of this circuit are considered to be against the rules of the cooperative and can lead to penalties, which in some cases can mean the withdrawal of the piece of farmland. The cooperative also set up a control body that, in collaboration with the cooperative's executive board and the local authorities, monitors and ensures that sales take place in the market of the geographical area covered by the cooperative (See sheet 12).

Ref: Creation of a secured and self-managed market by rice farmers of the Mogtédó cooperative in Burkina Faso. Inter-réseaux, CTA, based on contribution of FENOP, 2006. - 10 p. + summary 1 p.

11.2 – Advantages and limitations

In theory, bringing supply and demand closer together has many advantages. Gathering products at the same place in the market can improve the situation to the benefit of farmers due to relatively greater transparency regarding the volumes supplied and the matching demand.

But is this enough to solve the problems? The market allows farmers and buyers to meet at a physical location at a given time, but the organisation and the functioning of the market may vary and ultimately lead to less favourable situations for farmers:

- excess supply compared to the number of traders and their purchasing capabilities can break the market: in Bafut in the North West of Cameroon, the market functioned well from the farmers' viewpoint (relatively good prices for the ginger), until the abundance of ginger (following better yields involving more farmers) in the market led to the collapse of the market price (a fourfold decline within a few months);
- intermediaries may remain dominant in the market and disrupt fluid interaction between demand and supply: this is the case with bayam sellams in Cameroon and the Dilani in the north of Benin who prevent direct access of farmers to the local market. Farmers therefore remained in situations comparable selling

at the farm gate and were forced to sell their products at low prices (or agree to take them back home, which also has its cost);

- when the problem is to go and sell products at a relatively distant local market, farmers may find themselves in a very difficult situation: e.g. in Guinée Forestière where the few coffee buyers in this isolated region agree among themselves to set the prices;
- at the Mogtedo market in Burkina, as in many other markets, there are countless situations where the measuring units for volumes and weights are biased or skewed to the disadvantage of farmers. In Mogtedo, the gap between the weights taken by the cooperative and those in the market varied by 10-15 kg for the same 100 kg bag of paddy rice to the disadvantage of the buyer.

In Cameroon, the market functioned well before there was an excess of supply of ginger and there was no need for any specific intervention. Thereafter, difficulties emerged in the market. As in other examples that have been cited, **the market mechanisms are not fluid and regulation or control mechanisms may become necessary** to make the market function normally again.

The “free” functioning of the market is therefore unsatisfactory and other types of measures can be developed by farmers and their FOs to manage supply and regulate the functioning of the market (see sheet 12: Organisation of markets and agricultural fairs; and sheet 13: Management of supply).

THE FO FACILITATES THE MATCHING OF DEMAND AND SUPPLY: MARKET ORGANISATION AND AGRICULTURAL FAIRS

12.1 - Principles and examples

To prevent farmers from being in unfavourable positions in the market (obliged to sell off their products at cheap prices or to take them home), some FOs negotiate and participate in defining market operating rules.

This is often done in agreement with the market authorities (local groups that manage the market taxes) and/or the traditional authorities or the police force, which takes part to ensure the respect of the rules. Consequently, farmers know what to expect before they come to the market. In the same way, buyers also know more or less under which framework and conditions market exchanges will take place before coming to the market. Several concrete cases of this nature were studied.



In the north of Benin, measures were taken by livestock breeders to revitalise the traditional cattle markets and fight against sales carried out in camps. These sales in camps were characterised by poor remuneration of the breeders and recurrent conflicts between them and the intermediaries. The livestock farmers took part in putting in place market control systems that have made market relations evolve towards win-win situations between breeders and intermediaries. Their involvement in the management of the market gradually contributed to its proper structuring and also to the development of many activities and professions around the market. As real tools that serve the organisation of professional livestock breeders, livestock breeding and local development, these self-managed markets show that a win-win strategy between farmers, intermediaries and buyers is possible. Improvements in market access, facilitating the matching of supply and demand with more transparent transactions, provision of services for livestock keeping in the markets, and better revenue for livestock breeders while protecting the interest of other key actors: all these activities can inspire other development actors. It is important to note that the organisation of the activities of livestock breeders around the market contributed to the creation and development of livestock breeders' organisations from the local to the national level (box 12a).

In Burkina Faso, the Mogtédo cooperative helped put in place a single, mandatory sales point for rice to reduce the power of the buyers. Market rules defined and negotiated with the traditional authorities as well as price fixing mechanisms and the control of weights and measurements contributed to improve the functioning of the market to the benefit of farmers and traders (box 12b).

In these two Beninese and Burkinabe examples, the markets are “**physical markets**,” as sellers, their products and the buyers are present on the spot. But there are also other forms of **markets where the products are not transported directly**. Preliminary steps make it possible to organise actors well before market day, and farmers no longer travel to the buyers with their products but rather with samples and/or on the basis of agreements that have been facilitated beforehand by their FOs. The actions of FOs and support organisations here consist in enabling improved encounters and direct relations between suppliers of products (member farmers in particular, but not only them) and buyers (would they be final buyers or intermediaries). The markets then serve to finalise the terms of the transactions (transport methods, final agreements on prices according to the quality and volume, deadlines and payment terms, etc.) that are carried out later on. There many examples to illustrate this situation:

The example of UPBM with mini-fairs for bananas in Guinée Forestière between farmers of the FO UPBM and the traders' association of Conakry in Guinea (box 12c).

Another widely known example is the annual grain fairs organised by the NGO Afrique Verte since 1987 in Niger, then in Burkina Faso and Mali. The grain operators (FOs, traders, transformers and transporters) come together to match their supply and demand on the basis of samples. The negotiations are free of charge. Contracts are signed without the intervention of Afrique Verte, which nevertheless ensures monitoring and can propose mediation between farmers and buyers in case of conflicts (box 12d). Prior to these agricultural fairs, the mediation role played by the GIE Jèka Feéré (Mali) is also essential (box 12e).

In markets on the first level (physical markets) and the second level (agricultural fairs), the FOs do not own the goods: they simply organise and facilitate farmers' sales by increasing the transparency of the transactions and facilitating the matching of product supply and demand. Farmers (members and non-members alike) remain the owners of the products. The FO is not responsible for physical delivery of the products.

(12a) Self-managed cattle markets in the north of Benin

Improving the transparency of transactions, the encounters between livestock breeders and buyers, and the organisation of the market were the challenges overcome by Beninese livestock breeders... and very successfully! This farmers' innovation was initiated by the livestock breeders in Gogounou in the north of Benin.

Installation of the first self-managed cattle market in Gogounou

Self-managed cattle markets were first set up in Gogounou in the 1970s by livestock breeders themselves, charismatic leaders and other grassroots actors. They came into existence progressively:

A very strong start

Between 1976 and 1980, the livestock breeders united around traditional leaders to stand up against the opaque marketing system controlled by the Dilani in the traditional cattle market: they decided not to send any of their animals to the markets. There were tensions and threats and some leaders were even imprisoned to force the livestock breeders to start selling their cattle. But the latter kept their word and within two months the Gogounou market collapsed.

The process for more transparent transaction management was then initiated. The intermediaries were not excluded from the system – this would have been neither economically nor socially sustainable for them and would have quickly undermined the system. They were, on the contrary, integrated and placed at the centre of the new market with new functions. They were assigned to witness transactions between breeders and buyers and from then on they were put in charge of facilitating the sale of the animals by recording the transactions and collecting the tax. This tax of about 25 FCFA/head sold was managed by the village group (VG). A third of the tax goes to the witnesses and two thirds to the Gogounou elders (very important personalities in the old system).

The organisation of a multi-actor market management committee

In 1986, the organisation of the market gradually evolved towards the introduction of a management committee. This committee was made up of all the actors involved: livestock breeders and agro-pastoralists, traders, loaders. It was in charge of the regular management of the market. The tax, which amounted to 100 FCFA/head sold, was not managed by the VG but was instead deposited in an account opened at the local mutual agricultural credit scheme.

The new market, characterised by the conversion of the Dilani middlemen into remunerated witnesses, now featured: (i) direct matching of demand and supply; (ii) facilitated transactions authenticated by witnesses; (iii) better price information and transparency.

This system has been beneficial to the livestock breeders who have seen their incomes rise. The old Dilani now playing a new role are no longer seen as crooks since they are remunerated by the livestock breeders in a fixed, predetermined manner for an actual service. In the same way, the elders are still recognised through the percentage of the tax they continue to receive.

The creation of the local cattle market management association (ALGMB)

In 1995, the Gogounou market was given a formal, recognised legal and organisational framework through the creation of the local livestock market management association.

Armed with a constitution and internal rules and regulations (and associated penalties), the association has a number of objectives:

- to provide moral and material support to livestock breeders for the promotion of animal health;
- to minimise mediation and facilitate sales between livestock breeders, buyers and consumers;
- to ensure the regular supply of the market with animals; to facilitate and manage the market;
- to ensure education and associative training of the members, to facilitate self-help practices, reciprocity, solidarity between them and to undertake legal activities to give them moral, social and material support.

External support

Between 1990 and 1999, the livestock breeders in **Gogounou obtained technical and financial support** from state organisations and projects. This support made it possible to improve the functioning of the market particularly through training, exchange visits and advice on financial management, bookkeeping, animal health, and the management and resolution of conflicts. The market was equipped with an office, a pharmacy, a dispatching platform and a well, thus structuring the market space.

In all these actions, the participation and financial commitments of the livestock breeders helped to make the approach a partnership rather than assistance.

Operation of the self-managed livestock market in Gogounou

The functioning of the ALGMB involves various groups of actors concerned with the sale of animals in its general assembly (GA): **livestock breeders, agro-pastoralists**, traders, butchers and saleswomen (who also raise small ruminants and process derivative products: curdled milk, cheese, milk-enriched pap, etc.). **The market is managed directly by these actors** and is called “**a self-managed market**”

The ALGMB obtained new financial and economic management tools to manage the market: management and control committees, both elected, oversee the functioning of the market, the management documents and the issuing of tickets. The administrative and financial management of the market involves: (i) transparent deduction of taxes on all transactions with oversight by secretaries and witnesses and handling of the accounts and (ii) holding ordinary meetings (technical and financial balance sheet) and extraordinary meetings (conflict resolution, theft of cattle).

To facilitate the work, the management committee pays various agents:

- witnesses, the redeployed Dilani, who authenticate the transactions and deposit the collected taxes with the secretaries;
- controllers who check the tickets before the animals are loaded;
- secretaries who deliver the tickets, collect taxes and transfer them to the treasurer of the management committee;
- the person in charge of the inputs store;
- other agents also present in the market, e.g. the people who bring the animals to the markets, the loaders and the women who run restaurants.

Apart from the management of the weekly market of Gogounou, the ALGMB association also provides other services to its members using its own funds:

- capacity building: training of the committee members in management and bookkeeping, training of young people on basic animal health, literacy classes for saleswomen;
- purchase of market equipment and infrastructures;
- supply of basic drugs in collaboration with private veterinarians;
- development of relationships with the local institutions and support structures;
- organisation of exchange and awareness meetings.

In addition, the ALGMB also provides information and raises awareness about this type of organisation among actors in other Beninese markets, and coordinates the nascent self-managed market network.

Direct results of the self-managed market in Gogounou

Better marketing and an improvement in livestock breeding

The first direct effects of the market are an improvement in the selling prices for the animals to the benefit of the livestock farmers, facilitated and much faster transactions for the buyers and an increase in the volume of transactions. The increased frequency of transactions in the market has also made it possible to better control the health of the animals and fight animal theft more efficiently. As a locus of encounter and exchange, the market gives the livestock farmers improved access to information and their organisations are strengthened.

A boost for local development and wider recognition

Thanks to the Gogounou market, the livestock farmers have been able to finance local initiatives (social projects, primary schools in the Peulh Camps, etc). Gogounou women (Peulh and Bariba) were systematically integrated in the process (training, support for processing, literacy classes). Through these actions, the market started to gain credibility not only from the livestock farmers themselves but also from the different groups, local partners, livestock services and external projects.

Extending the results beyond Gogounou: the network of self-managed markets (RLMS)

Gogounou was the first self-managed market to be set up but others were also created later on. In 1999, a network of self-managed markets was created as a way to share experiences, conduct information meetings and group training (the constitutive general assembly in 2001 where the network voted on its statutes, internal rules and regulations as well as other tools such as membership registers, minute books for meetings of the bodies, cash books, bank books).

Structuring of the livestock breeders' organisation

In 2000, the livestock breeders decided to organise themselves into groups. Professional groups of small

ruminant breeders (GPER) were created at the grassroots level, bringing together camps that vaccinate their animals at the same place.

These GPERs are grouped into district unions (UAGPER). The district unions also join together to form the communal unions (Ucoper), which are united within the Divisional union of Borgou-Alibori (Udoper: the general assembly was held in 2004 and brought together about 3,000 livestock breeders from the north of Benin as well as mayors, representatives of the administration, projects and also delegations of sister organisations from Mali and Niger). The association of livestock breeders at the national level (Anoper) was created in 2006.

Ref.: *Self-managed livestock markets: the Beninese example / A Lothoré, P Delmas, Farming Dynamics n°10 – SOS Faim, 2006. – 8 p.*

(12b) Markets secured and regulated by rice farmers of the Mogtédó cooperative in Burkina

Rice farmers of this cooperative had all sorts of experiences in the marketing of their paddy rice: the good periods when state-run societies bought all their products at good prices and the bad times when payments were very irregular and prices were very low. There was also a period when the cooperative was buying and selling members' products with many problems in carrying out market research, failure to comply with commitments on the part of traders in the cities, a crisis of confidence among members and suspicion of the leaders by members, etc.

The first measure was the decision to allow the members to sell their products directly and obtain cash payments directly. The cooperative no longer buys farmers' products (the rice it owns comes from reimbursements or input purchases). It proposed that henceforth the village women should be the ones to buy the rice, process it and then sell it to traders in the area. The cooperative takes charge of other functions to facilitate marketing and improve the members' sales. This was made possible only after the decisions had been collectively adopted:

- first of all, the decision that *"all the rice should pass through the village women involved in the processing of rice"* with a ban on sales of paddy rice in the market; only the sale of white rice was authorised. The women buy the paddy rice for cash from farmers, take charge of parboiling and husking and then sell the white rice to external traders who come to buy in the local market. There is therefore an increase in the value added which is conserved in the village. The cooperative no longer buys all the members' rice;
- the decision to have a single sales point in the market to facilitate the flow of information and control;
- the decision to control measurements so that farmers would be paid for the right weight;
- the decision that the cooperative regulate the market: it intervenes at certain periods to buy paddy rice or to sell some to adjust the volumes put on sale (and also to guarantee regular supplies to the traders) and to have a more stable supply (and price) (see sheet 13);
- the decision to have a flat price fixed through negotiations between cooperative members and the processors and introduce rules to ensure that the agreed price is respected and penalties meted out in case of non-compliance. The cooperative oversees the fixing of the sale price of paddy and white rice as well; prices are correlated with the national market prices and those for imported rice, which remain an important reference. The cooperative negotiates and obtains better prices for the sale of members' paddy rice. Fixing the price of paddy and processed rice no longer depends solely on external buyers. Now farmers negotiate the prices with the persons involved in its processing, while taking into account production costs on the one hand and rice prices in the major national markets on the other. The prices are determined through dialogue with the leaders of the cooperative. The women buy paddy rice and retail dehusked rice. Before negotiations take place, the cooperative assesses the supply of paddy rice and the prices of imported rice. The purchase price for rice is set based on the data and processing costs.

The role of the cooperative has therefore shifted from **rice purchaser** to **market regulator**. The collaboration with the local authorities allows it to ensure compliance with the rules.

It supports economic activities within the village and a better distribution of wealth (value added on rice processing). It is now in a better negotiating position to set prices and negotiate the distribution of the added value. The rice farmers of the Mogtédó cooperative sell their paddy rice at higher prices than those on all other irrigated perimeters of the country: the Mogtédó market is nearly the only one which sells paddy rice beyond standard industrial prices. This price, which is applied at the cooperative's single sales site is systematically higher than the prices offered by a few traders who still try to intercept farmers' products in the outskirts of the market.

Better prices for farmers mean that traders buy more expensive products. Nevertheless, the traders are satisfied with the measures because they are interested in having a regular supply of products year-round (the usual complaint is that the distributors are unable to have adequate supplies of rice year-round). In this regard, the cooperative benefits from the fact that rice is produced two times a year. The prices of parboiled rice sold in the local market to external traders are communicated a week in advance: the traders therefore come to the

market knowing exactly what to expect.

What the members of the cooperative want are: remunerative prices and a guarantee that they will be able to sell their production. These objectives led the cooperative to put this system in place by building on its local, traditional market and on the local authorities. The first role of a cooperative is to meet the needs of the members and to look out for the best suited, most secure systems to achieve these objectives. In most of the other cooperatives in Burkina Faso, the internal rules and regulations state that all the members' produce be sold to the cooperative and in most cases, these clauses are seldom honoured. Why? In general due to the lack of financial capacity (the cooperative has insufficient or no access to funds) and/or there are simply no buyers for large quantities of products.

Ref.: Creation of a secured and self-managed market by rice farmers of the Mogtedo cooperative in Burkina Faso. Inter-réseaux, CTA, based on contribution of FENOP, 2006. – 10 p. + summary 1 p.

(12c) Programming harvests and putting in place of mini-fairs for the banana growers of Guinea Forestière (UPBM) and traders from Conakry

The UPBM is an example of an FO that is organised effectively and has a well thought out marketing strategy in place to deal with problems related to the marketing and intensification of banana production. It is a truly dynamic economic enterprise which developed its own marketing rules supported by a forum for dialogue involving local traders who sell their banana in Conakry.

Farmers determined the days on which to sell after agreements on the prices and tonnages with the traders from Macenta. The FO facilitates the encounter between farmers (suppliers) and the buyers (demanders) by arranging contracts even well before the harvest. This led to the creation of regular mini trade fairs for the marketing of banana and involves price negotiations and the programming of marketing between farmers and traders from Conakry.

This marketing strategy in Conakry is supported by two principles:

- the union works with traders who accept to negotiate a flat price and which can be revised periodically (2 to 3 times a year) depending on the market, conditions and the transport costs;
- in return, the farmer groups supply quantities equivalent to truckloads of about 20-25t on a date agreed upon with the traders.

To function, this system is built around various bodies:

- a body in charge of **harmonisation-negotiation of banana prices** where the farmers' union and traders of the association come together to set the prices;
- a commission in charge of **scheduling the harvest, where selling is scheduled every week** tied to a harvesting programme put in place between farmers and the traders of the association;
- a **system of measurement which takes place in the presence of traders but controlled by farmers**;
- a control committee.

Ref. : UPBM Commercialization system: Negotiation of prices and programming of commercialization between farmers and traders- Guinea: Inader, UPBM, Inter-réseaux, CTA - 12 p. + summary 1 p.

(12d) FO participation in cereal trade fairs in Mali

Malian cereal production (millet, sorghum, corn, processed products) can meet the gross national needs but there is strong inter-annual and inter-regional production differences. Since 1990, fluidity in the exchanges between surplus and deficit zones (production zones/rural or urban consumption areas) has improved. This took place through the organisation of cereal trade fairs initiated by the NGO Afrique Verte. These trade fairs always bring together different types of actors involved in the supply chains. Some of them come from quite distant areas and different backgrounds:

- farmers who can be traders and or buyers depending on the cereals;
- processors, promoters of cereal processing and packaging units. Women associations in general in urban areas and rural minorities from the south of the country;
- traders and institutional representatives who, apart from providing technical support to the operators, ensure the development of cereal policies or provide funding for the marketing of cereals;
- decision-making structures, financing structures (banks, saving & credit schemes), technical support services and others for the regulation and control of the supply chains, NGOs, chambers of agriculture are also more and more present.

But they take various forms depending on the number of actors and types of cereals involved:

- trade fairs at the beginning of the marketing season between November-January also known as pre-trade fairs. They bring together about 60 to 80 participants. These pre-fairs make it possible to evaluate the availability of products in the market, the level of batch orders, to calculate the cost price of the cereals and to prepare the FOs in negotiation techniques as well as for the exchanges which will take place thereafter;
- **mini-fairs which bring together suppliers and buyers of a particular cereal** (for example: trade fairs in Niono – the first in 1995 –, Koutiala, Sévaré);
- **regional trade fair** which groups together about forty participants around all the cereals: these fairs make it possible to supply deficient zones from the surplus areas of the same region (for example in Kita and Diéma);
- one annual **national fair which brings together about** hundred operators (generally in Ségou);
- one annual **international fair involving** approximately 120 cereal operators from three countries (Mali/ Kayes, Senegal/Tambacounda and Mauritania/Sélibaby) around the valleys of the Senegal River. This fair (held in general in Kayes) promotes exchanges in different directions depending on the agricultural contexts.

The organisation of the fairs is beneficial at various levels:

- the deficient FOs can obtain their **supplies at lower prices than those practised in the local markets**. Resale of cereals to members takes place at good prices while enabling the FOs to keep some profitable margins;
- **FOs with surpluses can sell large volumes of grain: between 2001 and 2005, more than 52,000 tons of grain were sold;**
- the FOs are **organised/structured and strengthened**: in order to meet the qualitative and quantitative requirements of FOs operating at a loss in the Kayes Region, seven village associations in Niono came together in 1996 to create the Jeka Feéré (“to sell together”) organisation in Office zone of Niger (see box 12e). A system of deducting commissions on sales for the member FOs provides the organisation with some level of operational autonomy. There is a increasing number of applications for membership and support to extend the experience of Niono to other areas of the Office zone of Niger;
- **trade relationships and dialogue** are being built between farmers, the FOs and buyers and the other main partners: given the many fairs that have been held already, the actors end up knowing one another and are recognised; there is better understanding of the decisions as well as proper positioning of the actors;
- a framework for **information exchange and reflection** is being put in place for marketing grain in Mali concerning the difficulties encountered and questions of national interest. Discussion takes place on experiences, analysis of the farming seasons or the supply chains, information on prices, stocks, availability, financing, etc. Lobbying and advocacy has begun at higher levels.

The question of funding remains: even though the meetings are recognised as useful and necessary by all the beneficiaries, it appears that the organisation of the fairs remains expensive (organisation, activities, technical support). Who has to/can pay? Which actors should be involved in the transactions? Should the annual exchange forum for communication and dialogue be financed by the state?

Ref.: Les bourses aux céréales : commercialisation des céréales locales en réponse à l'insécurité de l'approvisionnement alimentaire /Haidara.M. – Amassa Afrique Verte Mali.

(12e) Mediation between sellers and buyers by the GIE Jèka Feéré in Mali

The GIE Jèka Feéré (meaning “To sell together” in Bamanan) helps its member organisations to improve the marketing of their rice production from the Office zone of Niger by serving as a mediator between sellers (unions and grassroots farmers) and buyers. The GIE does not stock rice nor take out bank loans, but merely facilitates the transactions through many different actions:

- determination of a standard price which takes into account the floor price for farmers and the market;
- assessment of the supply: evaluation of available and ready-for-sale stocks;
- seeking markets and buyers: on the basis of dialogue that leads to setting a standard price and estimates of the gross available supply, the GIE is in a position to negotiate contracts in the market;
- signing sales contracts with buyers with the assistance of specialised technicians;
- opening bank accounts to ensure that payments are made securely to farmers;
- follow-up and monitoring of transactions: a specialised commission ensures compliance with the contractual requirements of the traders (quality of the product and packaging, compliance with delivery dates, etc).

The GIE Jèka Feéré also facilitates connections with other actors to improve the quality of rice: tests of rice processing equipment with an agricultural firm, access to advantageous funding for the purchase of rice huskers.

Each year it sells between 1,500 and 3,000 tonnes of rice:

- 70% within the framework of the **grain fairs** organised by Afrique Verte for the supply of deficit areas (Kayes, Kidal);
- 20% for actors in the **urban market** (grain traders);
- 10% in **institutional markets** (charity organisations with programs for supplying grain banks).

Whereas the majority of farmers in the Office zone of Niger sell their rice at harvest (at low price) and funding for marketing and storage is limited compared with the needs, the system set up by the GIE Jeka Feéré has the advantage of providing a solution to the marketing problem in this zone. It is involved neither with credit nor storage but with the facilitation of transactions between suppliers and demanders. The GIE also works on improving the quality of the products and thus enables farmers to price their products higher.

Ref.: The intermediate role of the Jeka Feere economic interest group in the commercialisation of rice in the Niger Office zone in Mali - A commercialisation experience without credit or storage / M.Haidara. – Amassa Afrique Verte, Inter-réseaux, CTA, 2007. – 11 p. + Summary 1 p.

12.2 – Advantages and limits

These activities generally take a long time to set up

The example of the agricultural fairs is particularly illustrative. In fact we generally see only the visible part of the process when the actors come together on market day or when the fairs are held. But for these markets and fairs to be successful, for contracts to be signed and for products to be sold under conditions that are satisfactory to the buyers and sellers, numerous conditions must be met in terms of organisation and collective apprenticeship: first of all by farmers but also by other actors of the supply chain and by traditional authorities.

Mediation of the FO: a prerequisite at various levels

For these markets and fairs to be held properly and under conditions that are favourable to both buyers and sellers, many organisational activities are necessary. Even if they are less obvious or immediately visible compared with transport and storage operations, they are nevertheless essential. The activities of FOs to facilitate sales are numerous and take place at different levels:

1) FO measures regarding the **supply of products from farmers**:

- **gathering information on the quantities and qualities** that farmers can bring to the market: monitoring cultivated surface areas, estimating the volumes harvested, family food needs (volumes for home consumption), estimating the volumes intended for sale in the markets either individually and/or through collective sales action (volumes, qualities, dates, prices), without overestimating the marketable quantities and giving farmers a chance to sell outside the grouped sale, somewhere else and / or on a different date in case of need (the example of the UGPBM in Burkina Faso has already been mentioned);
- organising discussions between farmers **to agree on price levels**, taking into account production costs and the reality of the market in order to determine a minimum price that covers the cost of production, transport, collection and marketing of the products. This price must also take into account the real market prices (the difference between the farm gate price and the world market price is not the trader's margin. There are other costs and risks involved.), and consumer requirements (price, quality, presentation of the products, appropriate packaging, particularly because of the competition between local and imported products). The Fouta Djallon Federation in Guinea provides an example;
- **information for farmers on the requirements of buyers and consumers**: the farmer should not produce only according to his tastes, needs or personal constraints. Examples such as the one already mentioned of the FO Nowefor and its tomatoes show that being attentive to the needs of the market as well as the tastes of consumers and purchasers can open up new outlets;
- **work on farm practices**, exchange of expertise and know-how, links with research, and proper experiments to adapt the products to demand (example of potato farming in Fouta Djallon in Guinea).

2) FO measures regarding **product demand from buyers**:

Actions are carried out by the FO to give farmers a better understanding of the demand in terms of quantities (new outlets, new sales sites or higher market absorption capacities) and qualities (to adapt the supply to the demand). The actions aim at new markets, earning buyer loyalty, sales points, etc. This takes place among others by:

- collecting information on the qualities expected or desired by the buyers;
- collecting information on the volumes and qualities requested, estimating possible prices according to modes of payments and delivery terms;
- identifying trade partners and potential transporters as well as assessing their reliability (maintaining information on traders, official badges, etc.).

3) FO measures regarding the **encounter between farmers and buyers** to facilitate **matching supply and demand** in markets or at agricultural fairs:

Here the issue is to improve the functioning of the market, i.e. to make markets more transparent, to reduce transaction costs and balance power relations or even to create new market spaces in collaboration with other types of actors. This takes place mainly by:

- improving information and **knowledge of the prices**, volumes and qualities available/requested in the **markets** by introducing measures to bring together, analyse and use information on the prices and volumes; having a vision of the supply chain and price components, operators' costs, risks (what does having a better price mean?), knowing what is negotiable and what is unreasonable and where it might be possible to upgrade the supply chain without taking serious risks;
- putting in place rules and committees to regulate the market;
- promoting **different ways of putting the products on the market** according to the product qualities, the production capacities of farmers and market absorption capacities (link between sales in the local market and sales in more distant urban markets);
- **negotiating contracts** with specialised actors (traders, transporters, processors), **negotiating prices, payment deadlines** and favourable delivery conditions for farmers. On this issue, it has been noted that cotton farmers agree to be paid several weeks (or months) after delivery whereas for other products, farmers want to be paid immediately. In Mogtédou in Burkina Faso, the price of rice is negotiated between the cooperative and women involved in the processing of rice who buy the paddy rice from farmers;
- **controlling the implementation of contracts and payment of farmers**: finding means to ensure that farmers comply with their commitments in terms of announced volumes and dates to avoid discrediting the FO or other farmers (solidarity groups, measures to prevent hasty or early sales by farmers in difficulty, etc.). At the same time, at the level of the buyers, the FO puts in place measures which tie the traders to farmers (provisions to settle conflicts, involvement of local authorities, etc.) even if it is more difficult when the buyers are scattered and far away.

Undeniable results

Farmers can increase their role and influence in the marketing of their products, establish power relations with buyers, and negotiate and obtain reasonable prices for their products and avoid cheating by intermediaries and collectors (on the weights, quality, calculations, payments, etc.). They therefore enjoy greater revenue security and are thus able to plan and invest in the development of their farms.

For the trader, the mediation role played by the FO offers many advantages, mainly:

- better knowledge of the product, its characteristics and its qualities (direct contacts);
- reduced marketing costs (collection, transport, primary transformation, facilitated sales and time gains), and reduced marketing-related risks (prices and uncertain outlets);
- reduced risks and uncertainties relating to purchases: products are guaranteed in terms of requested quantity and quality at negotiated prices or prices known in advance;
- lower distribution costs making the trader more competitive in the market and able to sell larger quantities.

The mediation often leads to a contract that has many advantages: secured outlets for the farmer at a price negotiated and known in advance. And for the buyer: an assured source of products, at a price negotiated

and known in advance, products that meet the standards, etc. But this also has some risks: e.g. dependence if farmers sell large volumes of products to a few buyers.

The stakes involved in organising a single sales site in the local market is not negligible. The single sales place, associated with other market organisation measures, makes it possible to fight against poor information available to scattered farmers; better **information on the prices** and **easier control** of their compliance with agreements on prices (e.g. minimum guaranteed floor price); better information on **demand and supply**; easier **management of the supply of the product**; easier monitoring/supervision and compliance with the rules relating to the measurement units. The single sales point in the market constitutes an important guarantee for farmers that the rules of their organisation are being followed. It allows power relations between farmers and buyers to become balanced (see sheet 11).

Finally, when the FO takes part in the organisation of a market, there are improvements in the conditions for the members but **also for all the other farmers who come to sell their products in the same local market.**

REGULATION OF SUPPLY IN LOCAL MARKETS

13.1 - Principles and examples

Paradoxically in agriculture, increases in the quantities produced and delivered (by expanding cultivated surfaces, spreading out production and/or the yields) do not automatically result in a rise of incomes for farmers. When there is high supply of products in the market compared to the demand from buyers (demand variations do not generally match supply variations in the same proportion), the prices of the products drop, thereby, ruining the efforts put in by farmers to produce more.

Local demand does not usually give farmers much leeway. They therefore organise to regulate and manage supply in the market to avoid price drops. FOs undertake actions to plan production with respect to intra-annual price fluctuations, or even out the volumes of products available in the market, and anticipate drastic price falls or increases. For example:

- technical support to spread out the production of potatoes over a much longer period of the year to avoid production peaks at harvest and supply deficits which can destroy existing relationships between farmers, buyers and consumers (Fouta Djallon Federation).
- organisation of rounds for the sales of ginger and tomatoes in the local markets by the FO Nowefor in Cameroon (box 13a and 13b)
- management of the supply of rice by the rice cooperative in Mogtédou-Burkina Faso by putting in place functions to regulate and control the local market (box 13c).

(13a) Management of ginger supply and organisation of the market by Nowefor

Nowefor, in Cameroon, paid a price for its success in the production of ginger: the members of this Cameroonian Federation increased their production (farming practices, provision of inputs and credit, follow up of production...) so much that their production saturated the local market and led to a drastic decrease in prices: surplus supply of ginger in the market compared to demand led to a radical drop in the price (a fivefold decrease in less than three years).

The members of this FO engaged in a long process of reflection and action and developed strategies to face this decrease in the price of ginger at the level of the local market and thus to sell more of their ginger.

In 2004, they initiated a strategy to organise the local market through better transparency in the transactions and through management of the supply. This strategy was build around the following: (i) weekly regulation of the supply at the level of the local ginger market (limitation of supply to better negotiate prices with the buyers) and (ii) to sell off the excess of ginger in the local market to new external markets (organisation of transport and sales to distant buyers)

This enabled farmers to once again achieve an attractive price in the local market. Experiences involving the purchase, storage and processing of ginger were also developed as well as attempts to create a network of farmers.

Ref.: Idem supra : Supply, demand and equilibrium price: a case for study. Improved prices for farmers through the organization of the local market and the regulation of the supply of ginger by Nowefor in Bafut (Cameroon) – Inter-réseaux, CTA, 2006. – 12 p. + summary 1 p.

(13b) Management of the supply of tomatoes by Nowefor in a local market in Cameroon

Technical and financial support made it possible for farmers of Nowefor to significantly increase the production of tomatoes within the market gardening sector in Bambui. Production increased from 7 buckets of 15 litres of tomatoes per week per farmer to approximately 20-40 buckets. The local market in Bambui, like the main market in the nearby town of Bamenda, were saturated with tomatoes and the prices fell from 3,500 FCFA/bucket to 1,800 and even 1,000 FCFA/bucket. Farmers no longer had a satisfactory income from their production.

The members of this sector then have been working on how to make their production more profitable. Some ideas emerged among others: reduce the supply of tomatoes in the local market on the one hand, and on the other, gather the products and look for external markets to sell off the excess production.

To reduce supplies of tomatoes in the local market, farmers adopted a sequential mode of production. Members of the sectors organised into six sub groups and a production calendar was established, which

provided for a gap of two weeks between the planting of tomatoes by the sub groups. As a result, farmers harvested at different periods and no longer carried all of their produce to the local market at the same time.

In order to search for external markets, two members were sent to prospect markets in Yaoundé and Douala and Limbe where buyers were identified in each of the towns. These buyers had different demands in terms of the quality of the tomatoes. Specific farm practices were then developed by the FO to meet these requirements (see sheet 8 on quality).

Ref.: Idem supra.

(13c) Managing the supply of rice - Mogtédó cooperative in Burkina Faso

The cooperative set up an innovative system for managing the supply of rice in the local market, in order to have regular supply of quality product. The cooperative acts on two key elements: the price of paddy rice and white rice and the volumes that are brought to the market. It also intervenes in terms of quality: informing, training women parboilers, work on the equipment.

The regulation of rice supply is crucial to avoid an influx of excess paddy rice in the market, which tends to bring down prices and also to guarantee regular volumes of products for the buyers who are on the market when rice is scarce.

The cooperative intervenes at different periods to maintain regular volumes of supply on the Mogtédó market. It does not buy paddy rice from the members (only in cases where some members are in difficulty or to avoid flooding the market at harvest), but regulates supply in the market through the rice it obtains from the reimbursement in kind of input loans to members: the cooperative stocks and releases this rice in line with the needs of the market. It releases its stocks into the market once the market starts lacking rice with the objective of maintaining the purchase volumes in each market and as a means retaining buyer loyalty (these stocks come from payment in kind of contributions for the management of the land or for reimbursement of inputs and intervention purchases).

The cooperative therefore tries to regulate prices (higher, more stable and known in advance by the buyers) as well as the volumes (there is rice to be sold on each market day). This last point is primordial for the buyers who are in search of regular turnover. Farmers are the ones managing the market through the actions of the cooperative. Here the action is not to collect the market taxes, but to manage the supply of the product and to guarantee demand by offering conditions that are appreciated by the buyers.

For farmers, the market is secured because it is no longer subjected to price variations, which can be imposed by the buyers. Farmers are involved in the process of ensuring that the agreements are respected and the cooperative supports the control of the transactions to prevent losses on the weights during purchases.

The new mode of operation was explained, negotiated and accepted by the local authorities who are not trying to stop it but are even encouraging it:

- Control of processed rice brought to the market at a single sales point and at negotiated prices;
- Control of measurements and weights
- Rules to ensure the respect of the prices with penalties in case of non-compliance.

The cooperative therefore introduced a right to regulate the local market for more equity on the basis of negotiations with other professional actors.

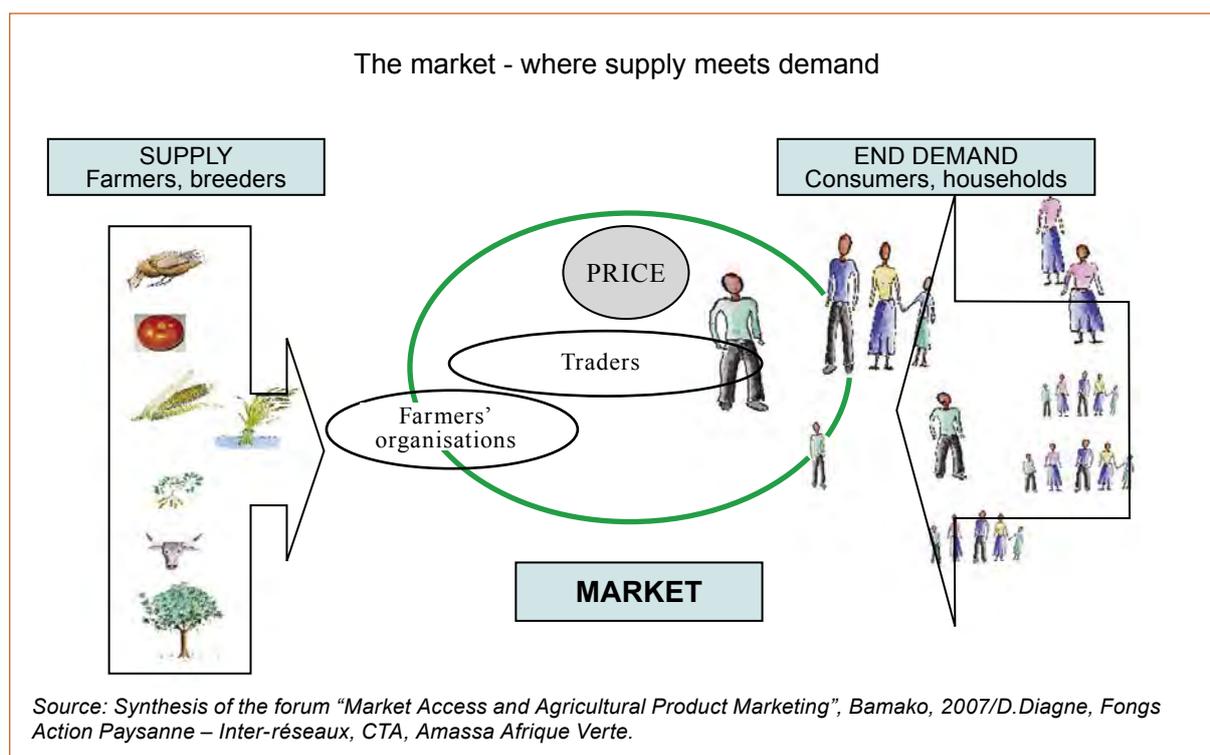
Ref.: Creation of a secured and self-managed market by rice farmers of the Mogtédó cooperative in Burkina Faso. Inter-réseaux, CTA, based on contribution of FENOP, 2006. – 10 p. + summary 1 p.

13.2 – Advantages and limitations

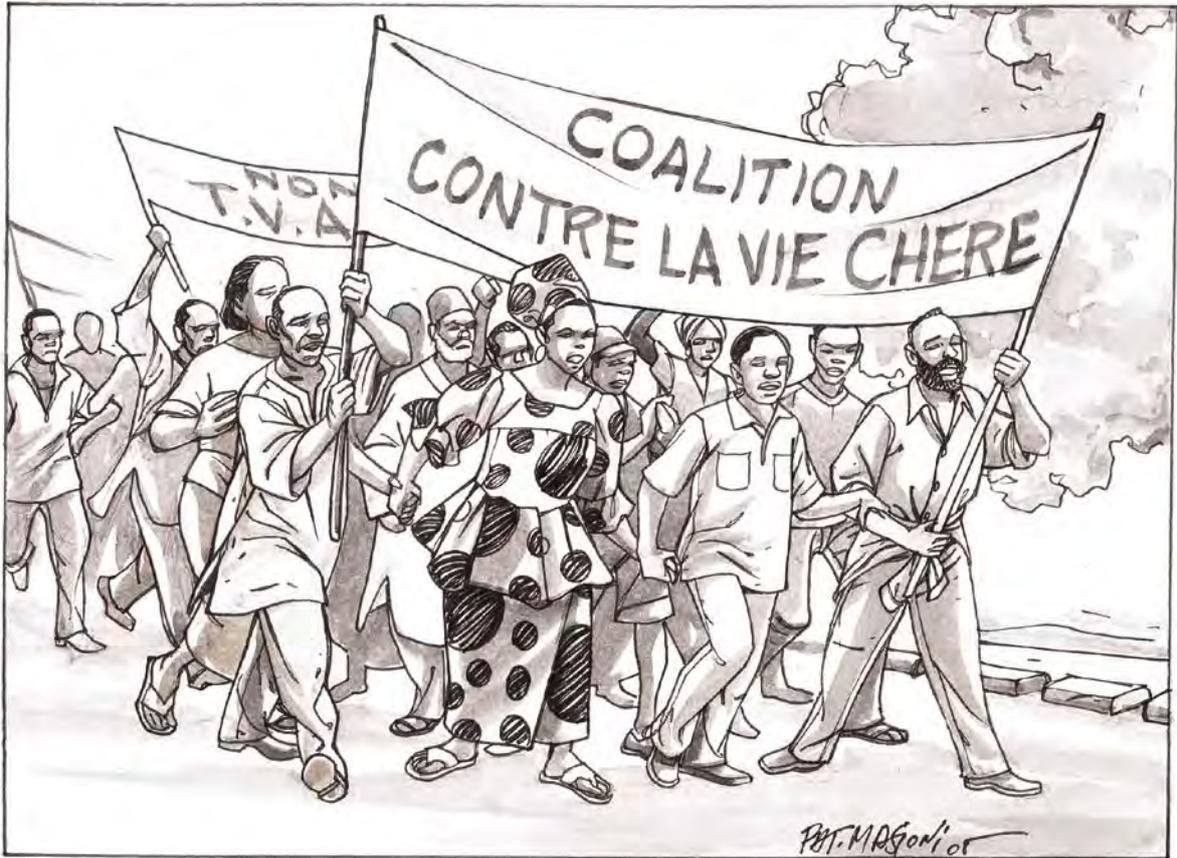
On the basis of the observation that farmers can manipulate the supply more easily than sometimes distant and often poorly identified demand for products, FOs often adopt priority strategies built on the supply:

- **reduction of per unit supply production costs:** grouped purchase of quality and cheaper inputs, improvements on the farming practices to produce better and increase productivity per area or per labour input, etc;
- **improvement in supply (volume) management:** grouped supplies (economies of scale and gathering which make it possible to reach better prices), deferred sales over time in order to get better prices (either through storage or by spreading out the production in order to produce over long periods of time), reduction of imports, etc;

- sales of products in the local markets and the search for external, distant markets to sell off the excess elsewhere (search for means to shift placement of products in the markets: purchase from members who need money, storage infrastructure, anticipation through knowledge and control of the volumes brought to the market);
- **improvement in quality management:** farming practices which make it possible to have marketable products, products that can be conserved, well transformed and attract traders or final consumers (setting up a system for sorting, quality control);
- **supply of products with higher added value** either because they are of better quality or through processing/packaging.



It is certain that the management of the supply cannot end only with limiting the supply in the market as a means to artificially raise prices. In fact, consumers are limited by their purchasing power and governments do not want to have crises in urban areas and therefore follow these actions closely.



Consumers, just not at any price (STALEMATE Magoni, GDS 31, 2005)

(COALITION AGAINST THE HIGH COST OF LIVING)

CAN TEMPORARILY BLOCKING AN IMPORTED PRODUCT HELP FARMERS' ORGANISATIONS TO DEVELOP THEIR PRODUCTION?

14.1 - Principles and examples

Blocking imported potatoes at the border and the subsequent success of the Federation of Farmers of Fouta Djallon's (FPFD) "Belle de Guinée" in Guinea is surely the most widely known example. This experience has been widely publicised but often with very simplistic insights or with quick shortcuts that may give the impression that blocking imported products is the miracle solution. First of all, there was no blockage at the border, but rather different blockage methods, at particular periods and on volumes that were negotiated. And during these periods of import suspension, there were parallel actions that were carried out by the FPFD that led to achieving the positive results which are known: contracting with research, traders and transporters; organisation of collection points; putting in place working capital for partner traders; monitoring prices and volumes in markets of the production zones.

The battle was therefore won not only at the border, but also on the field through production and the organisation of marketing at the national level. In fact, the Federation has better control over the production and marketing of potatoes than of onions (box 14a). Thereafter, potatoes were no longer blocked at the border and the 'Belle de Guinée' started to yield benefits. It is important to indicate that the same Fouta Djallon Federation did not have similar success at regulating the entry of onions across the borders (box 14b).³⁵

Other famous examples can be related:

- the case of suspension of poultry imports at the border in Cameroon and Senegal, in particular involving the mobilisation of a consumers association (Acadic) and the Poultry Interprofession Ipavic (box 4c);
- the case of blockage of onions at the borders in Senegal.



The subject of regulations at the border (as well as that of agricultural and trade policies) is very vast and is not treated within the framework of this work ³⁶.

(14a) Blocking potatoes at the border, a sufficient measure to save farmers in Guinea?

When the Federation of Farmers of Fouta Djallon requested that potato imports be suspended, Guinean production was already competitive (sold at lower price) and was of better quality. But the potatoes only lasted four months in the market (February to May). With the regular imports reaching the local markets, the markets were flooded and therefore led to huge losses for local farmers. The importers could withstand these losses given their larger margins obtained during the rest of the year. This was not the case for the local farmers. The suspension of the imports made it possible for them to have a secured outlet for their production.

Obviously, the suspension of the imports could not be maintained for a long period of time. Actions taken by the Federation and farmers led to the development of potatoes during two new periods: from July to September (rainy season production) and October to December (on specific fields). The potatoes of the Federation could therefore be on the market all year round.

It is at that moment that the imports were stopped because their margins were no longer advantageous. Blockage of the potatoes was no longer of interest. But the suspension of the imports made it possible for farmers and their organisation to develop strongly, obtain stable revenues and invest in production and increase productivity. It would not have been efficient if it did not cover the needs of the market with local production for the whole year. This was the problem faced by the same Federation regarding attempts to suspend imports of onions. With only one production cycle of four months in the year, the Guinean onion has never succeeded in replacing imported onions despite measures taken to tax imports when local onions are produced and placed on the market.

Ref: note of Patrick Delmas, 2009.

³⁵ The suspensions in 2007 and 2008 are more blockages to export products in a context of internal crises in Guinea (price increases and food scarcity which led to the prohibition of exports of some Guinean products).

³⁶ More information and analysis from the *Working Group of Inter-réseaux on Interprofessional organizations* which treats questions on the modes of organization of actors on the markets and on supply chains.

(14b) Different activities to improve marketing within the FPF in Guinea

SUPPLY CHAIN	TYPES OF MARKETING ACTIVITY INITIATED BY THE FPF	PERIOD	SITUATION IN 2006
Potato	Negotiation with the government for periodic suspension of imports. Blocking of imports is coupled with contracts	From February to June, from 1993 to 1997	None
	Written Contracts with importers in Conakry (framework agreement)	1992, 1993 and part of 1994	None
	Less formal contracts with local traders	from 1995	Yes but importation not suspended
Onion	Punctual suspension of imports	Period of local sales in 1993	None
	Negotiation of overtaxation (coupled with contracts)	From April to August in 1994, 95, 96	
	Contracts written with importers of Conakry (framework agreement)	1994	None
	Less formal contracts with traders in Labé	From 1995 to 1997	Yes but without tax
Onion Tomato	Direct marketing carried out by the FPF in Conakry: Onion on a large scale in 1996; tomatoes on a small scale in 1999	1996 and 1999	None
Potato Onion	Step points of collection with tradesmen: - putting in place collection points accessible to trucks for some groups and unions; - construction of a storage place, warehouses ; - negotiation of farming season price*/floor price with Traders - partners of the FPF who make contracts with transporters and warehousemen; - reimbursement of credits on the day of collection and determination of the minimum quality to be delivered (" quotas for onion, potato " **)	Initiated in 1994 then formalized and developed on a large scale in 1996	Yes in some unions
Onion	FPF setting up working capital for partner traders involved in the onion supply chain with the assistance of other partners for the purchase of onion by the unions or partner traders	From 1998	Not in 2005
Potato	Marketing management: contact traders and negotiation of price, storage and regulation of market when prices drop, collective marketing		Yes AT the UGTM
Potato Onion	Monitoring prices and volumes leaving markets in the production zones		Yes
Potato	Putting in place small retailers in Conakry supplied by the FPF in order to increase the sales of potatoes	1999-2000	None
Potato	Support for exportation: study of regional outlets, export trials, obtaining a trademark, presence at West African agricultural fairs	Since 1998	Yes

* Onions: more than just the "seasonal price", it is the floor price: farmers and traders agree on a price that enables them to survive even in the middle of a farming season (two months of strong sales of onions). This price should not go below a certain threshold, which would lead to a disturbance in the market or place farmers in a difficult position to repay their loans. For potatoes, the same approach was used but with prices that were stable for very short periods of time.

** At the beginning the quotas were related to the "collection point" approach which included deductions on the quantities that had to be supplied by farmers: part of the deductions or commissions contributed to build the FPF's revolving fund while the other part went to the groups and unions. Given that the collection point approach did not work in most of the unions, the deductions took place where the inputs were sold.

Ref: *Activités de commercialisation de la FPF : capitalisation du vécu et perspectives / K. Diallo, M. Barry, V. Beauval (Cellule commercialisation de la Fédération des producteurs du Fouta Djallon). – CCFD, 2006. – 30 p. + appendices*

(14c) The Cameroonian poultry supply chain in difficulty despite the reduction of frozen chicken imports

After many struggles to limit imports of European frozen chicken, which was competing with the local poultry, the Cameroonian poultry supply chain ended up taking off. Unfortunately, the production of maize, which is the principal component of chicken feed, did not follow the same tracks. The chicken farmers were faced with a very low supply of corn (to feed their birds) compared with demand.

Because of this shortage, many farmers were forced to decrease their daily feed ration by up to 40%, even to the extent of starving the chicks because of lack of feed. The poultry farmers cannot buy imported maize, which is even more expensive for them. The absence of available maize for animal feed is not because of a lack of production (which has increased significantly compared with the preceding years) but because of an increase in the demand for maize:

- for human consumption: because of the increase in the prices of the foodstuffs in 2008 (like tubers, banana plantain, rice and other products), many low income households resorted to corn, which is cultivated in most areas of the country and at relatively good prices;
- increased demand from livestock farmers: the demand for corn leaped in a few months to about 40% because of the recovery of the poultry sector which had been hit in 2006 by the avian flu.

(The discovery of the H5N1 virus on a dead duck had caused a panic among consumers who massively refrained from consuming poultry products and this led to a drastic decline in production. Thanks to the efforts of the livestock farmers, poultry production returned once more to a normal pace in May 2008).

According to forecasts of the Ministry of the Economy, maize deficits are expected to increase by 2012. In fact, about 90% of Cameroonian production is ensured by some three million small-scale farmers who are faced with increasing prices for fertilisers and pesticides.

Source: Syfia, Cameroon, Reinnier Kazé, February 2009.

14.2 - Advantages and limitations

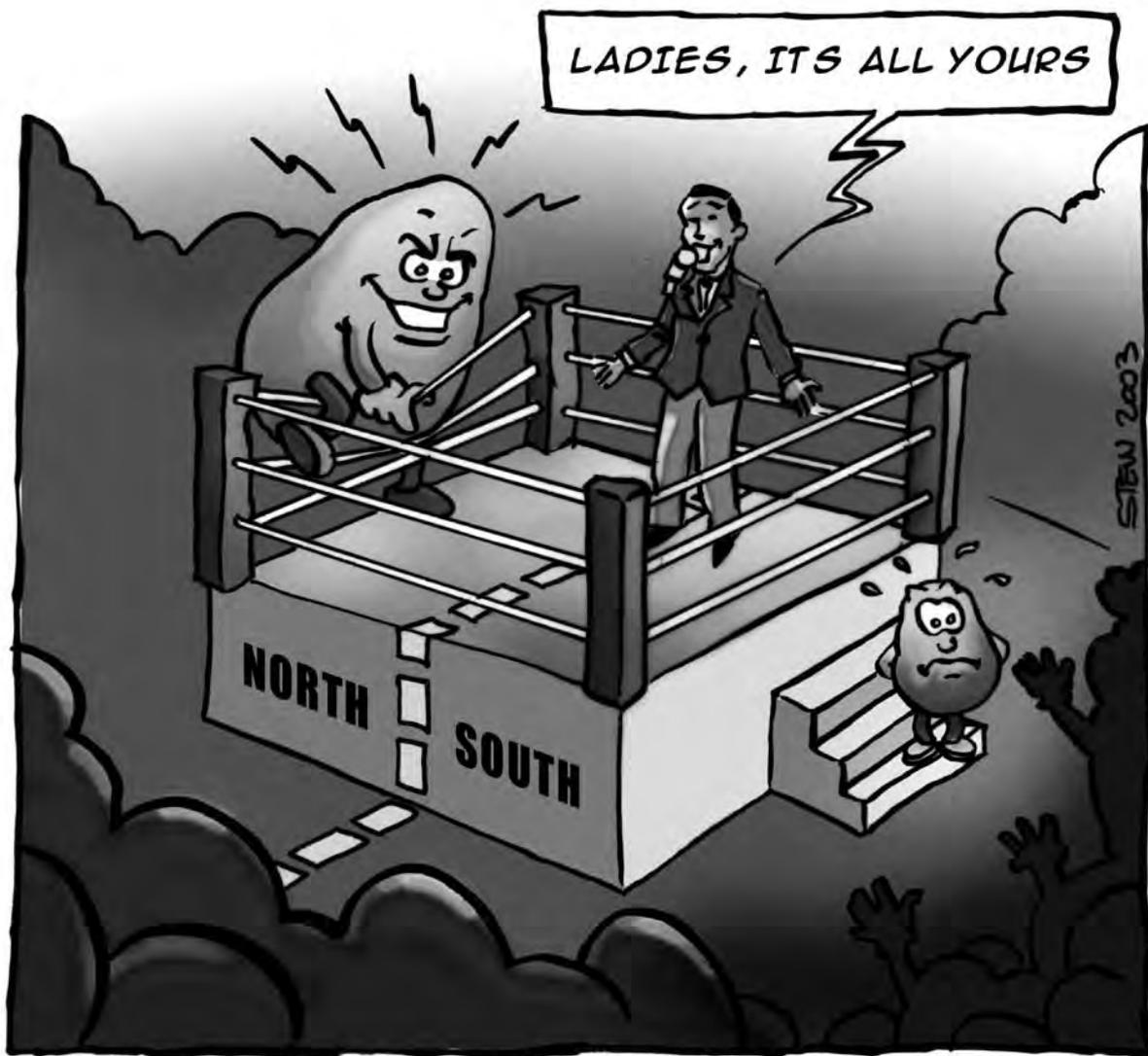
Concerted and multi-actor collective strategies: processes which take a long time to establish

It is obviously more complicated to enable farmers to live well from their products than merely to close the borders. The example of onions in the Fouta Djallon Federation clearly illustrates this point: other factors were not in place to ensure the enhancement of the product and to benefit from the temporary border protection measures. The difficulties observed on this supply chain remain unsolved.

Many other actions are necessary, and requests for protection at the borders are more likely to be heard and become negotiable when production and marketing are approached in a coherent, coordinated manner with other actors of the supply chain and end consumers. These actions involve FOs at various organisational levels, from the grassroots level to the umbrella structures and national federations, which have more visibility and weight. They have the power at their own levels and/or thanks to alliances created with other supply chain actors (Interprofessional organisations) and even consumers to influence agricultural policies and regulate the opening of the borders.

The failure of internal markets: another barrier not to be neglected!

Clamouring to close the borders to certain products can diminish if world market prices increase (imports become more expensive and therefore less competitive in local markets). There are many voices that insist on the need for political arbitrage between protectionist policies that are favourable to the emergence of local production and liberalisation, which is favourable to urban consumers. It appears important to take into account favourable price policies for local production (custom as well as fiscal policies), but also **institutional support policies**, which take other factors into consideration besides price (the organisation of actors, research to provide suitable materials for production, support for quality, infrastructure, etc). **Internal barriers to marketing** are in fact, more pressing and worrisome than **external barriers** and international trade.



Unrestricted borders (Stew, GDS 24, 2003)

FO ACTIONS THROUGH CONSULTATION FORUMS OR INTERPROFESSIONAL ORGANISATIONS IN SUPPLY CHAINS

With regard to the *Working Group “Market Access and Agricultural Products Marketing”*, another specific thematic *Working group* called “*Interprofessional organisations*” was led by Joel Teyssier of Inter-réseaux and other members (see illustration below).

We will only look at some of the elements that emerged from the discussions in the network on this subject. For more information, see the box - *Working group “Interprofessional Organisations”* on the website of Inter-réseaux:



<http://inter-reseaux.org/groupes-de-travail/organisations/>
Translated for this report from the French original

Interprofessional Organisations

By Interprofessional Organisations (IOs), we mean forms of organisation that consist of groups of actors from different professions in a value chain (farmers, processors, traders, transporters; etc.) who wish to engage in dialogue, consult, coordinate and work together to solve common problems related to a particular product or group of products. IOs can therefore take different forms: meetings, dialogue, negotiation forums, and may or may not be recognised by the state. They may or may not be permanent and can be coordinated in any way that enables them to participate in the process of organising/structuring the value chains.

The IOs are very topical in many countries but **what is the actual situation of IOs in these countries?** Especially in Africa, what roles should they focus on playing, what operating mechanisms exist, what are the underlying power relations, and what results can we expect and for whose benefit? The *Working Group* on IOs launched in 2007 will address these questions.

The objective of the *Working Group* on IOs is to:

- make known the different experiences of IOs and to share them with a wider public
- deepen analysis and reflexion on IOs by involving IO actors or those supporting them to provide research of use to practitioners in the field.

15.1 - Varied realities of Interprofessional organisations modes

Interprofessional organisations, frameworks of dialogue, Interprofessional committees, and supply chain meetings, are forms of organisations known as “Interprofessional” that have emerged and flourished in recent years in West Africa. They are generating strong interest on the part of economic factors involved in various supply chains, political leaders and some donors and support organisations.

These forms of organisation can be grouped under the generic term “Interprofessional Organisations (IOs)” which is used when at least two “professional families” of a supply chain come together to dialogue, consult,

establish agreements and/or carry out collective actions related to a particular product or to groups of agricultural products. These organisations can take on many different forms depending on the actors who make them up, their missions, the products involved, the territory covered, the role and place of the state in the supply chain, etc. Often, the main objective of IOs is to “organise” the market, to “structure” the supply chain and to represent the interests of the professionals.

In some countries, setting up IOs is even presented as the solution to a whole range of problems from the regulation of the markets to the organisation of the supply chains and even the improvement of their competitiveness and the defence of the “interests” of the professionals. A general historical overview on existing IOs shows that they are many and diverse: there is no standard model but many diverse forms of IOs.

(15a) General historic overview of IOs in West Africa

The first West African Interprofessional Organisations were put in place in the 90’s within export supply chains. In the context of liberalisation of supply chains and disengagement of the state, the creation of IOs was seen by governments and donors as a means to maintain a number of the advantages of integrated supply chains (cotton, groundnuts, etc.) and avoid their collapse. It is with this background that the first Interprofession organisations were created in West Africa: the national Interprofessional council for the groundnut sector (CNIA) during the liberalisation of the groundnut sector in Senegal (1992); the national cocoa and coffee Interprofessional council (CICC) during the liberalisation of the coffee and cocoa sectors in Cameroon (1992).

Some years later, IOs were also created following the same format in the cotton sectors of many countries following the privatisation of cotton societies: the Interprofessional Cotton Association (AIC) of Benin in 1996, the InterCoton of Ivory Coast in 2000, the Interprofessional Cotton Association of Burkina Faso (AICB) in 2006, the Senegalese Interprofessional Cotton Association (ASIC) created in 2007, and the ongoing creation of the Cotton Interprofession in Mali.

At the same time, and in other sectors, the actors found themselves **obliged to dialogue and to organise** in order to work together and this led them to create IOs. This is especially the case of supply chains/sectors for processed products, where dialogue and coordination between farmers and processors is necessary or even obligatory for their activities. In fact, while some problems can be solved by a single type of actor (for example: for FOs to have access to cheaper inputs, organisations of processors to promote a certain processed product, traders associations to manage distribution, etc.), others require dialogue and coordination among different families involved in the supply chains (between farmers, processors and distributors to improve the quality of the products, to defend a local supply chain, to establish agreements on prices or on modes of supplies).

The occurrence of a crisis in a supply chain strongly favours the emergence of Interprofessional dynamics. In the poultry sectors in Senegal and Cameroon, for example, when faced with uncontrolled, massive imports of cheap frozen chicken, Interprofessional organisations (in Cameroon in partnership with a consumers’ association) played an important role in lobbying government services and also the regional authorities of the UEMOA: through these actions it was possible to slow down imports of frozen chicken.

Finally and more recently, some states have shown strong interest in IOs to the point of including them in the general development orientations and regulation of supply chains. The recent laws for the orientation of agriculture promulgated in Senegal (in 2004) and in Mali (2006) allow room to entrust IOs with an important role in the regulation of markets (supply management, market management and piloting supply chains). At the supranational level, the UEMOA is also pressing for the creation of IOs. Also, current international development aid and international organisations are increasingly supportive of initiatives of dialogue between different professions in the supply chains at local, national and even supranational levels.

Ref.: Agricultural Interprofessional Organisations (IPO) in West Africa, Joel Teyssier. – SOS Faim – Farming Dynamics, 2008. - 8 p.

It is possible to distinguish **two main types of IOs** in food crop supply chains:

- IOs in the “**major supply chains**” (like the cereal and livestock supply chains). They involve a large number of actors: farmers scattered all over the territory, who are not necessarily market-oriented and who do not necessarily want to specialise; many other actors’ downstream (processors, traders, etc.). Dialogue does not appear to be a necessity and their role remains unclear. Many of these IOs today have problems getting off the ground and operating (box 15b).
- IOs in the “**small**” or **short supply chains**. They are built on precise collective actions, around a strong nucleus of actors in a limited geographical area. The number of actors is rather small, often with the presence of “specialised” farmers and a central operator (transformer) that is the major, clearly identified bottleneck for the products. The economic challenges and missions of the organisation are generally well

defined. This is the case of Interprofessional organisations put in place around the Federation of farmers of Fouta Djallon in Guinea (box 15c) and interprofessional organisations within the Industrial Tomato supply chains in Senegal (box 15d).

(15b) Interprofessional organisations in West African cereal supply chains

Grain supply chains are considered by governments to be strategic, especially for national food security. In the 1990's, the grain supply chains had more or less strong state involvement prior to liberalisation: the rice supply chains were entirely managed by government, while other dry grain sectors received more occasional involvement.

Since the end of the 1990's, IOs were put in place with the backing of the state in rice and other dry grain supply chains in some countries: the Interprofessional rice committee (Ciriz) of Senegal in 1998, the Interprofessional rice committee of Burkina Faso (CIRB) in 2001, the Interprofessional grain committee of Burkina Faso (CICB) in 2004 and the Ghana Rice Interprofessional Body (Grib) in 2004.

These IOs are often made up of all professional families from upstream to downstream in the supply chains: input suppliers, agricultural farmers, processors, transporters, distributors, and sometimes public institutions (e.g. Ciriz). They generally have a large mandate to regulate markets and organise supply chains. These objectives at times appear vague, do not facilitate introducing concrete measures and their activities today remain quite limited. In the absence of an obligatory point of passage for agricultural products (processing factory or export centre), the IOs have not succeeded in setting up systems to deduct commissions to ensure autonomous financing of their activities and have therefore remained largely dependent on external funding for their operations.

Ref.: Document bilan d'étape du Groupe de travail sur les Organisations interprofessionnelles / Joël Teyssier. – Inter-réseaux Développement rural, 2008. – 45 p.

(15c) Interprofessional Agreements between farmers of the Federation of Fouta Djallon and other agricultural supply chain professionals

Since its creation, the Farmers' Federation of Fouta Djallon (FPPD) has led the fight, exemplary in many respects, to strengthen its production supply chains.

In the case of the potato sector, the successes can be explained mainly by comparative advantages that the Fouta Djallon had with its crop, the quality of the technical pathways put in place by the FPPD and its partners, the strict cropping practices in most of the production valleys, but also and most importantly, the **dynamism** of the leaders and their **capacity to negotiate with other actors** in the supply chain.

A **strong nucleus** is made up of the Union of Farmers' Groups of Timbi Madina (UGTM), which sells more than half of Guinean production during the dry season. With the assistance of the FPPD, the union negotiates the marketing of its members' potatoes during the dry season with a group of traders operating in Timbi Madina who have strong ties in Conakry. This group of traders is linked to a group of transporters.

This approach corresponds to a **true interprofessional agreement** although not a formal one; each actor tries to negotiate rather than try to establish power relations with the other actors. Trade relations between the Union of farmers and its partners upstream in the potato sector are well codified (well-established, clear rules) and at the same time respect the local cultural and trade traditions. This can be misleading for an uninformed, external observer (there are not necessarily any formal contracts: yet the agreements are respected)...

Ref: Activités de commercialisation de la FPPD : capitalisation du vécu et perspectives / K. Diallo, M. Barry, V. Beauval – Guinée : Cellule commercialisation de la Fédération des producteurs du Fouta Djallon, CCFD 2006 – 30 p. + appendices

(15d) Interprofessional Partnership between farmers and a processor of industrial tomatoes in Senegal

In the Valley of the Senegal River, a partnership was built around tomatoes between agricultural farmer groups and a processing enterprise. Industrial production of tomatoes was introduced in Senegal in 1969. From this period onwards, a Franco-Senegalese Enterprise (Society for food conserves of Senegal-Socas) proposed purchase contracts to farmers for their tomatoes and provided them with technical assistance needed for the production of this new crop. Production for the farming seasons of 1969-1970 was 200t of fresh tomatoes. Today, more than 50,000t are bought on contract from farmers and processed into paste (conserves) by Socas. There are more than 12,000 farmers involved. Socas has become the leading industrial farmer of tomato extract conserve from fresh tomatoes in the whole of Sub-Saharan Africa.

The success of this supply chain is explained by a strong partnership that was built, step by step, between farmers and Socas and led to the creation of the national consultation committee for the industrial tomato supply chain (CNCFTI) in 1994.

The Interprofessional organisation (CNCFTI) is made up of farmers, a company (Socas), transporters, suppliers and public institutions (agricultural services, agricultural banks, research), traders and consumers. It is a forum for dialogue and decision-making, where the modalities of the farming seasons are mainly discussed (financing, planning, techniques, purchase prices, etc.). The founding members of the CNCFTI are farmers and Socas among whom dialogue and consultation are the order of the day, but they also have the means to put pressure on one another (e.g. example a farmers' strike in 1998 because of lower prices offered by Socas for their products and because of the quality control by the processor). They self-finance most of the functions of the CNCFTI (equal contributions from farmers and Socas amounting to 0.5 FCFA/kg sold or bought). SAED is in charge of the secretariat of the CNCFTI (committee office, meeting preparation, meeting minutes, etc).

Tomatoes farmers of the region are organised into Economic Interest Groups (GIE). These groups are organised into unions in the villages. Fixed purchase contracts at guaranteed prices (farming contracts) are negotiated yearly between farmers' groups and Socas: (i) farmers commit to the production of the tomatoes and to selling them to Socas; (ii) farmers commit to growing the varieties of tomatoes selected by the CNCFTI; (iii) the company agrees to take all the truckloads of tomatoes brought to the factory within 24 hours; if the tomatoes are damaged, Socas reserves the right to discount the price. At the beginning of the farming season, farmers' groups take out a loan from the local agricultural bank. The bank only grants the loan if they have already signed the contracts with Socas. The repayments of the loan are deducted directly during the sale of the tomatoes to Socas, which pays farmers directly into their bank accounts. This therefore guarantees the security of the loans granted thanks to the Interprofessional contracts signed between farmers and Socas. Socas has put in place an experimental station to try new varieties of more productive tomatoes. Management training is provided to leaders of the GIEs. The success of the industrial tomato supply chain in the Valley of the Senegal River as such rests on the strong partnership embodied in the Interprofessional agreements between Socas and the farmers' groups. It is onto this strong nucleus that other services for farmers have been grafted (access to agricultural financing, experimental research, training of farmer leaders, etc.).

Ref. Dans la Vallée du Fleuve Sénégal, différentes histoires interprofessionnelles autour de la tomate industrielle et du riz / A. Fall, S. Sarr – GDS 44 – Inter-réseaux, 2008. – 2 p.

15.2 - Some key points

An IO, why start one and with whom?

The question of the definition of the mandate of the IO is of primary importance. To want to set up an IO to "regulate a supply chain" is often not precise enough as a basis for concrete action. Experience shows that the most successful IOs are those that are created in response to a crisis in the supply chain. The crisis often serves as an impetus to kick-start the measures and makes it easy to define the priority(ies) and focus on the most important measures needed to solve the crisis. Setting up an IO is therefore not an automatic or an mandatory solution: it must be a response to the need (s) expressed by actors of the supply chain.

Often, IOs are seen as a grouping of all professional families upstream and downstream in the supply chain: the direct actors (those who derive a living mainly from the product) and the indirect ones (like transporters, service providers, etc.). But then, not all the professional families of a supply chain necessarily find themselves in the IO. Some families may not see the need or feel concerned by the problems that are being tackled. Others may just have different interests (which is not very good for the effectiveness of the IO).

However, one may question which actors and families should be included in an IO? It seems that the composition of an IO has to be thought of in terms of the objectives pursued. If, for example, the principal mission of an IO is to establish agreements on prices between farmers and those involved in processing their products, then a "short" IO made up of two professional families (farmers and huskers, as in the case of the AICB) is appropriate.

If the objective of the IO is to improve on the quality or the hygiene of a product along a production, processing and distribution chain, then the actors should work on a "long" IO made up of all the professional families from upstream to downstream in the supply chain.

What roles and place for the state?

When one considers the role of the government in the IO, it is possible to distinguish two major types of organisations: those in which the state is present (through elected local leaders or technical public services) and those made up solely by private actors. And of course even if the state is not officially part of the IO, it can weigh in on a lot of the decisions taken (this is the case for cotton and groundnut supply chain). Even if the IOs are private, the aim of regulating markets should be seen as a co-construction of rules, an expression of the

joint management of the markets and co-piloting by the public services and professional organisations.³⁷

For the actors, the question is therefore not to know whether to include the state or not in the IOs, but rather to know how to reach a situation of joint management between the state and the professionals. For this to happen, many types of structures have been put in place.

In Senegal, meetings of the “Onion Committee”, organised by the Market Regulation Agency (subordinated to the Ministry of Commerce), allow farmers’ organisations and importing traders to consult in order to limit price declines due to competition between local and imported onions. Each year, these consultations and dialogue between the professionals and the state lead to freezing some imports throughout the local onion production season.

In the Senegalese poultry supply chain, the two private interprofessional organisations – the Federation of the actors of the poultry sector (Fafa) and the National Union of actors of the poultry sector (Unafa) – played an important role in lobbying the state services and regional authorities of ECOWAS, in response to the increase in poultry meat imports. These demands were the subject of discussions in inter-ministerial meetings, which finally led to introducing fiscal and customs measures (poultry inputs exempt of VAT since 2002, a hygiene-based embargo on poultry meat imports since 2005).

How are the decisions made?

Like any other organisation, IOs have to make decisions (for example: define prices). One of the specificities of IOs is that they bring together different families of actors (e.g. farmers, people involved in processing products, distributors) and thus their interests may differ or diverge. This means that each family of actors (farmers in particular) has first of all to agree among themselves in order to speak in one voice before they can negotiate with other families of actors. For this to happen, the actors are first of all organised within their families, preferably prior to setting up the IO.

How representative each family’s delegates are is another important question that emerges. In the case of an IO where decisions can carry nation-wide obligations or in which decisions can be made mandatory for the whole country, it is important for the member actors to be representative in order to increase the chances that the decisions will be accepted, and above all implemented and complied with by everyone. In other interprofessional bodies, the agreements reached only apply to the participating actors and thus representativeness is not an issue.

In their very nature, IOs often bring together actors of the supply chain whose interests are generally not aligned. The decisions of the IOs often require long negotiations and usually lead to compromises in the various positions. Representation in the IOs frequently takes place via colleges: each professional family has a college and each college has votes during elections (the numbers in each college may vary from one family to another). For the decisions taken to be enforceable, they have to be recognised and accepted by all the professional families. That is why in general, decision-making in IOs requires unanimity of the colleges rather than a simple majority.

What are the means and modes of financing?

In terms of modes of financing, two main categories of IOs can be distinguished:

- those in which the strong degree of concentration of a professional family in the supply chain constitutes a “necessary” passage point for the products and where it is possible to foresee deductions of contributions for the operation of the IOs (the case of supply chains where products are processed or exported by a small number of operators);
- those in which there is no “necessary” passage point for the products and in which other modes of financing have to be foreseen (i.e. unprocessed grain supply chains or supply chains in which there are many actors at different stages). For the latter, the question of funding is not solved. Most of the IOs are put in place as a result of external (project) funding and end up without sufficient financial resources at the end of the projects.

No set answers

Interprofessional frameworks are **specific modes of organisation**, which require many preconditions. They are thought of collectively by the actors in terms of their usefulness, effectiveness and complementarity

³⁷ Régulation des marchés agricoles au Sénégal : entre arbitrage et gestion concertée / G. Duteurtre et I. Wade. – GDS n°41-42. p 35. - Inter-réseaux, 2008. – 2 p.

compared with other types of organisation (cooperative, FOs, etc). There is no single model framework or single approach to the creation of interprofessional organisations. The solutions raised in terms of interprofessional organisations differ depending on the contexts and supply chains.

Constructing collective processes takes time, involves trial and error, compromises and adjustments around strong nuclei (“builders” of the IO). There are no set responses. An IO will have the best chances of succeeding if it is built around a “strong nucleus” of the main actors in a supply chain, organised into organisations, motivated and grouped around common challenges; the different families of actors can listen to each other, agree, and find the necessary tools to be able to “play in concert”.



Families in agreement “playing in concert” (Samson, 2009)