



**FUPSN SA'A**

**THE SA'A FEDERATION AND ITS EXPERIENCE SELLING  
AGRICULTURAL PRODUCTS UNDER THE WARRANTY  
MECHANISM**

**Contribution of  
The Federation of Souchet Producer Unions of Niger  
(FUPSN-SA'A)**

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## Summary

Souchet is a cash crop of increasing importance in Niger and the Maradi district in particular. But market outlets are few and fertiliser supply for the production of this highly demanding crop is subject to the unpredictable operations of the State-run purchasing structures.

The goal of the Sa'a Federation is to place group orders of inputs so as to get better prices and quality. Warranty – a few months' credit guaranteed by a stock of food or cash crops, is a means to permit producers to pay for their group input orders. The stock is exchanged for inputs. Income-generating activities are promoted to facilitate repayment of loans. Group sales also allow the members to secure and increase their profits. The producers are more inclined to improve their techniques as they have finances and fertiliser available for their farming season.

The Federation is structured at all levels (unions and grassroots producer organisations), each level having a specific and well defined supervisory task (price observation, technical advice, responsibility to constitute stocks, control, repayments etc.).

Storage involves many stages: informing producers, training of those in charge, identification of warehouses, constitution of stocks, identification of income-generating activities, contracting, monitoring of stocks and markets, market research, loan repayments, balance sheets. The PO is very active.

The Federation has adjusted its processes gradually to cope with the difficulties encountered: handling risks following the importation of millet and late storage, change of MFI following changes in interest rates and inadequate financing capacity, internal rules and regulations after the liberation of stocks before repayments.

SA'A put in place a system of fees on loans granted so as to contribute to follow-up and supervision charges.

Warehouses and financing capacity are insufficient. Experience and a network of partners are being built up, however, and the results are very encouraging. The mechanism now has to change scale; the fundamental question is the capacity of the PO to assume all the functions it has taken on.

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## 1- BACKGROUND

### 1.1- Souchet production is rising but requires large quantities of fertiliser

#### *Production of souchet*

For a long time, souchet was considered to be a marginal crop in the Tillaberi, Zinder and Maradi regions but today it has become an important cash crop. It has been developed in the Maradi region of Niger, a watershed used in the past for the production of groundnuts. The availability of appropriate land for the production of this crop and the substantial revenues received by the farmers from the production of the crop explain, among other reasons, the rapid increase in the cultivated areas (0,5 to 50 ha/producer).

Holders of large land areas are generally producers who have other commercial activities enabling them to have funds to meet the investment requirement for this crop which consumes large amounts of fertiliser (8-12 bags of 50 kg/ha) as well as labour. Production varies from year to year and can reach 100.000 t for the whole country (95 % in the Maradi region). The total surface area cultivated is estimated at 32.000 ha. The average yields for the crop in the region are estimated at 3,62 t/ha with a maximum of 5 t/ha (Toukoua *et al.*, 1999).

#### *Difficulties faced by producers in the commercialisation of souchet*

The transformation of souchet in Niger is done only with traditional techniques. It is largely consumed in the form of biscuits in Nigeria. In the commercialisation of the souchet, the producers are limited essentially to local markets. Only wholesalers and intermediaries supply external markets (Nigeria, Benin, Togo, Ghana, Burkina Faso, and Spain). The current excess supply and marketing mechanisms limit the remuneration of the producers. Among the problems faced by the Federation of Unions of Souchet Producers of Niger (FUPSN-SA'A) is the lack of financial resources to ensure supply of inputs and market outlets to sell their produce at a profitable price.

#### *Difficulties in the supply of fertiliser*

Producers have little or no access to loans, quality inputs, and technical-economic information on inputs because they are isolated and dispersed. The Federation evaluates consumption of fertiliser to be 2.500 t for a land area of more than 6.500 ha and production of about 20.000 t. Supply circuits are not mastered by the POs, suppliers or the State. The principal supplier of fertiliser is the Central Supply and Provision Unit. This is a State-run structure with yearly supplies of 10.000 t of fertiliser, out of total national consumption of more than 20.000 t. Uncertainty concerning the periods of availability of fertiliser from the Central Unit (which do not always coincide with the period when fertiliser is needed) and subsidies, hamper the purchase decisions of the POs who are torn between buying from the Central Unit or from private operators. Other suppliers hesitate to import fertiliser for fear of a sudden influx of subsidised fertiliser in the market from the State unit.

This situation of uncertainty and/or scarcity leaves the producers, especially the majority who are unorganised, at the mercy of certain opportunistic operators who do not hesitate to raise prices<sup>1</sup>. These difficulties observed in the commercialisation of agricultural products, provision of inputs and financing of inputs are found not only in the production of souchet but also in the production of many other agricultural products in Niger.

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<sup>1</sup> For example, the price of 15-15-15 fertiliser rose from 9 000 to 18 000 FCFA during the rainy season of 2003.

## 1.2- Development of initiatives to improve on the provision of inputs

Different initiatives have been developed: grouped orders for organised POs, input stores, development of income-generating activities (IGA) and the development of warranty schemes. It is in this context that since 2000, POs in the region like FUMA Gaskia, FUPSN Sa'a, the AIV of Guidan Roudji and the Mayah Rural Councils have organised, each at its own level, to **group their input orders**, particularly for fertiliser. As such they benefit from substantial economies of scale in their purchases, transport and in quality control. The **Input stores (IS)** meet dispersed demand

Inputs Stores (IS) in 2004 :192 IS in the whole country (increasing)
• Payments on sales
• Radius of 20 Km; 20 villages (2 out of 3)
• 80 %: Diffused/dispersed demand diffuse
• 80 % of clients are not members of POs
400.000 FCFA as operating fund

Certain POs encourage the development of income-generating activities (IGA) from the loans obtained. With the support of the MDA inputs project and other projects, the POs of the Maradi region decided to go farther in their collaboration and elaborate a Regional Input Supply Strategy for Sustainable Agriculture (SIAD).

Initiatives taken by POs MFIs and support structures in the two sectors facilitated a first joint effort between the POs and MFIs in 2003 in Niger. As a follow-up to this initiative, POs who are members of the CASPANI<sup>2</sup> (Advisory Service for Action and Farmer Solidarity of Niger), and some MFIs manifested their intention to engage in a new round of collaboration through a workshop between the POs and MFIs.

It is in this context that the warranty schemes were developed by the Federation of Unions of Souchet Producers of Niger (FUPSN-SA'A).

### Definition of Warranty

Warranty is a technique which consists of giving credit guaranteed by a stock of agricultural products (pledge or security of stocks) by producer organisations (PO) just after harvests. This technique allows the producers to avoid selling off their stocks cheaply and to benefit from better prices during periods of scarcity.

The Federation would like all the members to bring the same quantities of produce but this is difficult to achieve.

Once the stock is constituted, the PO visits the MFI to negotiate a loan. Once the MFI accepts the operation, it verifies the stock in the warehouse. Then, two locks are placed at the door of the warehouse; the key to one of the locks is held by the MFI and the PO keeps the other. The MFI grants a loan to the PO based on the value of the stock which corresponds to the prices of the products at harvest, generally 70%. This credit enables the producers (beneficiaries) to carry out income-generating activities (IGA).

At maturity, the producer repays the loan plus interest; the repayments are centralised by the PO; each producer takes possession of his/her stock thereafter and the benefits accruing from his/her IGA. It is with this money that the producer plans to buy his/her inputs.

Group sales are organised but not in all unions; this initiative is still being developed.

<sup>2</sup> Advisory Council for Action and Solidarity of Farmers of Niger

In its efforts to support the putting in place of a commercialisation channel for members' products, the Federation of Unions of Souchet Producers of Niger initiated the **warranty** scheme to:

- ensure the collection of members' agricultural products so as to facilitate group marketing of the products ;
- prevent members from selling off their products at cheap prices at harvest time. This mechanism allows members to store part of their harvest in order to ensure fertiliser supply during periods of financial scarcity.

The first experience dates back to 2003 and was started by the Tchizon Kouregué Union. Today the Federation is in its fourth experience and all the unions benefit from this service.

The present document seeks to retrace the route of this operation, draw up a balance sheet and highlight the perspectives of the operation.

Warranty schemes are highly developed in Niger (see below).

#### **Warranty in Niger: A means to intensify the use of inputs**

The National Fertiliser Programme of Niger (PEN) extends and promotes the use of fertiliser since the 1980s. In its last phase between 1992 and 1994, it put in place some groups that received inputs on credit repayable in 5 years.

The initiative was not sustainable. Because combining loans and technical advice is prejudicial to recoveries in case of failure, the subsequent FAO inputs project preferred to work with existing POs which had problems of access to loans and inputs. It also laid priority on credit approaches that were advantageous for POs and banks.

Warranty or storage credit is a loan of a few months guaranteed by a stock of products that can be liquidated by the bank in case of default (the pledge or security). The producer gains access to a loan that permits him/her to meet obligations at harvest time, and keep his/her products for sale during periods of higher prices; for the MFI, the collateral is secured.

Warranty in Niger enables producers to:

- Provide their own collateral for loans
- Gain from increases in the prices of agricultural products
- Acquire inputs without depleting meagre household budgets
- Make the most of the use of inputs
- Create regular group orders of inputs that are financially trustworthy.

In effect, the producer acquires inputs from the stock he/she has sold during periods of scarcity. Each farmer contributes materially and in a uniform manner (this is recommended for start-up POs), or in a heterogeneous manner; the contributions are stocked and subsequently transformed into inputs. Producers can also buy and pay for inputs that are ordered as a group from the input shops thanks to money gained from the storage operation. This enables producers to pool orders for inputs, creating a regular and financially solvent demand.

Certain POs constitute an operating fund with funds that are reserved from the operations, to guarantee or complete the purchases of fertiliser.

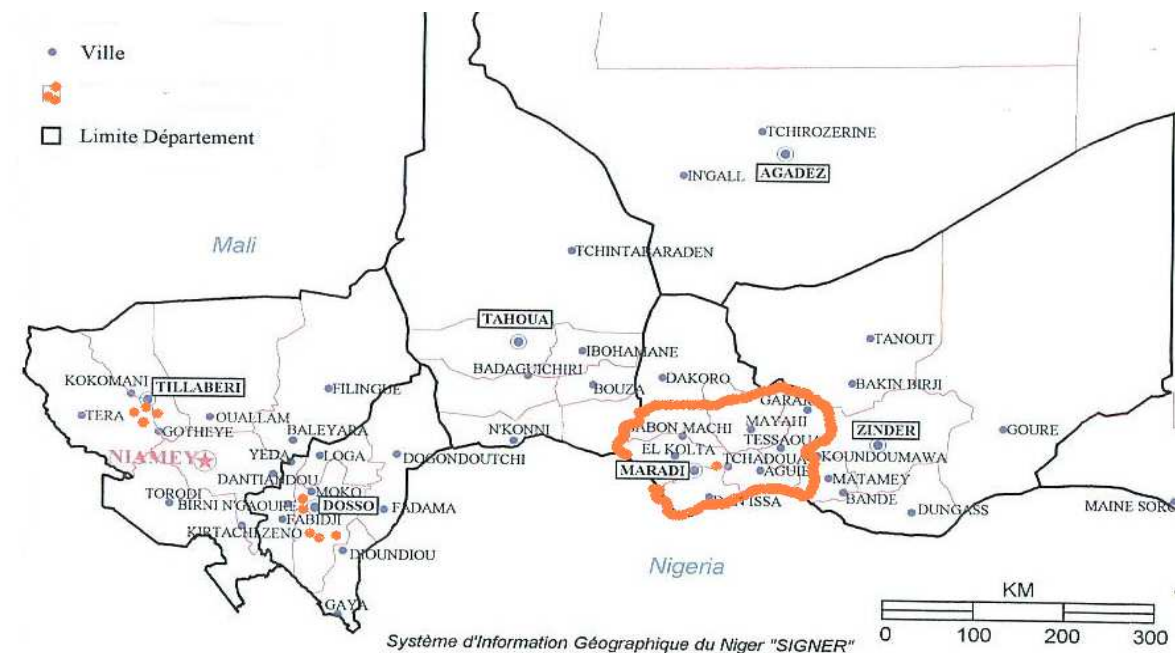
## 2- ORGANISATION OF WARRANTY OPERATIONS BY FUPSN SA'A

### 2.1- Preamble: presentation of the FUPSN SA'A Federation

The Federation of Unions of Souchet Producers of Niger (FUPSN-SA'A) is a farmer organisation created in 2002 which today is made up of 10 unions and 75 grassroots POs with more than 2 500 members, 900 of whom are women (Cf. Annex: Presentation of FUPSN-SA'A).

It is currently active in Madarounfa, Aguié and Guidan Roudji which make up the principal production zones of souchet in the Maradi region of Niger.

#### Intervention Zone of the FUPSN-SA'A



### 2.2- General process of the warranty operation

#### Steps

The process of warranty in the Federation comprises the following main steps:

- informing members about the warranty scheme
- the putting in place of committees in charge of managing the activity and the training of members of the committee
- identification of financial partners (MFI)
- meeting for the launching of the operation
- identification of warehouses, constitution of stocks with registration of the number of bags and control of treatment of niébé beans and identification of income-generating activities (IGA). Verification of stocks that are deposited, putting in place of a follow-up calendar for the stocks and the signature of contracts (granting of loans)
- monitoring (stocks, prices on the market)
- search for market outlets
- distribution and sharing
- meeting for feed-back and assessment.

### ***Roles of each partner***

#### *The Federation :*

- initiates the operation
  - trains members in charge of the activity in the union before the operation
  - sponsors members at the level of the MFI
  - monitors prices on the Maradi market and informs the unions
- Organises the activity
- at harvest time, it launches the operation by fixing the calendar of activities
  - ensures the centralisation of the needs
  - identifies the partner MFIs
  - informs the members
  - advises on more profitable income-generating activities
  - reminds the parties of the dates planned for inspection of stocks by the representatives of the bank.
- All of this is done in collaboration with members of the committee in charge of warranty in the union.

#### *The Union :*

- generally provides the warehouse (some distant POs provide their own warehouses) and ensures that they are properly kept;
  - collects the stocks. Storage is organised in function of the availability of the producers: each producer brings his/her products when they are ready. The union informs the members of the committee in charge of the warehouse of upcoming visits.
- It ensures the storage:
- oversees quality and preservation of the products stored (fixed on the list by the internal rules)
  - monitors prices on the market
  - ensures the security of the stocks
  - sets the list of members
  - informs the members of important issues
  - signs the contract with the MFI
  - deducts the fees agreed upon among the members (since 2005), the union, and the Federation: a fee of 25 FCFA is deducted from each bill of 1000 FCFA of credit that is negotiated by the Federation. This amount is deducted when the loan is granted by the committee
  - participates in the search for buyers during periods of price rises
  - collects the amounts destined for the purchase of fertiliser
  - monitors and ensures repayment of the loans when due.
- The committee in charge of the warranty operation is made up of elected members and union coordinators (3 per union).

*The PO :* informs members and carries out the IGAs.

#### *The MFI:*

- Inspects the warehouse
- verifies the stock
- sets the price of the products announced, in collaboration with the committee in charge of warranty in the union
- sets the dates for inspection visits

- provides the contract document for co-signature
- grants the loan.
- The MFI does not handle action in case of default, a situation that has occurred only once and was managed at the level of Sa'a.

The president of the zone and the treasurer carry out withdrawals at the level of the bank and convene a meeting with the committee which then ensures distribution.

### ***Income-generating activity***

Among the income-generating activities carried out by members, we can cite: sales of spices, restaurants, extraction of groundnut oil (collective activity), hiring out as labour (women) and the sale of cattle (men), purchase and resale of agricultural products and the use of the fund for the harvesting of souchet.

During the first year, the POs had to prove the profitability of their IGA. After that new POs were assisted by their committees who were trained for the purpose.

### ***The input acquisition system***

Since the beginning of the warranty operation, the producer who brings his/her stock to the warehouse, indicates the quantity that is reserved for the purchase of fertiliser. In the framework of group orders, the provisions for purchases are made at harvest time. A committee in charge of the acquisition of fertiliser ensures thereafter the collection of firm orders at the level of the grassroots POs – members of the union.

The Federation negotiates prices at the level of the local fertiliser suppliers. Generally the purchase contract stipulates the depots where the supplies will be stored. When the supplier arrives, it contacts the Federation which sends out one of the members in the committee in charge of input acquisition to the depot to supervise the supply to the union. After off-loading, a supply invoice (attesting the supply) is signed by the committee in charge of input acquisition in the union. Thereafter, the union informs member POs about the arrival of the fertiliser as well as the dates scheduled for distribution.

### ***Market monitoring and preparation for withdrawal of stock***

The monitoring of the market is ensured locally by the committee in collaboration with the Federation and the bank which is in charge of the Maradi market and disseminates information to all the unions. Each market day (Monday to Friday) the members of the Federation pass on information to other members who are going to Maradi. Today in the framework of this warranty scheme, the neighbouring Nigerian Market needs to be monitored since the activities of this market have a direct effect on the prices of certain products, including souchet (2007 perspective). Market monitoring has to be structured.

Before the introduction of this credit technique, the producers marketed their products individually on the local and urban markets of Maradi and at times some of them even took their products to the neighbouring markets in Nigeria. It was always the producer who took the risk: they had limited negotiation capacities with retailers.

Now, sales are done collectively, still on the local markets. The experience acquired will permit them to turn henceforth towards an exporter, ensuring better prices for the product.

### 3- PROGRESSION OF OPERATIONS IN 2003, 2004 AND 2005

#### 3.1- Operations in 2003

To start this operation, training was conducted for the unions. These training sessions were held for the committees in charge of the activity and focused on the techniques of warranty. The coordinators in charge of following up and helping the unions were also trained in warranty techniques, basic accounting, report writing and marketing techniques.

When the operation was initiated for the Tchizon Kouregué union, the amount was symbolic (on a trial basis): 0.5 million FCFA. The interest rate was 2.5% per month. The duration of the loan was fixed at 4 months.

During this first trial year, the balance sheet was discouraging because the prices of essential products did not rise. At maturity the loan was repaid without having obtained any profits. The union was careful not to compromise the test by presenting the results of the operation as they were.

The first warranty experience was evaluated during a workshop in the region of Maradi. Among all the structures which benefited from the warranty credit in 2003, only the Tchizon Kouregué repaid the loan when it was due.

Exchanges during this regional workshop (balance sheet of warranty in the Maradi region) enabled the participants of this union to draw some lessons from their failure.

Among the reasons we can cite:

- lateness in the constitution of the stocks (the stock was constituted when the market prices were already at their highest);
- most of the products that were stocked were staple foods; the price of millet fell because of State intervention. During the Maradi workshop, to producers were advised to refrain from taking up large stocks of millet because it is known that the State can intervene at any time to on millet prices.

Table 1: Situation of warranty stocks for the Tchizon K Union in 2003

Products	Millet	Groundnuts	Large souchet	Small souchet	Sorrel
Quantities (bags of 100 kg)	11	194	7	46	3
Price at period of loan granting (FCFA/bag)	10 000	9 000	11 000	8 000	6 000
Sales price	14 500	13 500	14 500	12 000	6 000
Cost of storage	3 500	4 500	3 500	4 000	4 000
Farmers' benefits	1 000	0	0	0	-4 000
Benefits from the IGA					

Storage costs:

- storage is not paid for because the union owns the warehouse (the costs of maintenance should be integrated in the future);
- the union's watchman who guards the stock is paid 8 000 FCFA/month and therefore 32 000 FCFA for 4 months;
- motivation of the local coordinator at the end of the operation (Tchizon K union).

Fees paid by the loan beneficiaries are such that the producers are not interested in the scheme.

### 3.2- Operations in 2004

The operation in 2004 was better prepared than the preceding one. The Federation carried out information campaigns in all the unions, and from the month of November 20 out of 30 members of the various committees in charge of the warranty scheme were trained, provided with educational materials in the local language (Hausa) which is used by the target population. Among the 10 member unions of the Federation, 7 benefited from the warranty credit because they met the conditions and criteria set by the unions themselves (be punctual with their contributions and other loans vis-à-vis the Federation).

Table 2: Situation of stocks and loans granted in 2004

Producer Unions	Millet		Groundnuts		Souchet		Total value	Loans obtained
	Qty	value	Qty	value	Qty	value		
A Tchidakofato	3	42 000	30	210 000	70	560 000	<b>812 000</b>	<b>600 000</b>
Danja	3	42 000	40	280 000	40	320 000	<b>642 000</b>	<b>470 000</b>
Dallia	10	140 000	8	56 000	110	880 000	<b>1 076 000</b>	<b>800 000</b>
Elkokia	20	280 000	23	161 000	150	1 200 000	<b>1 641 000</b>	<b>1 215 000</b>
Gadambo	10	140 000	27	189 000	180	1 440 000	<b>1 769 000</b>	<b>1 315 000</b>
Rijjal B	5	70 000	18	126 000	60	480 000	<b>676 000</b>	<b>500 000</b>
Riadi M	13	182 000	50	350 000	120	960 000	<b>1 492 000</b>	<b>1 100 000</b>
<b>Total</b>						<b>74%</b>	<b>8 108 000</b>	<b>6 000 000</b>

\*The total value of the products stocked was secured at 73% of their real value with respect to the prices at the Maradi market at the moment of loan granting.

\*The value of the products at the Maradi market at the moment of the operation was: Groundnuts (6 000 FCFA), Souchet (8 000 FCFA), Millet (14 000 FCFA).

The procedure was carried out as described above: the MFI (CPEC-Mutunci of Maradi) was identified by the Federation as partner. However, the Federation strengthened the capacity of the bank with a deposit of 6 million FCFA for loans. In the contract with the Mutunci bank, it was mentioned that follow-up would be shared between the bank and the Federation via the committee in charge of the warranty operation. The interest rate was 2,5 %/month with 1,5% for the CPEC, 0,5 % for the union and 0,5 % for the Federation.

There were no fees paid by the producers at that moment. These deductions have been accepted by the producers since the committee is constituted, it travels, the Federation trains and coordinates the operations. The impact is palpable. The local market context this year was favourable for the warranty scheme because of the high demand and low supply, especially for high-quality souchet. The unions paid back part of their loans as of mid-March, whereas the return of stocks was scheduled for mid-May 2005.

Partial payments:	
- Riadi Magagi:	667 430 F on 1 100 000 F granted
- Gadambo:	500 000 F on 1 315 000 F granted
- Danja:	470 000 F on 470 000 F granted
- Elkokia:	202 500 F on 1 215 000 F granted.

All the loans were paid back when due except for one union (Elkokia) where the members of the committee did not play their role properly.

One of the important rules of warranty was not respected – that which stipulates that loans have to be paid back before stocks are taken out of the warehouses. During the warehouse opening and sharing operations, the committee met with a buyer and the representative of the bank in front of the

warehouse to pay and take out stocks (or in other cases, the loan beneficiary paid directly and removed his/her stock). In the case of this union, some members took the stock to sell in neighbouring Nigeria where the prices were better. Unfortunately, these members did not respect their engagements afterwards.

To ensure the respect of the engagements taken with the bank, the Federation took action to make the union pay back the loan. Sanctions were decided during the evaluation meeting which followed the campaign. The union was barred from taking part in the warranty scheme in 2005.

2004 was a very favourable year for the operation because the prices of all the products went up– even grains: in some regions the price of millet increased by as much as 100%.

In all a total of 7 million FCFA was granted as loans. The May deadline set for the repayment of the loans was respected thanks to the influence and cohesion of the unions which agreed not to withdraw their quota (0.5% of the union) until the period of payments by the union.

Theoretically, the stocks are meant help with the purchase of fertiliser ordered as a group. In practice most of the members mobilised their own funds for the payments. In addition some members who had stocks of grains preferred to keep their food crops for household consumption.

### 3.3- Operations in 2005

The experience of the third year also saw many improvements following the holding of another self-evaluation workshop. Considering the difficulties faced in 2004, the workshop recommended the writing up of internal rules and regulations and follow-up at the level of the Federation and the unions. In 2005, a stock worth 23.787 million FCFA generated a loan amount of 17.840 million FCFA (75 %). It is important to specify that the stocks of A Tchidakofato, Dallia, Rijial Bagouari, Daoutawa, Elkokia and Tchizon Kouregué were not financed due to lack of funds on the part of the MFI (Table 3).

In the framework of this operation, the Federation changed its partner because the bank was partly responsible and it failed to respect the rules governing the warranty operation. In effect the representative of the bank was imprudent because he trusted the representative of the union and gave him the keys to the lock of the warehouse that were supposed to be held by the bank.

**Table 3: Situation of needs in warranty credit of the Federation SA'A 2005-2006**

Unions	Millet	Groundnuts	Beans	Souchet	Sorghum	Sesame
Danja	27	134	-	-	-	-
Gadambo	100	200	-	400	-	-
A Tchidakofato	10	80	10	100	-	-
Tchizon K	21	195	-	155	-	-
Rijial B	119	213	5	254	-	-
Daoutawa	45	50	15	65	25	-
Dallia	150	300	20	300	-	-
Turumbudi	127	251	36	687	-	8
Riadi Magagi	50	140	20	120	-	-
Elkokia	60	186	20	282	20	-
<b>TOTAL (tonnes)</b>	<b>709</b>	<b>1 749</b>	<b>126</b>	<b>2 363</b>	<b>45</b>	<b>8</b>
<b>AMOUNT</b>	<b>7 090 000</b>	<b>12 243 000</b>	<b>1 260 000</b>	<b>20 085 500</b>	<b>450 000</b>	<b>160 000</b>
<b>TOTAL</b>						<b>41 288 500</b>

## **4- RESULTS OF THE FUPSN SA'A WARRANTY OPERATION**

### **4.1- With the bank**

The first two warranty operations were carried out with the Mutunci mutual bank. But this bank did not have sufficient financial resources to satisfy the demand of the Federation. Other contacts were initiated which later led to the collaboration with the ADFinance ASUSU Bank of Maradi. There was no redistribution of the interest rate between the Federation and the ADFinance ASUSU bank. But a fee of 25 FCFA per 1 000 FCFA of credit granted was decided and agreed during the self-evaluation workshop. The deductions are distributed as follows: SA'A: 5 FCFA, the Union: 10 FCFA; the PO: 10 FCFA.

### **4.2- Impact on the producers**

The Federation did not carry out an impact assessment in the field but we can note that the operation enables the producers to obtain gains from the IGAs as well as during the sales of their products during times of scarcity. They also buy their fertiliser at better prices because they are ordered collectively.

As concerns the mastery of the warranty activity, we can say that the principle is very well understood by the producers, and all the more so because the documents are translated into the local language. However, individualistic tendencies still persist. At the level of the Federation, the committees are in charge of the activity; the paid staff bring some support during the process and at times this is on an as-needed basis.

The improvements are visible in the purchase of fertiliser. Most of the producers who have access to fertiliser do not stock their products with the storage credits but pay directly on reception. Warranty facilitates access to fertiliser but the link is not exclusive.

Meanwhile, the applications for warranty credit increase yearly; storage capacities as well as the financing capacities of the MFIs remain the limiting factors to respond to these demands.

As regards the regional strategy for the acquisition and supply of inputs, the Federation is not yet member of any organised forum but it shares experience with some POs. For example, the Federation visited the Mooribien Federation to learn about their experience with warranty and the management of the input shop at the Bokki union. Pooling of supply purchases and exchange of experience (a study visit to the Gabi union) was organised with the FUMA Federation of Maradi.

The FAO input project supported the Federation in the construction of 2 warehouses for the warranty operations as well as training of the committees in charge of warranty and follow-up of activities. The PDSFR (Rural Finance System Development Programme) with the participation of the Inputs Project and PROPAN supported the production of support documents during training sessions and exchange visits to Technoserve in Ghana to share their experience with warranty.

At the moment the purchase of fertiliser is done using members' own funds. A purchase operation was completed in 2005 6 million FCFA of the Federation's funds and a bank loan was applied for to reinforce this fund by an amount of 12 million FCFA. The Federation received the support of the bank but at the last moment the Federation cancelled the operation because it judged that the context was not favourable.

The observation is that warranty guarantees the participation of most producers in the purchase of fertiliser through the group orders organised by the Federation (the producers are sure to have money

at the right time). More so it is a guarantee to the suppliers and this strengthens the negotiating power of the Federation.

At times, some producers withdraw their stock, sell it individually and do not use the money to buy the fertiliser that has been ordered.

#### 4.3- Limits

All the evaluations carried out within the framework of the warranty operation in the Federation, have highlighted the principal constraints and insufficiencies for the development of the activity. These points are summarised as follows:

- inadequate warehouses which do not meet the standards and norms required by the MFI (metal doors, large warehouse, 2 hooks for locks, etc.);
- inadequate information and training of members;
- poor mastery of profitable IGAs by the POs;
- the results of IGAs are not monitored and are never known by the Federation; only the individual members benefit from this; neither the PO nor the union gets any benefits from this;
- insufficient credit funds compared to the stocks put in storage;
- negligence or lack of rigour in compliance with the rules needed for the success of the warranty operations;
- few benefits obtained from the evolution of prices for the Federation's products;
- the search for market outlets is not currently coordinated by the unions. Individualistic behaviour is observed.
- even when the union monitors stock, some members of the committee who hold the keys to the warehouses may travel without even informing or entrusting the keys to a member to enable a representative of the bank to visit the warehouse;
- the interest rate applied by some MFIs is high, because it does not diminish with the quantities of stock. The MFIs have essentially developed short-term loan products that are not favourable to farm investment;
- presumptions on the inadequacy of funds at the level of the MFIs deter POs from mobilising stocks for the regulation of the market. The PO should consider playing this role;
- the banks are not truly close to the producers because generally they function in the bigger cities and towns. This does not favour rural savings
- at times the tedious and time-consuming formalities discourage producers from applying for credits from the MFI.

#### 4.4- Perspectives

Following the success of the warranty operation with Aquadev (Aquatic Development, Belgian NGO), joint SA'A/Aquadev missions were initiated after the exchange meetings to inform members of the POs on the modalities for loan granting and mobilisation of savings.

Today the Federation **can be proud of** the results obtained by the warranty scheme because it has succeeded in creating partnerships with banks. These banks today have confidence in the Federation,

given the trustworthiness of the warranty committee at the central level. 57% of the POs and 80% of the unions today have easy access to credits. To illustrate this situation, the Federation obtained a loan of 12 million FCFA for the purchase of fertiliser.

To develop the warranty operation, some points are essential:

- the problem of storage infrastructures must be solved;
- there is need to for more training sessions (on credit techniques and management of stocks): the banks have to work more closely with the POs to contribute to joint MFI/PO information missions;
- the State has to help in the financing of projects (negotiation with donors so that they can support MFIs or finance storage facilities);
- Certified facilities should be required for access to bank loans which are appropriate for investments in agricultural equipment and also to reduce the costs of monitoring many scattered depots. The producers would deposit their stocks in an certified depot, would receive a deposit receipt and could apply for a loan on presentation of the certificate. The depots would be less numerous and centralised. This will open up credits for the producers, increase the volume and reduce charges related to loan granting.

*What is the time frame for this evolution?*

- The emergence of commercial banks (regional solidarity banks) with a commitment to finance activities of the rural sector should be closely monitored;
- POs must help inform their members so as to encourage them to constitute savings and therefore contribute to refinancing of warranty operations.

## **5- CONCLUSION**

For sustainable financing of agriculture, warranty can be considered as a possible solution. But much still has to be done; the loans obtained are insufficient in comparison to stocks mobilised (in 2004, 180 million FCFA in value stored for 122 million FCFA worth of credit).

Even though the MFIs propose much better conditions than the **usurious rates of brokers and retailers**, the cost of credit is very high for the POs: interest rates are very high, since 100% of the stock is held as collateral (moral and material). And the burden of work is borne by the POs rather than the MFI.

Warranty is profitable not only to the MFIs who have found a new way of doing business in rural areas, but also to the POs who can create IGAs and avoid the idle periods for farmers during the dry season, especially in areas where irrigation agriculture is not practised. It can therefore be an important instrument for food security in rural areas.

Concerted action between POs, MFIs and commercial banks (which are known to have excess liquidates) can provide new perspectives for financing in rural areas.

**ANNEX 1: Organisation of the FUPSN-SA'A**

**Composition:** - 10 unions made up of 75 member POs  
 - over 2 500 members of whom 900 are women

**Organisation:** - Board of Directors (BOD) (10 members elected: 7 men and 3 women)  
 - Control committee (3 members with 1 woman ), which follows the actions of the BOD  
 - Executive secretariat (1 executive secretary, 1 professional coordinator, 10 local coordinators in the unions ) which ensures the organisation and the technical management of the activities

**Mission:** To better the socio-economic and cultural conditions of its members through better production and sale of souchet in partnership with national and international structures

**Objectives:**

- Develop knowledge of souchet production;
- Improve supply of agricultural inputs (fertiliser);
- Facilitate the marketing of souchet;
- Bolster food security;
- Strengthen the institutional capacities of unions of the Federation;
- Defend the interests of the members.

**Areas of intervention**

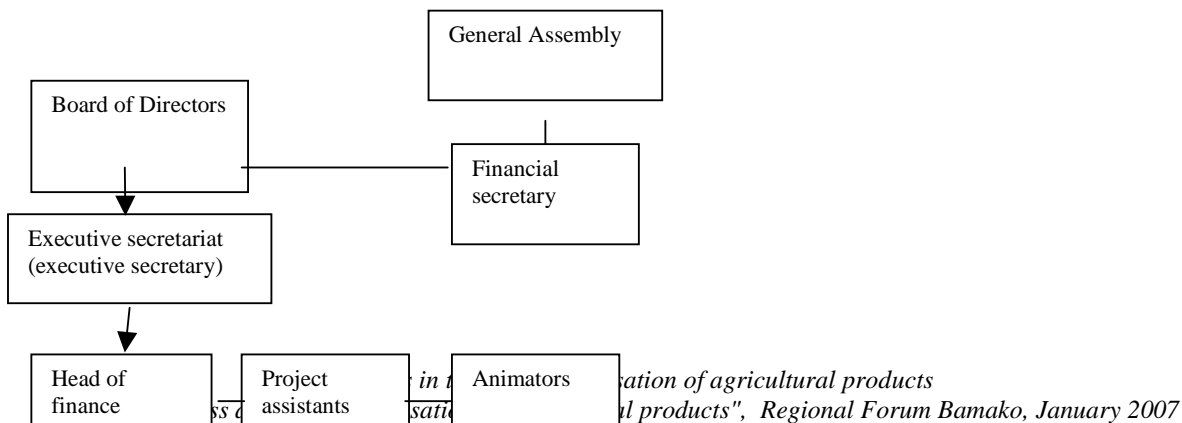
- Support/advice in production
- Support/advice for the emergence of local skills
- Supply of agricultural inputs and marketing

**Intervention strategies**

- Give responsibilities to the producers in the putting in place of the activities;
- Concentration of support on income-generating activity;
- Improving the economic and decision-making power of women;
- Developing synergies with other structures which share common objectives.

**Main technical and strategic partners**

- Technical services (SRAC/POR, Directorate of Agriculture, INRAN);
- Input Project/FAO;
- PROPAN French Cooperation;
- World Food Programme (PAM);
- African Development Foundation ADF;
- SNV (Netherlands Development Organisation);
- PPEAP (Project for the Promotion of Agro pastoral exportations);
- IMF (Mutunci bank and ADFinance ASUSU - Aquadev);
- Peasant Organisations (Mooriben, FUMA Gaskiya, FCMN Niya).



## **ANNEX 2: Internal rules and regulations for warranty in Sa'a**

### **SPONSORSHIP FOR WARRANTY CREDIT**

The Federation is the only instance with the capacity to sponsor the warranty operation so as to ensure proper preparation, implementation and success of the operation.

### **FINANCING OF WARRANTY CREDIT**

Article 1. The PO guarantees that at the end of the warranty operation, it will set aside part of its benefits for the strengthening of the funds needed for financing activities.

### **CONSTITUTION OF STOCKS**

Article 1. The PO (member PO, union, Federation) has the responsibility to provide and manage the warehouse during the warranty operation.

Article 2. The agricultural products which can be used are: millet, sorghum, souchet, beans, groundnuts and groundnut straw.

Article 3. The 15th of November is the start date for the constitution of stocks for all the POs involved in the warranty operation for agricultural products like millet and groundnuts.

Article 4. The PO involved in warranty has to ensure that only high-quality stocks are collected and that the stock is in bags and in good condition.

Article 5. For other products, the date for the constitution of stocks must not be later than the 15th of December. This concerns agricultural products like: souchet, beans, groundnut straw and sorghum.

Article 6. For warranty schemes involving agricultural products which require treatment during storage, the holder must guarantee that he/she will treat the produce with the products recommended by specialists and monitor the stock.

### **PREPARATION, ORGANISATION AND FOLLOW-UP**

Article 1. The PO has the responsibility for setting up a committee in charge of the warranty operations so as to ensure the proper progression of the activity.

Article 2: Training and refresher sessions of the warranty committee members are ensured by the Federation

Article 3: The warranty committee, the BOD and the EB are in charge of providing information to members at each level on techniques and procedures.

Article 4: Date collection on the stocks is ensured by the coordinator.

Article 5: Prices of the products in the market are monitored by the committee and the coordinator.

Article 6: Evaluation and planning of the operations are ensured by the BOD, EB, the committees and coordinators.

### **LOAN GRANTING**

Article 1. Candidates for warranty credit must agree to give their products as collateral at prices which are lower than the market prices in order to ensure a proper sharing of the benefits of the activity.

Article 2: Warranty loans are made to the entire PO (member PO, union or Federation) which possesses stock and a certified warehouse (which complies with storage standards) by MFI, and which should not have any other type of outstanding loan.

Article 3. Candidates for warranty credit have the obligation to identify income-generating activity they will undertake before they can be granted the credit.

Article 4. The responsibility of the PO is engaged at the time the loan is granted and at the time of loan repayment.

Article 5. Loans must be repaid no later than the month of May following the loan disbursement.

Article 6. All beneficiaries of warranty credit must agree to repay the loan before withdrawing their stocks and also authorise the PO to sell their stock after the maturity date of the credit.

### **COMMISSIONS ON THE WARRANTY OPERATION AND DISTRIBUTION**

Article 1: For loans granted to member producers, the commission is distributed between the PO, the union and Federation.

Article 2: For loans granted to POs, the commission is distributed between the union and the Federation.

Article 3: For loans granted to a union, the commission goes to the Federation.

Article 4: The agreed commission stands at twenty five CFA francs (25 FCFA) for each 1 000 CFA francs (1 000 FCFA) of credit negotiated.

### **ANNEX 3: Bibliography**

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