



**Inter-réseaux**  
Développement rural



## **SUPPLY, DEMAND, AND EQUILIBRIUM PRICE:**

### **A CASE FOR STUDY**

**Improved prices for farmers through the organisation of the local market and the regulation of the supply of ginger by NOWEFOR in Bafut**

**(North West Province, Cameroon)**

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**September 2006**

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**Inter-réseaux Développement rural**

**CTA** (Technical Centre for rural and agricultural development)

**SAILD** (Support service for grass root initiatives of development)

**North West Farmer's Organisation NOWEFOR** (Farmers' organisation of the North West province of Cameroon)

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**The experience presented herein benefits from the ongoing financial support of SOS Faim Luxembourg, ICCO** (Interchurch Organisation for Development Co-operation, Pays-Bas).

Original document:

*L'offre, la demande et le prix d'équilibre: des lois connues, un cas d'école à (re)-connaître: amélioration des prix aux paysans à travers l'organisation du marché local et la régulation de l'offre de gingembre par NOWEFOR dans le village Bafut (Cameroun, Nord Ouest). - Inter-réseaux Développement rural, SAILD, CTA, Septembre 2006. - 12 p.*

*English translation by SAILD-Bamenda.*

## Acknowledgements

This paper was written by Anne Lothoré and Patrick Delmas of Inter-réseaux développement rural.

Two sources of information were used:

- **Experience of group marketing of ginger by the North West Farmer's Organisation** / Tangie Joseph Che LA, Forbah David N. (Vice-President). – NOWEFOR, with SAILD Support. – presented at the Forum "Commercialisation et accès au marché des produits agricoles" Yaoundé 10-11 May 2006. - Inter-réseaux, CTA, MINADER-PARI, 2006. - 16 slides.  
(NOWEFOR: noweforbamenda@yahoo.com; SAILD Bamenda: [saildbda@yahoo.com](mailto:saildbda@yahoo.com))
- **The role of SAILD in the support of the development of marketing strategies for fresh ginger in the North West Province of Cameroon** / Estelle DENIEL. – Internship report ISTOM, under the direction of Ngendakumana Serge, SAILD. – 2005. – 62 p.

We express our thanks for their collaboration to the persons and organisations listed below.

We particularly thank SAILD, notably Guillaume FONGANG, Director of SAILD-Support ([fongangfouepe@yahoo.fr](mailto:fongangfouepe@yahoo.fr), [guillaumefongang@saild.org](mailto:guillaumefongang@saild.org)) for his helpful criticism.

## Summary

NOWEFOR has seen the benefits of its success in the production of ginger. Through technical and organisational advice, the members of this federation of farmers' unions in Cameroon improved ginger production techniques, the organisation of the supply of farm inputs, the savings and loan system, the follow-up of production activities between 2001 and 2002. Production consequently increased in terms of quality and quantity. This higher production led to saturation of the local market. The effect of this was immediate: the abundant supplies of ginger in the local market compared to demand quickly led to a drastic fall in prices. In fact, the price of success was a division of the price of ginger by 5 in less than 3 years!

The lesson of this story: "There is no point in producing if one does not know how to sell: To produce is good, but to sell at a profitable price, is even better!"

That notwithstanding, the farmers organised themselves, in collaboration with the local administrative and traditional authorities, and the support of the NGO SAILD, to put in place different strategies to improve the marketing of ginger.

- In 2004, they first of all initiated a strategy to organise the local market with more transparency in transactions and a better management of supply at the local level (**Axis 1**). This strategy was articulated on the one hand to control and regulate supplies, by limiting the weekly supply of ginger at the local market in order to better negotiate prices. On the other hand surplus ginger was directed to external markets through the organisation of transportation and sales to distant buyers.
- Following disappointments experienced at the level of sales in the distant markets, a second axis was introduced in 2005 to try selling the surplus ginger out of the local market at better prices. The producers started to carry out more classical actions such as **purchase and storage** through their organisation NOWEFOR, which was thereafter in charge of organising **the sale of the stocks to external buyers (Axis 2)**.
- Finally, in order to market greater quantities, work with more producers, and to reinforce their position in the ginger production chain, the NOWEFOR producers aim to extend this experience to the whole North West province, by **working as a network (Axis 3)**.

This paper illustrates these three strategic axes put in place at NOWEFOR's level to improve the marketing of its members' ginger. At the same time the paper illustrates the innovative capacity, mobilisation and reaction of farmers to better position themselves on the market in order to improve their returns from their agricultural work in a context where agent middlemen (*Bayam sellams*<sup>1</sup>) seemed to dominate the market.

This experience shows that an increase in production can lead to a reduction in selling prices for producers and hence in their incomes. This undermines production as well as the profitability of their production activities. In fact, the market may not play its theoretical role of co-ordinating production activities, exchange and consumption equitably, to the benefit of all the actors. This is due to lack of transparency in supply and demand, in prices, and to distortions in the information possessed by producers who are numerous, dispersed and not organised in the market, and buyers who are few in the market, known to each other, with a better mastery of the price situation in different local and urban markets, and a strong capacity to highly influence prices. We therefore talk of market failure/dysfunction. We shall see here how "paradoxically" the organisation of producers and the market leads to a reduction of inequalities, an increase in commercial equity and at the same time an increase in market efficiency.

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<sup>1</sup> *Bayam sellams* are intermediaries who buy at the farm or local markets and resell products.

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## **Introduction**

NOWEFOR (North West Farmer's Organisation) is a federation that was created in 1995 with headquarters in Bamenda in the North West province of Cameroon. It comprises 12 unions of Common Initiative Groups (CIG) located in five divisions of the North West province (Mezam, Momo, Bui, Ngohketunjia and Donga-Mantung). Each union is made up of between 5 and 16 CIGs. The federation has an active membership of about 1200 men and women farmers.

The objective of the federation is to defend the interests of farmers and to improve their living conditions. Several activities are carried out to achieve this aim, such as the development of savings and loan schemes, multi-purpose shops for the sales of inputs and agricultural products, the promotion of economic activities, etc. NOWEFOR has partnerships with supporting NGOs that intervene in the North West (particularly SAILD<sup>2</sup>) and other co-operation schemes and projects (SNV, DED, PNVRA).

The farmers of this zone of the North West of Cameroon, are seeking possible alternatives to maintain their income levels in a context characterised by a fall in the prices of export products (coffee). Various initiatives have been tried and/or are being carried out such as the rearing of pigs, the cultivation of Irish potatoes or ginger. Ginger in particular is an income-generating crop following its growth in national and international markets, and even more so since a support NGO (SAILD) began to help reinforce cultivation of this crop in 2001.

We shall see here how NOWEFOR and member farmers, with local authorities and support organisations, and also buyers, have managed problems at the production level, and then how resolution of these production problems resulted in marketing problems. Due to very good results obtained at the level of production, the surplus supplies of ginger in relation to local demand led to reduced prices on the local market.

## **1- CONTEXT: HIGH PRODUCTION, LOW BENEFITS FOR PRODUCERS**

Ginger has long been cultivated in the Bafut zone, traditionally by women. In 2001, the zone had 600 ginger producers (the other zones had fewer, between 50 to 120 producers). Production then stood at only 33 tons, with an average yield of 7 t/ha every two years (production cycle of 24 months). The price of ginger was 2 500 CFAfr/per 15-kg bucket (166 CFAfr/kg).

The producers, at this time had already initiated actions to improve on the crop, but problems persisted at the level of production (poor yields and low quality), coupled with problems of soil fertility management and the use of inputs.

### **1.1- From improved production with the local management committee (2001-2003)...**

In 2001 at Bafut, and under the Bafut Union of Farming Groups (BUFAG), 61 members of NOWEFOR came together and organised themselves by putting in place a local management committee (LMC) to improve their production. Thanks to the technical assistance of the support NGO SAILD, and considerable financial support from SOS Faim Luxembourg<sup>3</sup> the members of this committee worked to improve production through improved techniques at different levels:

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<sup>2</sup> SAILD is an international development support organisation which has been working for more than 20 years in the promotion of rural development in central Africa.

<sup>3</sup> SOS Faim is a Belgian NGO which has been supporting NOWEFOR financially for several years.

- seedlings: preparation before planting (multiplication, treatment), selection of good quality rhizomes;
- farming techniques: density of planting, ridging;
- soil fertility: crop association (maize and ginger) and rotation, using organic fertiliser (manure, maize straw).

Parallel to these steps and to follow up on these technical changes, organisational (for the supply of inputs and the follow-up of activities) and financial support (for the set-up of a savings and loan scheme for the purchase of inputs) was provided by SAILD.

The results were immediate. From 2002, the quality and yields in the Bafut union rose to more than 300 tonnes (yield of 10-11 t/ha), with production cycles of only 10-11 months (compared to 24 months previously). New farmers registered in the union and membership attained 120 producers (94 women, 26 men). In 2003 the increase in production continued, new members joined, and a better mastery of production was realised (low production costs and less dependence on fertilisers and insecticides<sup>4</sup>).

### 1.2- ... to the fall in prices at the local market (2003)

These improvements at the level of the production of ginger resulted in a rapid increase in supply at the local Bafut market. Prices fell by a factor of five: buyers took advantage of the increased supply to reduce the price at the local market, whereas prices in urban markets remained high. The price therefore dropped from 2500 CFAfr/bucket in 2001 (166 CFAfr/kg) to 500 CFAfr/bucket in 2003 (33 CFAfr/kg), slashing gross revenue of about 1 million CFAfr/ha to about 400 000 CFAfr/ha.

With production costs at 500 000 CFAfr/ha, producers were then losing money (100 000 CFAfr/ha) and it was therefore imperative to seek ways to reach an adequate price level.

Table: Evolution of ginger production and economic results in Bafut

	2000	2001	2002	2003
Cultivated land area (ha)	23	15	30	45
Production (t)	100	105	330	495
Yield (t/ha/year)	4	7	10	11
Duration of the production cycle	24 months	10-11 months	10-11 months	10-11 months
Number of union members	-	60	120	117
Price/bucket (CFAfr/15kg)	2 500	1 500	700	500
Price/kg (CFAfr/kg)	167	100	47	33
Gross production/ha (CFAfr/ha)	724 638	700 000	466 667	366 667

(Source: DENIEL Estelle, 2005)

<sup>4</sup> Treating seedlings limits attacks by insects and reduces the need for other treatment that is costly and not always available. Organic manure reduces production costs and expenditures for chemical fertilisers.

## **2- STRATEGIES BY NOWEFOR TO RE-ESTABLISH A REMUNERATIVE PRICE: REGULATE SUPPLY IN THE LOCAL MARKET**

What should be done to improve sales, increase negotiating power and better control prices? These questions were the focus from 2004 onwards. Many steps and strategies were tried, based on some pre-requisites: establish rules to manage the supply and force prices upwards in collaboration with local authorities.

### **2.1- A pre-requisite: have more visibility and understand the functioning of the market** *Organisation of the market control committee (2004)*

In order to support the building of a collective reflection process, a market control committee of three union leaders and a local co-ordinator was set up at the level of the federation. This committee was mandated to elicit reflections, inform and increase the awareness of members and the community as well as to follow up on decisions taken to improve the marketing of ginger.

#### *Negotiation of a single selling place to master the flow of ginger and to control transactions*

The market control committee proposed that ginger producers in Bafut should cluster and sell their ginger together at the same spot in the local market. The idea was to cluster all the supplies in the market in order to have more visibility: what quantities are supplied to the market and by whom? Who buys? What amounts? At what price? In fact, the ginger sellers were dispersed in the market and did not have a common place for the sale of ginger. This rendered the producers vulnerable to the middlemen (*Bayam sellams*) and made it difficult to put in place measures to regulate supplies.

In order to negotiate a common selling place in the market, the control committee undertook negotiations with the Fon of Bafut (local authority with a very important role) and the rural council, to gain their support and get them involved in the implementation of the new strategy. It was very difficult to get to the Fon, but finally he received the delegates of the control committee and authorised the producers to use his authority in the control of the marketing mechanisms.

A single and permanent spot for the clustering and sales of ginger in the market was thus obtained with the backing of the authorities. The committee selected a strategic place at the entrance of the market; very accessible to buyers and sellers, with enhanced loading and off-loading of bags<sup>5</sup> from taxis and vehicles.

#### *Observation of an imbalance: supply greatly exceeds local demand and reduces the prices of producers*

Once the clustering of ginger had effectively started, producers realised that the prices were low because of the excessive supply in the market. It was realised after analysis that the supply was 7 200 kg, for a demand of 2 400 kg.<sup>6</sup> The few buyers (*Bayam sellams*, 10-12 in number) and mainly wholesalers, therefore had full latitude to impose low prices; with supply of ginger that was three times the demand, producers were forced to sell their produce for as low as 400 CFAfr/bucket (26 CFAfr/kg).

Recognition of this situation by the producers-sellers of ginger reinforced their unity. They realised that by grouping together and clustering their products, they could evaluate the quantities supplied on market day and adopt a common negotiating stance with the buyers on the selling price.

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<sup>5</sup> 1 bag = 8 buckets of 15 kg of ginger = 120 kg.

<sup>6</sup> 7 200 kg = 60 bags or 480 buckets; 2 400 kg = 20 bags or 160 buckets.

## **2.2- Organisation of the local market for more transparency in transactions and supply that matches demand (Axis 1)**

### ***Definition of a strategy: Management of local supply with respect to the local demand***

The strategy of the market control committee and producers was first to manage the supply on the local market. Two complementary actions were put in place:

- 1) limiting local supply: sale of part of the ginger crop at the local market;
- 2) disposing of the ginger that exceeded local demand outside of the production zone: sales of the remaining crop to private business people in far-away urban markets.

At the local market level, the aim was to better manage the quantities of produce brought to the marketplace, by organising schedules and zoning of areas to supply ginger to the market, in order to limit local supply to levels that were adequate for local demand: no excess produce to avoid price drops; but no strong retention by producers that would artificially raise prices and discourage buyers. It was agreed with the Fon of Bafut that this strategy would be tested in a real-life application.

### ***Practical testing of the management of local supply: operation “zero ginger”***

After consultations with the authorities, two weekly markets were allocated to the committee to practically test the strategy dubbed “zero ginger”. All ginger brought to the market was to be sold at a sufficient price: no ginger was to be taken back home. The aim was to limit the supply of ginger to 3 000 kg (equivalent to 200 buckets, which had previously been estimated as the level of demand), on the basis of a list of sellers, established according to a marketing calendar. It was seen that prices rose from 700 CFAfr/bucket to 1 000 CFAfr/bucket. The demonstration was very clear: the reduction in the supply of ginger at the local market made it possible for prices to rise. The producers therefore decided to maintain the mechanism for managing the supply at the local market, through scheduling and rounds. As a follow-up measure, other outside outlets had to be found for the ginger which could not be sold in the local market.

### ***Organisation of zoning and schedules to limit supply in the market with respect to existing demand and consolidation of the system***

The committee proposed to divide the producers into four production zones, according to well-defined areas. Each zone was assigned a turn to bring their ginger production to the market: groups of 50-75 farmers rotated for each market day following a pre-set timetable. A clear marketing calendar was established for the rotation of sales by each area. This limited the market day for each zone to once a month, a frequency that permitted each farmer to have monthly income. Thanks to this system, the supply on the market was reduced to 2 400-3 000 kg (equivalent to 20-25 bags or 160-200 buckets).

Here again, the decisions were discussed at length between the producers, but also with the involvement of local traditional and administrative authorities, whose approval, backing and support was sought for the zoning and marketing rounds. The rotation calendar of the market days for producers was signed by the local authorities, His Royal Highness the Fon of Bafut and the market control committee representing the producers. The traditional leaders recognise the power of the control committee, recognise the system and reinforce it.

The local representative of the control committee plays an important role: on each market day he supervises compliance with the marketing calendar and notes infractions; he controls the entry and exit of produce, which also allows the supply and demand of ginger in the market to be monitored.

To supervise and ensure the good behaviour of the farmers and to continue raising their awareness, observers were elected and assigned to each area to ensure the proper functioning of the system in the

local market (particularly compliance with the calendar schedule). The rotation system (once a month for each production zone) limited the frequency of farmers' market attendance, and therefore their possibility to sell and to generate income. In fact, the increase in prices due to the limitation of the supply in the market compensated for the fewer local sales. Also, in case of an emergency need, the farmer could submit a request to sell to the control committee, which after examination could exceptionally permit the farmer to join the authorised selling zone.

To be able to regulate and have their decisions respected, the control committee delegates met with palace and council law-makers to put in place sanctions to punish infractions by ginger buyers and sellers. The sanctions range from a simple fine issued by the local representative to a summons to appear at the palace.

In the system of promotion of production sectors developed by NOWEFOR, the local representatives receive an annual bonus from NOWEFOR. Furthermore, the interest income from the production sector loans is shared between NOWEFOR, the savings and loans scheme and the local management committee. The functioning of the local management committee is financed by these interests.

***A logical corollary: sell ginger that exceeds local demand in external markets***

To dispose of surplus ginger it was necessary to search for new markets and buyers outside of the production zone. The committee went to Douala and Yaounde where potential buyers were contacted and sales agreements made. Produce was collected, a truck hired, and 15 tonnes were shipped and sold in these towns.

Table: Destination of sales of ginger in 2004.

<i>Place of sale:</i>	<b>Production Zone:</b>	<b>Outside sales to private buyers</b>	
	Bafut Market	Yaounde	Douala
Volume (t)	3 –3.7 t/market day	2 x 5 t =10 t	5 t
Price/bucket(CFAfr/15kg)	1 000	1 400	2 100
Price/kg (CFAfr/kg)	67	93	140
Condition of purchase	Cash	Cash	On credit

***Immediate results and lessons learnt from the strategy of regulating local supply***

***- At local level: higher prices and satisfied participants***

The sanctions and the recognition of the system of rotation of market days by the local authorities discouraged the farmers and buyers from violating the management system that was established. The incidence of clandestine sales fell in the production zones, as did the influence of the *Bayam sellams*.

There is a rapid and regular disposal of a greater quantity of quality ginger: each market day, 50- 70 farmers sell between 3 000-3 750 kg (200-250 buckets) in a few hours. The price in Bafut rose from 450 to 900 then to 1 000 CFAfr/bucket (67 CFAfr/kg).

The producers are satisfied with the security of sales: they are sure to sell at a negotiated and proper price. The buyers accept the mechanism, even though the prices are higher compared to when the supply was higher: They are very satisfied with the quality.<sup>7</sup> Producers and buyers are satisfied with the time saved. It is however interesting to note that the system put in place has reduced the number of buyers.

Women, who are the principal ginger producers, have seen their revenues increase with the sale of larger quantities of ginger at higher prices. This contributes without any doubt to help these women assume certain family expenses for food, medical care for children etc. Also, the quick disposal of their stock on market day gives them time for other family activities.

<sup>7</sup> A strong controversy persists, however, concerning units of measure: producers use buckets, whereas buyers use kg, with considerable discrepancy between the two.

**- Outside markets: dissatisfied producers due to poor handling of transactions**

The strategy of selling ginger in external markets was more profitable as a learning experience than in terms of economic results. The sale prices of the ginger were good (93 CFAfr/kg at Yaounde and 140 CFAfr/kg at Douala), but these operations had their limits.

- In Yaounde, the transaction was not very satisfactory for the producers. Once the producers had transported the produce to the agreed selling place, the buyer reduced the prices which had been negotiated and agreed beforehand by both parties. Without a written contract, or an alternative buyer, the farmers had to accept to sell at the lower prices.
- In Douala, the buyer took the produce on credit as was agreed but was not reliable in the payment.

These problems and palpable losses by producers could have created suspicion of the team in charge of transporting and selling the produce in Yaounde and Douala (the driver and local representative who accompanied the shipment) and thus undermine this type of collective pooling experience, i.e. the transportation of produce out of the zone. The biggest drawback for the farmers was having to wait for payment, from the moment when the produce was collected in the zone, to the time they were paid (about 10 weeks).

The producers sought another alternative which consisted of organising sales to the farmers' organisation (FO) which then takes charge of selling the pooled produce to external buyers.

**2.3- Purchase from producers, storage and sale of stock by Nowefor (Axis 2)**

***Organisation of activities***

In the zones of Bafut and Mforyah, several activities were carried out.

- Collection of produce from producers in the production zones after NOWEFOR receives a command from a buyer who indicates the quantity needed. Each producer brings his/her ginger to the local NOWEFOR warehouse where it is received by the local management committee (LMC). Each producer supplies the quantity available until the required quantity is obtained. The LMC takes upon itself to determine the quantities to be supplied by each farmer when the demand is not very high, while ensuring that the maximum possible number of producers participate in the sales.
- Loans to members: The Credit House (savings and loans scheme) gives loans to members who have supplied ginger for the operation. This loan allows them to meet their most urgent needs, while waiting for the group sales which enable them to obtain better prices. The producers reimburse the loans when the ginger supplied has been sold.
- Contracting with buyers: the agreements with the buyers are not written. These usually take place through negotiation meetings or telephone communications during which the buyer indicates the quantities needed and the delivery date. The producers make commitments to the buyers according to the amounts that they can deliver at the required date.

***Pending questions***

The problems that can arise from this type of action are worth mentioning. The same types of problems as those encountered in 2004 could still emerge in subsequent transactions in Douala or Yaounde (late payments, a drop in prices once the produce has been delivered, etc.). The difference here is that it is the FO that incurs the risk, and will pay the price (late repayment of loans; losses due to unforeseen price falls, etc.). Is there not a risk for the FO, if the price paid to the producer is higher than that paid by the external buyer? Is the FO at risk of running a deficit?

Instead of transporting the surplus ginger to external markets, under conditions which producers do not master (insecurity of payments, transportation conditions/hiring of vehicles, high cost on small quantities, inexperience, etc.), and which is risky (for producers and the FO), why not work instead to

incite new external buyers to come for supplies on the spot in the village? Here it is still a question of matching demand and supply, but with a reversed outlook. We shift from a strategy of “regulating local supply in the market to meet limited local demand” to a strategy which focuses on increasing demand locally by involving other buyers with the potential of absorbing the rising supplies of ginger in the local market. But this second strategy must also be in the new buyers' interest! That's where the challenge lies: making sure that the quantities and quality are respected so that the external buyers are not disappointed (having to return home with half-empty vehicles). From this came the idea of reinforcing the new options, by working as a network.

## **2.4- Extending the experience throughout the province (Axis 3)**

The stake here is to make ginger a crop on which producers can rely, through their involvement in marketing and the supply chain which strengthens their position and provides more secure income.

One way to limit the risks related to the non-respect of contracts, and to increase the capacity to negotiate and attract buyers is to work with higher quantities of produce and/or with more producers at the level of the province, organising a producers' network. This is another important challenge that NOWEFOR farmers have embarked on lately.

In 2004 following the encouraging results achieved at the local market in Bafut, NOWEFOR farmers are making efforts to share their experience and extend it throughout the province to other farmers, unions and markets. There are several objectives:

- exchange experiences in a network, particularly achievements as regards the mastery of production (practical know-how, cultivation techniques, quality, etc.) and marketing and regulation of markets (limitation of local supply to match local demand to avoid price drops; external group sales;
- ensure better handling of larger quantities and volumes by more farmers, to reach out to new markets/buyers, fulfil new contracts via group sales, benefit from economies of scale (particularly in transportation) and strengthen the negotiation capacity of producers vs. the power of buyers in external markets and above all incite them to come to the local markets and purchase the products (and bear the cost of transportation). There are about 5 000 ginger producers in the North West Province of Cameroon of whom 1 200 are NOWEFOR members;
- launch new activities (transformation) which can require larger investments (and regular supply of quantity and quality raw materials to recoup the investment);
- strengthen the collective dynamism of unions and render services to members: access to information (especially on what is happening in other regions) group collection and sales, better disposal of produce, etc.;
- be more visible and recognised as trustworthy actors in the sector by outside partners, other actors in the sector, local authorities, etc.

A network committee exists. Presently, the base of the network has been put in place, but it is not yet functioning as it ought to due to some problems of communication, organisation and management which have not yet been resolved.

A network meeting was held in 2006 with 40 members in attendance, and priority activities were defined: dissemination of the system of control of the local market, group marketing in all the ginger production zones in the North West etc. But the real problem at this time is that of financial means to establish the network and give it life and dynamism. We refer here to means to enable the network carry out the work of communication, raising awareness, and supporting the organisation of other unions (members and non-members of NOWEFOR), etc.

At the level of Bafut alone, the local market control committee already has much to do (the local representative is present during all market days; the production zones are large and far apart and means of transportation to manage the areas is limited). Within the framework of the network which

would group together an estimated 5 000 producers in the province, informing and training all these producers on technical issues, on strategies to master the market (control of the supply, management of surpluses, etc.) entails great needs, among others in terms of mobilising more leaders in order to reduce the burden on the present strong nucleus which is very functional now. How can we evolve to a higher level to mobilise more producers who are dispersed over a vast territory? This requires additional financial resources and tools.

### **3- ELEMENTS OF THIS EXPERIENCE TO BE HIGHLIGHTED**

#### **3.1- At the production level: Improved technical procedures to increase production and quality**

The producers are able to produce the anticipated quantities and quality of ginger on schedule, at reduced costs and with lower use of fertilisers and insecticides, thanks to mastery of cultivation techniques for consolidated quality and volumes of produce, upstream of marketing issues, at costs which allow the farmers to be competitive. It is important to note, however, that it is not easy to organise and negotiate without mastery of production. Otherwise all organisational efforts for marketing will be fruitless if the productive capacity does not follow suit.

The substantial increases in productivity that were obtained are related to the fact that the changes at the production level were limited, or at least they did not destabilise the global functioning of the production system. As ginger was already cultivated in Bafut, the improvements made (farming practices, soil fertility management) did not entail a lot of risks.

It should be also noted that the full engagement of farmers, decisive for the success of this initiative, was obtained because the farmers were involved in a process of searching for alternatives following the crises that struck the coffee sector and its economy on which they were highly dependent. The cultivation of ginger was therefore a welcome alternative.

#### **3.2- At the marketing level**

There is success at the local level, with the mastery of the local market through the regulation of local supply. In effect the mastery of the economic process of setting prices. The new mechanism of selling in rounds in the market is functioning well, and is respected by the producers. This can be linked to the fact that the farmers are seeing concrete results: the increase in their selling prices. As for external markets, the quest for new market outlets beyond the local market is difficult and less easily controlled.

#### **3.3- At the local level**

Women are the main producers of ginger in the zone. The sale of greater quantities of ginger at good prices has increased their incomes. More and more women are part of different committees (the local market control committee or LMC) where they are assuming greater responsibility. Their involvement in this operation has increased their capacity to negotiate and enhances their prestige in their community as actors of development. They are given more consideration by men, the council and the traditional authorities.

This operation enabled the traditional and administrative authorities to have a better understanding of the activities carried out by the FO. The authorities are in favour of this operation which leads to higher household incomes, increased council revenues (through dues paid by the buyers who are now better located). The operation has also reduced the power of the buyers who can no longer dictate prices to the producers.

### **3.4- Strategy and methodology**

#### ***A continuous process of construction and collective reflection among members of the union***

- training is perceived as support for the co-analysis of the market situation: the quantities brought to market, the buyers, pricing mechanisms;
- support in the organisation of reflections and discussions;
- the involvement of the main actors (producers) in implementing actions;
- broad information: radio announcements in local languages concerning the mechanisms put in place.

#### ***The demonstration effect: learning by doing***

This process is interesting because it offered an opportunity for learning by experience. The ability to carry out a large-scale trial on the price effects of regulating the supply of ginger in the market (operation “zero ginger”) was most convincing. The producers were able to see for themselves the increases in the prices due to the limitation of the supplies to the local market.

#### ***Progressive work with a strong nucleus and then extension***

There was first of all close collaboration between the producers and local authorities with trials and the application of the strategy in a single local market (Bafut) before reflecting on the need to work with more producers on a larger scale (the province).

There was progression in the problems handled: production, then marketing/organisation of the market. The aspects of transformation/diversification of ginger products emerge only after certain parameters have been stabilised (cost of production, quantity, quality, organisation/communication among producers, knowledge of the market, confidence among producers, etc.).

#### ***Collaboration with the community, traditional and administrative authorities***

Beyond the collective reflection processes at the level of the producers, there was a continuous process of consultation with the community, administrative authorities, and stimulation of community awareness, to explain and discuss the strategies envisaged by the producers. The palace and local authorities were involved in the process, notably to obtain a single location for ginger sales at the local market.

All the parties were kept informed through radio announcements, meetings, and visits made by the local market control committee.

#### ***Work in partnership: advisory support which enhances existing local dynamics***

The cultivation of ginger already existed in the region and was known to a number of producers: Bafut had about 600 ginger producers in 2001 before the intervention of SAILD. Initiatives had already been started by the farmers before then. There was therefore a certain local dynamism in place and the support of SAILD only strengthened what was already in existence. In effect SAILD did not introduce a new activity to the community. Its support came more as a response to concrete demands and constraints of the farmers. There was continuity in what was being done by the farmers and what the external assistance contributed. The actions did not start from scratch. What was in place was not ignored or put aside but rather was used as a starting point to build upon.

The support of such an initiative is a learning process for all the parties. The NGO has to integrate this in its approach, be open to dialogue and avoid the posture of a reservoir of solutions. Responsibilities have to be defined and clarified through discussions and most importantly the FO must be allowed to assume its responsibilities when it can. These are wonderful opportunities for the training of leaders. It is also important to organise a monitoring process, with the objective of identifying weaknesses and finding possible solutions, rather than focusing on individual mistakes.

## **4- CONCLUSION: THE LIMITS TO SPONTANEOUS MARKET OPERATION AND PRODUCERS' ACTIONS FOR MORE EFFICIENCY**

### **4.1- According to classical theory**

#### ***Supply and demand evolve as a function of price***

According to the well-known classical theory, the market refers to the production decisions which lead to supply of products in the market and the demand of buyers (households, individuals, businesses who buy more or fewer products depending on the price). Production decisions are a function of the market prices: the higher the price, the more I produce. Purchasing decisions are also a function of prices: the lower the price, the more I buy.

#### ***The interaction between supply and demand determines a just and efficient market price***

The supply and demand decisions determine the so-called "market" price. The theory says that if the market operates freely, with many buyers and sellers freely expressing themselves in a competitive market (what is generally known as a pure and perfect market<sup>8</sup>), supply interacts with demand to determine the quantity supplied, the quantity demanded and also the price. Prices fixed under such market conditions are therefore flexible (prices which vary with the demand and supply), efficient (prices determined under market conditions should create maximum wealth from limited resources), just and equitable (they satisfy buyers and sellers and do not work in favour of one of the parties to the detriment of the other: non-discrimination as a principle of justice), and contribute to market sustainability.

In theory the mechanisms of competitive markets should regulate the economy and lead to a general equilibrium with an optimal allocation of resources which satisfies both buyers and sellers (efficiency).

### **4.2- What we observe with NOWEFOR producers at the Bafut market**

This NOWEFOR experience possesses several important points which illustrate the fact that different problems existed, prior to the organisation of the producers for more transparency in transactions and management of supply in the local market.

#### ***A spontaneous market that is neither pure nor perfect***

A certain number of hypotheses expounded in the theory were not found in the Bafut market before 2004:

- non-competitive market: certain actors – buyers (*Bayam sellams*) were in a dominant position with a strong power of influence on the market price (absence of many buyers);
- no easy access of the produce to the market: transport problems (lack of transportation, uncontrolled “taxes” and difficult access to credit);
- imperfect information: before operation “zero ginger”, the producers were dispersed and unorganised and had no visibility concerning supply and demand, and were therefore passively subject to the prices which they received. Added to this there could be cheating on quantities (measuring units) and quality to the detriment of the producers, who because they are isolated cannot be sure of the quality of the goods they buy (seeds, fertiliser, etc.).

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<sup>8</sup> The market is said to be “pure and perfect” if on the supply side there are many suppliers of products (sellers), of small economic size (too small to influence the market price directly), with perfect information on the quantities and price, and free entry and exit on the product market (fluidity); and on the demand side many consumers and buyers, of small economic size (too small to influence the market price directly), perfectly informed on quantities and prices, and with free entry and exit on the product market (fluidity).

***Supply does not spontaneously adjust to price: rigidity in the supply of ginger***

- The sale of the harvest is often a necessity, in order to make purchases or repay debts.
- A certain amount of time is needed to produce a crop (this time was 24 months before improved seedlings were obtained, and then fell to 10-11 months) and it is difficult to immediately adjust supply to the weekly market price. Once the produce is brought to the market farmers are obliged to sell, if not the harvest is lost.
- Due to the production cycle, speculation effects can result which can be counter-productive. If prices rise, producers produce more, which immediately leads to excess supply in the market and a drop in prices.
- Production can be affected: the quantity supplied is variable and seasonal as it is highly dependent on climatic conditions, regardless of price or demand for the products in the market.
- Capital cannot be easily reallocated to a different activity because the production system cannot be easily changed in the short term if prices drop: the risks are too high and alternatives limited (zero opportunity cost).

On the supply side of the balance sheet, the classical law which states that supply is a function of price is rarely respected. This rigidity in supply is also confronted with certain inelasticity in demand.

***The demand for ginger does not necessarily increase as the price drops***

The 10-12 buyers come to buy a certain quantity of ginger at the Bafut local market, for resale in other places where they know they will be able to sell the produce. They buy according to their financial resources but also on basis of their capacity to re-sell. Consequently when supply increases and prices drop, demand does not necessarily follow. In effect it remains inelastic and the classical law which states that demand is a function of price is not always respected.

***Outcome: unstable and inequitable prices***

In the end, supply does not adjust rapidly to demand, and variations in supply are most often greater than variations in demand. Variations in supply do not result in corresponding adjustments in demand but rather in high, unstable and volatile price fluctuations because of the inelasticity of the agricultural activity. Furthermore, the price in the market is not an optimum equilibrium price resulting from regulation by supply and demand. Pricing is not equitable, principally because the producers are isolated and poorly informed whereas the buyers have very strong market power due to their financial position and better access to information. The existing market dysfunction reduces the allocation efficiency of the pricing system.

**4.3- What the producers did to render the market more fluid, efficient and equitable**

Producers increased the quantity and quality of crops, while reducing the cost of production to achieve greater competitiveness. They also worked to improve access to credit, organisation of the local market and transactions, via agreements between producers, local traditional and administrative authorities. This long process of social learning with the support of a local NGO led to more efficiency and social justice.