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Capacity.ORG

ISSUE 34 | AUGUST 2008

Producer organisations and value chains

The Bonn Workshop Consensus: priorities and action

This section highlights news and recent developments in the area of capacity development. The CD monitor is compiled in collaboration with UNDP's Capacity-Net.

James Hradsky
james.hradsky@oecd.org
Development Assistance Committee (DAC),
OECD, Paris, France

Thomas Theisohn
thomas.theisohn@wanadoo.fr
Learning Network on Capacity Development (LenCD),
Marseille, France

On 15–16 May 2008 the OECD Development Assistance Committee (DAC) and the German government sponsored a workshop in preparation for the third High-Level Forum on Aid Effectiveness, which will take place in Accra, Ghana, 2–4 September.

The 70 participants shared many concrete ideas on how to address capacity development more effectively and succeeded in adopting a South–North consensus statement to inform the deliberations in Accra and beyond. Participants included experts and practitioners of capacity development from developing countries, the donor community, specialised institutions and networks from the South and North.

The workshop took place at the Federal Ministry for Economic Cooperation and Development (BMZ) in Bonn. It was chaired by Dr Talaat Abdel-Malek, core member of the Accra Contact Group of developing countries, and Mr Richard Manning, former chair of the DAC.

Accra and beyond

The presenters, chairs, facilitators and rapporteurs focused on two questions. First, which concrete and actionable propositions (what, why and how) should inform the round table processes and shape the Accra Agenda for Action (AAA)? Second, what are the strategic priorities and steps required over the three years following Accra?

On the first day the discussions were built around the Accra round tables: ownership, alignment, harmonisation, managing for results, mutual accountability, civil society, fragile contexts, sector experiences and aid architecture. Individual breakout groups derived specific messages in capacity development for their own round table discussions. On the second day the participants decided on the topics to be discussed, which included human capacity development, utilisation of capacity, capacity to manage aid relations and the role of civil society and the private sector. A workshop steering group distilled a set of key messages for the AAA, which the participants debated, amended and adopted unanimously. The co-chairs dubbed it the 'Bonn Workshop Consensus'. The workshop report and all working documents are available online.

The conclusions from both the workshop and post-workshop discussions in the open meeting of the Learning Network on Capacity Development (LenCD) suggest there is considerable room for broad-based forward motion and a concerted effort in support of capacity development after Accra. <

Links

- All Bonn workshop documents are available at 'On the Road to Accra and Beyond': www.oecd.org/dac/governance
- Third High Level Forum on Aid Effectiveness, Accra, Ghana: www.accrahlf.net
- BetterAid.org offers information on the parallel process for civil society organisations (CSOs) towards the Third High Level Forum: www.betteraid.org

The Bonn Workshop Consensus

We recognise that capacity development is critical for sustainable development and national ownership. It is primarily a developing country responsibility.

Capacity development is a fundamental change process requiring that:

- Developing countries commit to the capacity development of their human resources, systems and institutions at all levels, and
- External partners commit to strengthen their own capacity and adapt their approaches to deliver responsive support for capacity development.

Six areas of action:

- Developing countries agree to integrate capacity development as a core element of national, sector and thematic development efforts.
- Developing countries will take the lead in addressing key systemic issues that undermine capacity development, with support from external partners as required.
- To enable developing countries to exercise ownership of capacity development through technical cooperation, external partners agree to a) the joint selection and management of technical cooperation to support local priorities, and b) expand the choice of technical cooperation providers to ensure access to sources of local and South–South expertise.
- Developing countries and external partners also jointly commit to enable the capacity development of civil society and the private sector to play their development roles more fully.
- In situations of fragility, notably in post conflict, external partners will provide tailored and coordinated capacity development support for core state functions earlier and for a longer period. Interim measures should be appropriately sequenced and lead to sustainable capacities and local institutions.
- Beyond Accra, developing countries and external partners jointly agree to a strengthened and consolidated international effort to expand capacity development knowledge and apply resulting good practice.

Building the capacity of producer organisations

One might think that the recent rise in global food prices presents an opportunity for the developing world's 450 million smallholder farmers. But too few are responding by increasing production. Why is this so? In this issue, Jack Wilkinson, former president of the International Federation of Agricultural Producers (IFAP), and a farmer himself, responds: 'Imagine being a farmer in an area where there is no road and no credit system, and yet you are hearing about a global food shortage. It wouldn't mean anything to you, because you would be so removed from the whole system'.

Addressing the food crisis will require an enabling environment and price incentives for small farmers to increase production. It will also require that the livelihoods and working conditions of these farmers be improved. Farmers must be given the opportunity to strengthen their position in global food value chains. Value chains represent the sequence of activities through which value is added to a product from its raw form until it reaches the consumer. The more farmers participate in value chains, and the more they benefit from higher prices, the better they can help tackle the food crisis. However, individual small farmers are often marginal participants in value chains. Producer organisations can help farmers to strengthen their position in value chains. Therefore building the capacity of farmer organisations should be considered an important element in a wider strategy to address the global food crisis.

In this issue's feature article, Jos Bijman and Giel Ton give an overview of the types and functions of producer organisations and the ways they can help small farmers position themselves in value chains. In the guest column, Agnes van Ardenne explains that producer organisations are also important go-betweens for governments, development agencies and industrial buyers to reach out and broker deals with farmers. Thus, building the capacity of producer organisations makes a lot of sense. But what kinds of capacity do they need to develop, and how?

Martin Prowse believes that in order for farmers to engage in successful contract farming arrangements with buyers, producer organisations should develop their capacities to market their agricultural produce, rather than focus on providing public goods to an entire community. Joseph Nkandu explains the 'farmer ownership model', in which farmers, and not producer organisations, remain the owners of the product and gradually expand the scope of their activities along the value chain. According to this model producer organisations need to develop the capacity to provide services to farmers rather than adopting a role similar to a middleman, and alienating the farmers. Julio Berdegué argues that successful producer organisations function as vehicles for change and are well embedded in networks that generate ideas, resources and opportunities that can be shared with members.

Head of a cooperative presenting fair trade coffee, Tanzania

A producer organisation should stay in control of its own capacity development. That can be hard because development agencies often come with their own priorities and views with regard to what a producer organisation should do. To avoid capacity development directed by the preferences of development agencies, Peter Otimodoch introduces a development programme called 'weaving the web' for balanced capacity development. Dave Boselie presents the case of a citrus estate in South Africa where the local community and workers are co-owners of the business, and have gradually taken on more management tasks. Jack Wilkinson emphasises that capacity builders should not come with preconceived ideas. It is important for capacity development practitioners to start by looking at the world through the eyes of farmers and the leaders of producer organisations in order to understand the challenges they are facing, their aims and how best to achieve them.

Heinz Greijn
editor@capacity.org
Editor-in-Chief

The *Capacity.org* team would like to thank Hedwig Bruggeman, director of Agri-ProFocus, the Netherlands, for her contributions to this issue.

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Future issues
The next issue of *Capacity.org* will focus on building capacity through strengthening the link between research-based evidence and policy and practice.

Cover photo: ANP/Oliver Berg

Producer organisations and value chains

Jos Bijman and Giel Ton
Jos.Bijman@wur.nl, Giel.Ton@wur.nl
Wageningen University and Research Centre,
Wageningen, the Netherlands

With the renewed attention to agriculture as a major driver of development, development agencies now recognise the importance of producer organisations. These organisations help farmers improve their position in value chains.

That development agencies are acknowledging the importance of producer organisations (POs) goes hand in hand with the increasing attention placed on the value chains (or supply chains) that connect farmers with consumers. Such value chains demonstrate the interrelatedness of the production, transportation, processing and marketing of farm products. Improving the coordination of activities of different actors (such as firms) in the chain can reduce transaction costs, help guarantee product quality and safety, and enhance the design of marketing strategies. Producer organisations are considered instrumental in increasing the value generated throughout the chain, such as by ensuring that the quality of products is in line with the standard demanded. They can also mobilise support from other stakeholders and can help farmers negotiate a fair share of the total profit generated.

Major changes are taking place in the markets for agricultural products. The liberalisation of markets in many developing countries, including the dismantling of state-controlled marketing boards, has led to increased competition. The rise of international specialty value chains, such as those for organic and fair trade products, has provided an impetus for the formation of new POs. Fair trade arrangements result in a premium price only for farmers who are organised. The growth of supermarkets as major outlets for food products has led to the restructuring of supply chains, because supermarkets tend to work with preferred suppliers that can offer them products of high volume and consistent quality. As individual producers are hardly ever large enough to supply all the stores in a supermarket chain, there is a need for organisations to collect, sort, grade and perform quality control of products from different producers.

The most recent World Development Report, *Agriculture for Development* (WDR 2008) makes the case for producer organisations as key actors in agricultural development. The report argues that they are a major part of institutional reconstruction, one that uses collective action to strengthen the position of smallholders in the markets for farm inputs and outputs. By reducing transaction costs, strengthening bargaining power and giving smallholders a voice in the policy process, POs are a fundamental building block of the agriculture for development agenda.

Enhanced product quality is key for getting market access in modern chains. POs can help their members achieve this in various ways. They can provide information to farmers about customers' quality requirements. Particularly with international chains, this includes assessing the many options for international certification schemes. POs can implement quality control systems. They can organise and facilitate innovation processes targeted at reaching higher product quality by, for instance, providing technical assistance to improve on-farm production methods. Finally, POs can go beyond facilitating the production and marketing process and take on the processing and marketing functions themselves.

What are POs?

Producer organisations can take many forms, ranging from formal institutions, such as cooperatives, to informal producer groups and village associations. A number of typologies have been developed that distinguish POs on the basis of their legal status, function, geographical scope and size. The WDR 2008, for instance, distinguishes three categories of functions: economic services by commodity-specific organisations, broad interest representation by advocacy groups, and diverse economic and social services by multipurpose organisations.

Organisations that provide economic services include cooperatives that process and/or market the products of their member farmers. A typical example is the dairy cooperative, which processes the raw milk supplied by farmers into less perishable dairy products. POs can give smallholders a political voice, enabling them to hold policy makers and implementing agencies accountable by participating in agricultural policy making, monitoring budgets and engaging in policy implementation. Such advocacy organisations, or farmer unions, may lobby local, regional or national policy makers on behalf of their members. Multipurpose organisations, particularly those at the community level, often combine economic, political and social functions. They provide farm inputs and credit to their members, process and/or market their products, offer community services and carry out advocacy activities.

POs exist at the village, regional, national and even international level. Both commodity-specific organisations and advocacy organisations often have both local and regional/national branches. Multilayer POs are structured as federations, with the lower-level organisations being members of the higher-level organisation.

All POs are characterised by two principles: utility and identity. The utility principle ensures that POs are useful to members and that members are actively committed to achieving jointly agreed upon

Value chain analysis

A value chain depicts the many activities involved in getting products from the producer to the consumer. These activities occur in a sequence and are carried out by different participants, including farmers, traders, processors and retailers. Each link in the chain adds value to the product. Value chain analysis in a narrow sense focuses on the primary activities in the chain, such as production, transportation, processing, marketing and information exchange. Value chain analysis in a broad sense also encompasses the 'rules of the game' (i.e. the governance of the chain), as well as support services, such as quality certification.

Adapted from Da Silva and de Souzo Filho (2007).

objectives. The identity principle refers to the fact that members usually share a history and a geographical space, that they have agreed upon a set of rules that govern internal relations among members, and external relations with the outside world, and that they have a common vision of the future, both for themselves and for the group. This shared identity is a strong social mechanism that supports continued interactions among the members of the organisation.

Cooperatives

Probably the best known formal PO is the cooperative. According to the International Cooperative Alliance (ICA), a cooperative is an 'autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise'. This definition emphasises that a cooperative is both an association of members and a jointly owned commercial enterprise. The latter engages in commercial activities such as the processing and marketing of farm products or the purchasing of farm inputs.

In many countries in Africa and eastern Europe cooperatives have a negative connotation because in the past they were initiated and managed by the state. Producers were forced to become members and were obliged to sell their products through the cooperative marketing organisation. The distribution of farm inputs was also carried out by state-run organisations called cooperatives. In many countries, these organisations were used by the elite as vehicles for individual or partisan political enterprises. The state domination, low efficiency and even fraud that accompanied many of these organisations has led to a deep distrust among producers of any collective organisation. To reduce some of this distrust, the word 'cooperative' is no longer used in former socialist countries, even as collective organisations are now reappearing.

Formal and informal organisations

POs can be formal or informal. Informal organisations may be formed by a group of producers that come together to exchange experiences or market information, to receive technical assistance or to help each other in difficult times. Formal POs include cooperatives, associations and societies that are distinguished by a formal constitution and the legislation that applies. An association is a non-profit organisation that enables members to collaborate for services, information exchange and representation. A typical example is the bargaining association, which negotiates on behalf of its members with the buyers of their products. Through collective bargaining, the POs can obtain better prices or more favourable trading conditions than could an individual producer.


Reuters/Nicky Loh

Coffee producer sorting his beans, Taiwan

There are advantages and disadvantages to formalisation, depending on the particular social, political and legal context. With formal legal status, a producer organisation can enter into contracts and borrow money. Without legal status, any contract with a third party must be with an individual member of the PO. Also, a formal organisation and its membership can more easily be protected from abuses such as the fraudulent use of funds or the misuse of the PO's name and identity. Legal status clarifies the liability of the organisation and its members.

Informal organisations are more flexible in adapting to changing environments, particularly in countries where legislation (such as cooperative law) is rather restrictive. Also, registering a PO can be so expensive that the costs exceed the benefits. Moreover, formalisation provides state authorities with the opportunity to tax the PO and/or its members. In situations where competitors such as informal traders and middlemen do not pay taxes, establishing a formal marketing organisation may not be desirable.

The advantages of formalisation become important when POs want to enter into contracts with buyers regarding the delivery of special quantities and qualities of farm products. Thus, formalisation seems to be a basic requirement for POs that want to establish a sustainable trading relationship with downstream participants in the value chain.

Challenges

POs are member-based organisations, i.e. they are owned and controlled by their members. Ideally, member ownership is defined both in economic terms (members are shareholders) and in psychological terms (members feel ownership of the organisation). Member control is defined by members holding the decision rights on both the activities and investments of the PO. Both ownership and control are collective in nature.

Being a member-based organisation also presents a number of challenges. For a PO that wants to strengthen its coordination role in the value chain, for example, it has to solve problems related to the heterogeneous membership, the trade-off between equity and efficiency, the need to improve managerial capacity and the balance between obtaining outside support and maintaining member control.

Modern POs are voluntary organisations. A producer may decide to become a member on the basis of a common interest with other producers. This common interest leads to a homogeneous membership, which can facilitate joint decision making. However, when the functions of the PO become more specialised on strengthening market access and coordination with processors and retailers, the interests of members in these new activities may diverge.

New market opportunities may strain the relationship between large and small (or traditional and modern) members. Large farmers often are indispensable because they are the primary users of the PO and thus create the volume in services that allows the organisation to be economically viable. In addition, large farmers have the capacity and capability to play leadership roles within the organisation. When the interests of small and large farmers start to diverge, perhaps because large farmers see business opportunities that are not available to the smaller members, this heterogeneity can lead to cumbersome and inefficient decision-making processes. For the leadership, the challenge is to find and defend common

Weighing coffee beans at a cooperative, Guatemala

ground. Transparent decision making and accountability of the leaders are important for keeping all members on board.

Equity versus efficiency

POs are typically community-based, operating under community norms and values of social inclusion and solidarity. Members, and often employees, are drawn from the community, and the benefits of the organisation directly and indirectly support the community. This social embeddedness keeps transaction costs low, and creates a strong sense of ownership. Some disadvantages of the community-based nature of POs include the multiplicity of goals, the limited pool of expertise and leadership available and the entanglement of the organisation's governance with wider political and social structures, such as local hierarchies. Identities within a PO are often not purely based on economic position or even market orientation. Cultural and political factors can influence the governance of a PO, hampering market success. Additionally, well intended support from NGOs to increase market-oriented capabilities may conflict with the local political or social configuration. The article by Julio Berdegue in this issue argues for a clear allocation of the costs and benefits of POs.

When a PO aims to strengthen vertical coordination in the value chain, it may need to become stricter regarding members' compliance with agreements and obligations. POs entering into agreements with foreign customers have contractual and moral obligations to deliver the agreed quality and quantity. If members fail to comply with these obligations, the reputation of the organisation is at stake. Thus, more emphasis of the PO on its role in the value chain will most likely result in the relationship between members and the PO becoming more contractual, with stricter rules regarding performance, the allocation of costs and benefits and enforcement of agreements.

Managerial capacity

POs need to have the management and organisational capacity to play an intermediary role between producers and their customers. Whether the members themselves carry out management tasks or whether they hire outside professionals, managerial ability needs to be strengthened. POs participating in high-value supply chains need to have expertise in marketing, in the technical aspects of production, in input procurement and distribution, in meeting phytosanitary and food safety standards, and in financial management. When outside professionals are brought in to manage the organisation, the governance relationship between the management and the board of directors requires extra attention. The members of the board will only be able to direct and control the management if they themselves have sufficient knowledge of marketing strategies and customer requirements.

Outside support

POs in developing and transition economies often receive substantial support from external stakeholders, such as government agencies, donors and NGOs. This support in general is greatly appreciated, and in some cases even indispensable for the establishment of economic activities by the PO. However, POs are and should remain autonomous member-based organisations. External stakeholders supporting the PO should not take control. Financial and technical support may be welcome, but it should not become so dominant that the PO becomes dependent on it for its very existence. Even when receiving outside support, decisions on strategies and policies should be made by the members themselves. The history of state-dominated cooperatives has shown that too much control by external stakeholders can lead to problems, such as a weak sense of ownership among members, which leads to low member commitment, and weak accountability by the board and management. In sum, one of the main challenges for a PO receiving outside support is to remain a truly controlled by its members.

Notwithstanding these risks, support for the empowerment of producers and their POs seems necessary. Such empowerment can consist of several clusters of activities (see the article in this issue by Peter Otimodoch). First, support can focus on the PO itself, such as building the capacities of leaders, members or managers and other types of organisational strengthening; improving the skills needed to develop and lobby for favourable legislation; and improving negotiation skills to enter into and maintain partnerships (both vertical and horizontal). This type of capacity building is a slow and uneven process that requires donors to be patient and to develop long-term support programmes.

Second, development cooperation agencies can help POs to set up market information systems in order to collect, assess and distribute the information producers need to improve their competitiveness. Third, they can help POs provide technical assistance to their members and help them comply with quality standards and certification requirements. Whatever the focus of donor/NGO support, it should be based on a long-term strategy, since building a viable PO that will play a major role in linking its members to foreign markets requires a sustainable commitment.

Much of the NGO community has experience working with producer organisations. Although there is a large variety of POs and institutional environments differ, there are commonalities in the management and organisation of POs and in the challenges they face. Acknowledging these commonalities opens the door to learning from the experiences of others, and for joint development of pathways for PO facilitation. Particularly the rise of national and international supply chains and the need to help smallholder farmers and their POs to strengthen their position in these chains provides multiple opportunities for collaboration, collective learning trajectories and joint support projects. <

Further reading

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- Ton, G., J. Bijman and J. Oorthuisen (eds) (2007) *Producer Organisations and Chain Development: Facilitating Trajectories of Change in Developing Countries.* Wageningen Academic Publishers. www.wageningenacademic.com/pomc

Links

- International Cooperative Alliance (ICA): www.ica.coop
- Wageningen University and Research Centre: www.wur.nl/UK

Transforming smallholder coffee farmers in Uganda

The farmer ownership model

Uganda's National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) is helping farmers expand the scope of their activities in the coffee value chain.

Joseph Nkandu
joseph.nkandu@nucafe.org
National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE), Kampala, Uganda

NUCAFE has adopted a new approach, known as the farmer ownership model (FOM), to help farmers increase their incomes and standard of living. With this model, farmers are encouraged to own their coffee throughout the various stages of processing. At the same time, NUCAFE helps farmers organise themselves to assume as many roles as possible so that they benefit from the value added to the coffee at each step in the processing chain.

The FOM is an alternative to the traditional cooperative, which acts as a middleman and maximises its profits by buying from farmers at a low price and selling at the highest price possible. Rather than purchasing coffee directly from farmers, NUCAFE acts as process facilitator, providing goods and services to help farmers expand their activities throughout the value chain. The role of trader processors is also different in this model. Instead of selling their coffee to processors, farmers now simply pay them a fee for processing or milling, and retain the processed coffee. NUCAFE is encouraging farmers to continue adding value by organising sorting, grading, roasting, grinding and branding their own coffee.

Attitudinal change

The success of this model relies on the ability of farmers, through organisations such as farmer groups, associations or cooperatives, to assume some or all of these functions in the value chain. NUCAFE is therefore helping to build the capacity of farmers and their organisations by training, coaching and guiding farmers through the process of attitudinal change that is required to make the model work, especially in the early stages. Further, NUCAFE is encouraging farmers to diversify their farm activities to ensure stable incomes throughout the year.

Trader processors are not members of NUCAFE, and not all of them subscribe to the new approach because they see it as preventing them from buying coffee. However, some have realised that if their role does not change, there will eventually be no coffee for them to process. This is because farmers' margins are steadily shrinking, and may reach a point that the volumes available will cease to make economic sense, not only for the farmers but also for them. Therefore, processing coffee for a fee is seen as a win-win for them and the farmers.

Since NUCAFE began developing the model in 2003, it has made considerable progress. Its membership has continued to expand, from 110 associations and private companies in 2006, to 125 today. By improving quality, adding value with minimal processing, and negotiating directly with exporters – combined with favourable world coffee prices – NUCAFE has been able to move more, higher quality coffee, and has increased substantially the returns to farmers. For example, in 2006, farmers were paid just 1200 Uganda shillings (about €0.48) for 2 kg of unprocessed dry coffee cherries (*kiboko*). A year later, NUCAFE was able to obtain as much as USh 2700 (€1.07) per kg of 'fair average quality' (FAQ) processed robusta beans. Through its market linkage service, NUCAFE succeeded in increasing the volume of sales of FAQ coffee from 331 tonnes in 2006, to 630 tonnes in 2007, for a total of USh 1677 million (€680,094). Out of this, the value added amounted to more than USh 413 million (€167,613).

With their additional income, the members of the Erusi Coffee Farmers' Association in Nebbi district have launched a home improvement programme, starting with the purchase of 1005 metal roofing sheets for 42 farmers who had been living in thatched houses. In Mpigi district, members of the Buwama Coffee Farmers' Association were able to buy five motorbikes to set up a transportation service. Many farmers have also begun to make financial contributions to support the services provided by their local associations and the NUCAFE system as a whole. So far, they have contributed over USh 20 million (about €8000) from the profits they have made

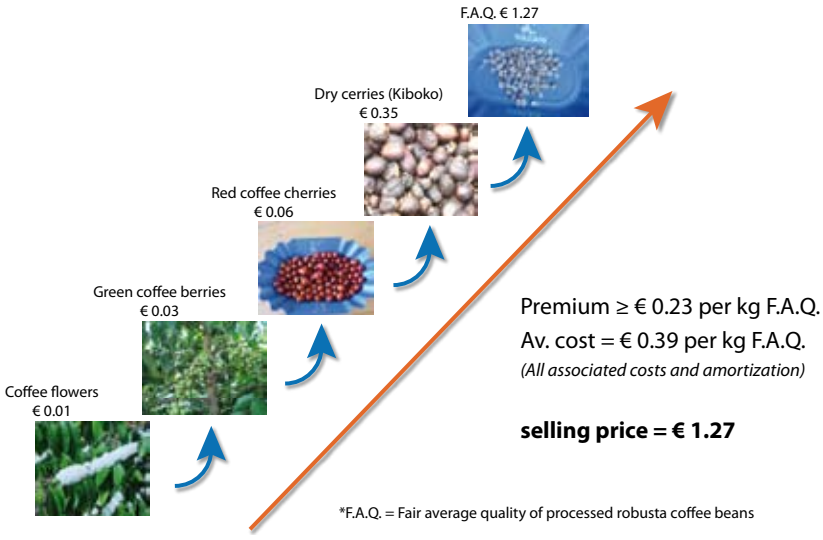
For NUCAFE, however, the challenge is to increase the financial and human resources it needs to expand the programme and its services to all coffee farmers in Uganda. Organisations that have supported the development of the farmer ownership model over the last four years include the NGOs AgriCord, Agriterra, the Uganda Coffee Development Authority (UCDA), the National Agricultural Advisory Services (NAADS), the Coffee Research Centre (COREC), and Oxfam International. <

For more information about the FOM, or to request a copy of a manual, contact the author at joseph.nkandu@nucafe.org.

Link

- **National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE): www.nucafe.org**

Value upgrading in Robustas



Jack Wilkinson
Former president, International Federation of Agricultural Producers (IFAP), Paris, France

International Federation of Agricultural Producers

Producer organisations and the food crisis

The International Federation of Agricultural Producers (IFAP) represents over 600 million farm families. Former IFAP president Jack Wilkinson talks to *Capacity.org* about the role of producer organisations in addressing the food crisis.

Mr Wilkinson, IFAP's goal is a world free from hunger, in which farmers and their families can earn a decent living. Achieving this vision is getting more difficult as the global food shortages and rising prices are pushing millions below the poverty line. One might think that rising food prices present an opportunity for farmers. Yet the millions of smallholders in developing countries have not responded by increasing their output. Why not, and can producer organisations help?

In many countries, not only in the developing world, producers and processors are locked into long-term contracts, and processors are reluctant to increase what they pay farmers. So even if the price of wheat rises to US$5000 a tonne, not every wheat farmer benefits.

In many developing countries, governments control the domestic market. The primary aim is to ensure low food prices for urban consumers who often have limited means with which to purchase food. Often farmers are paid a domestic price that is much lower than the world market price. In India, wheat prices for producers increased by 18% a few months ago, while the price of imported wheat more than doubled. Countries like Zambia, Argentina, Ukraine and Indonesia have banned exports in order to keep prices down. This will result in a surplus of grain in the domestic market.

I am not a 'free trader', but I am also not against trade. If you have a shortage worldwide and you don't pay the individual producer adequately, they are not going to increase their output. Fuel prices have gone up dramatically, and some fertiliser prices have more tripled in the last two years. Transportation costs have increased by about 300% in the last 10 years, which limits the movement of bulk grain from areas of surplus to areas with shortages. Meanwhile, there is a huge demand for cargo ships because of the explosion of economic activities in India and China. All of these factors impact food prices.

Governments should work with the producers. Many countries are not at their maximum capacity for food production. Many would be able to increase their production significantly if they could establish long-term agricultural strategies that address land and water rights or poor infrastructures. If farmers could get a fairer price, there would be more incentive for them to move from subsistence farming to small-scale commercial farming. It would also be helpful to build road networks so that grain and livestock could be transported to where they are needed, or to establish credit programmes for farmers so they could borrow what they need to increase production.

Some countries have already taken such measures. There is no reason why it would not work, for example, in the 50 or so countries in Africa with the support of international donors on the basis of a strategic plan. In Malawi the government sat down with producers and their agricultural production has increased substantially in the last three or four years. But then we have countries like Zambia, where agriculture had been growing, but where they have now put an export ban on agricultural produce that will send a very negative signal to producers. They could have supported neighbouring countries with their surplus, but that is not going to be possible. Mali is doing some good work, as is Senegal. Guinea has brought together its producer groups and its researchers to work on a strategy. Some regions of South Africa have been in a surplus position for a while.

So there are cases where it is working, but there are many more opportunities for increasing production. Funding is increasing. The World Bank lending for poverty reduction strategies, which was about US$1.5 billion 3–4 years ago, has increased to around US$8 billion. However, many countries don't have rural development strategies in which agriculture is the key. Without that, it is difficult to have a comprehensive donor support programme. Every donor has its own view of what should be done. We often see countries where many different projects are taking place, many of them constructive, but they are not part of an overall strategy. So, in many cases, when the project funding stops, the project activity also stops.

Too often national governments lack the commitment to develop and implement a strategy with farmer organisations as key partners. Often donors will start a small group of farm organisations themselves, and it becomes their client group, and is not connected to any national or international organisations. What often frustrates me is that every country began as an agricultural society. Not long ago in the developed world, agriculture was very basic, very small scale, with hardly any infrastructure. This changed when farmer organisations began to build marketing systems, cooperatives and credit unions. I am not saying that is the model to use, but there are many success stories of strategies that could work with some cultural and regional adaptation.

Do you believe that producer organisations are the key to solving the food shortage problem?

Absolutely! In many countries they are the only organisations committed to the development of the agricultural sector. Obviously, there are producer organisations that function very well, and there are others whose performance can be improved. But I am sure producer organisations are our best choice. In some countries, government views them as enemies because they advocate change, or they get involved in political parties. I believe that producer groups should stay out of politics and work on issues for their members, regardless of which political parties they belong to.

Producer organisations are, in my view, the most effective producer group, because rural areas are neglected in many countries. Investments in development are focused on urban areas, including infrastructure, health facilities, sanitation and schools. You need strong civil society organisations to change that. Imagine being a farmer in an area where there is no road and no credit system, and yet you are hearing about a global food shortage. It wouldn't mean anything to you,

because you would be so removed from the whole system. Farmers in that situation don't have any capacity to respond to the food shortage. Instead, they respond to the needs of their families and villages, which is good. What the government should do for these marginalised farmers is to say, 'We will help you with credit, with seed and with marketing systems. For any surplus that this village produces, we will guarantee you a good price through your producer organisation. We will collect it, clean it and sell it, and you will get the money back'. These are very basic things that have to happen in every corner of every country on every hectare of land.

A recent letter from the IFAP to the UN Commission for Sustainable Development called for capacity building support to develop solid farmer organisations, particularly in Africa. What types of capacity are most needed?

First, producer organisations need to develop the capacity to respond to a host of initiatives by organisations that run programmes for Africa, including the Gates, Clinton, Rockefeller and Ford foundations, the Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP) and the New Partnership for Africa's Development (NEPAD). Producer organisations need to have plans in place for responding to these foundations in a meaningful way. If you are a member of a farmer organisation, the demands on your time just to attend meetings are huge. In most cases farmers are not represented at any meetings.

Second, producer organisations need the capacity to build a plan with their national governments. It takes a lot of expertise and resources to work with researchers, develop marketing strategies for commodities and to build up the extension services that many countries now no longer provide. To build the capacities of producer organisations, we have worked with many organisations, such as AgriCord and Agriterra, because they are sensitive to the farmers' needs. They run capacity building programmes that enable farmer organisations to become what they truly represent, with their own vision, strategic plan and the resources to implement the plan. They help to build marketing and cooperative systems so they have a much better marketing strategy. Marketing is everything if you want to expand, and a producer organisation is best positioned to do that marketing. Agribusiness tends to maximise its return on investment by buying cheap. You need producer organisations to be strong enough to negotiate fair prices, to push the national government to address the real priorities such as electricity, water, schools, healthcare, roads – the things that are required to maximise agricultural productivity and provide employment for rural people.

Members of the Afeta Wanja producer cooperative, Ethiopia.

What are the most important do's and don'ts in building the capacity of farmer organisations?

Often, development agencies or donors start new organisations without connecting them with other organisations. Lessons learned, if any, are not shared. Donors should make producer organisations partners, empower them, listen to them and then build what is really required to grow and develop. Producer organisations should be linked with other people, other practitioners, other farmer organisations in the region, including to the national farmer organisations. That would make them stronger. It is often said that national farmer organisations are weak, or that they don't reach out to their members. My response is, 'What is your programme doing to improve that situation? Are you supporting a group because it shares your political ideals or makes your work look good in that country?' The problem is that many development agencies, rather than building strong organisations, keep them small, segregated and often ineffective for long-term strategy development.

Development agencies need to listen to what producer organisations think needs to be done. To solve an individual's problems, stand in that individual's shoes and look at what they are facing. It is also important to develop financing mechanisms that enable producer organisations to become self-sufficient, grow and multiply and expand to the next village, and the next village. The strategy should start at the local level and expand gradually as it starts to make a difference in the region in which you are working. <

Since this interview took place, Ajay Vashee has replaced Jack Wilkinson as president of IFAP.

Link

- International Federation of Agricultural Producers (IFAP): www.ifap.org

Julio A. Berdegué
jberdegue@rimisp.org
Latin American Center for Rural Development (RIMISP), Santiago, Chile

Rural producer organisations in Chile

Cooperating to compete – easier said than done

Since 1990 the Chilean government has supported the participation of small-scale farmers in one of the most competitive economies in the developing world.

Between 1990 and 2004, the Chilean government invested about US$2.3 billion in small-scale agriculture. Key elements of the government's strategy included promoting rural producer organisations (POs) and developing their entrepreneurial capacities to help them become more profitable. This article is based on a survey of nearly 500 POs working to improve the economic performance of their members.

The government's effort to promote market-oriented producer organisations has generally been successful. In less than a decade, 780 organisations were formed, and about one-third of small-scale farmers became members. These POs provide a broad range of services for members and other farmers, including technical and financial assistance, marketing, accounting and legal services, as well as farm equipment, storage and processing facilities. But about half of these organisations have fewer than 30 members, and earn less than US$33,000 per year. More than 70% of them have no paid staff. Nearly 50% of the POs have been successful in accessing national markets, and 13% in exporting their products.

Household survey

An additional survey of 3000 small-scale farmer households showed that some rural producer organisations had helped members increase their incomes, while others had had a negative effect. On average, membership made no significant difference in terms of incomes. Whether membership increased the profitability of agricultural production depended on the product: if it was to be sold in spot markets, there was no positive effect. This was the case with wheat, beans and potatoes. If marketing the product required a degree of vertical coordination with the buyer, then a positive effect was observed. This was the case with milk and raspberries.

The surveys revealed that, after a decade of sustained efforts by the farmers, advisors and government agencies, only about 20% of the POs could be regarded as viable organisations. A PO was considered viable if, after three years, its income could cover its costs, if the proportion of the organisation's income derived from subsidies, donations and external grants was less than 60% of total income, and if its liabilities were no higher than 60% of its assets. About 45% of the POs had annual expenses that were higher than their revenues, 33% had extremely high debts (mainly with government credit programmes) relative to their assets, and 33% were dependent on subsidies and grants for more than 60% of their total income. In short, it has been easier to form these organisations than for them to become viable and sustainable.

Success factors

For the POs that did become viable, autonomous organisations, three factors seem to explain their success. The first is that they must act as vehicles for change. Producer organisations can be effective for farmers who are willing to change their practices, but not for those who wish to maintain the status quo in the context of traditional commodity production systems. The second factor is related to the POs' networking capability. Effective organisations are embedded in dynamic multi-agent networks that link their members to ideas, resources, incentives and opportunities from beyond their rural communities.

Finally, a system of rules and incentives for the internal allocation of costs and benefits, both among the members, and between the farmers as a group and the organisation itself, is key to success. With effective and sustainable POs, these rules typically transmit undistorted market signals to individual members, to which the members are able to respond. However, if the rules are designed to 'shield' members from market signals, then the PO will fail. Furthermore, the systems of rules must minimise the transaction costs of negotiating, monitoring and enforcing agreements between the collective and individual farmers. <

Further reading

• Berdegué, J.A. (2001) *Cooperating to Compete: Associative Peasant Business Firms in Chile.* PhD thesis. Wageningen University, the Netherlands.

Links

• Latin American Center for Rural Development / Centro Latinoamericano para el Desarrollo Rural (RIMISP): www.rimisp.org

A member of a Chilean producer association sorting olives.

Producer organisations and poverty reduction

Making contract farming work with cooperatives

Martin Prowse
m.prowse@odi.org.uk
Rural Policy and Governance Group, Overseas Development Institute (ODI), UK

The World Development Report 2008 is optimistic that contract farming can help reduce poverty. For it to succeed, producer organisations must play a role.

Contract farming is a system where a private sector firm provides farmers with inputs – such as credit, fertiliser and seed – in exchange for exclusive purchasing rights for the resulting crop. According to the WDR 2008, contract farming enables smallholder farmers to participate in new high-value product markets and improves quality standards, thus increasing and stabilising farmers' incomes. Because most farms in developing countries are smaller than two hectares, integrating smallholder farmers into global value chains is an important step towards reducing poverty. But, there are also risks associated with contract farming, which can be reduced if a greater focus is put on strengthening market-oriented producer organisations and creating mechanisms for resolving disputes between farmers and firms.

Opportunities for farmers and firms

There are good reasons for expanding contract farming. Following the collapse of international commodity agreements and the liberalisation of national markets, agricultural value chains have become increasingly buyer-driven and vertically integrated. In such an environment, contract farming offers the best of both small- and large-farm production systems. Smallholder farmers are often the most efficient producers and they have advantages over large farms in terms of reduced labour-related transaction costs (especially supervising and motivating workers). However, smallholders often suffer from capital constraints, and they lack capacity to adopt technological innovations. Contract farming can overcome these difficulties, and can deliver benefits typically associated with large-farm production systems, including increased output with reduced input costs. Moreover, firms have a comparative advantage in market and technical knowledge, as well as in product traceability and quality.

From a poverty-reduction perspective, contracting smallholder farmers can yield large dividends: small farms are generally owned and operated by the poor, often use locally hired labour and usually spend their incomes on local products and services. And contract farming offers clear opportunities for smallholders. It gives them access to a reliable market, it provides guaranteed and fixed pricing structures, and most important, it provides access to credit, inputs and production services. In broader terms, it can stimulate the transfer of technology and skills, and can help farmers comply with vital sanitary and phytosanitary standards.

There are also clear benefits for firms. Contract farming helps improve supply quantity and quality, and transfers any production risks onto farmers. In this respect, contract farming can increase profits from, and improve governance of, the value chain. And, especially where access to land is highly politicised, it can overcome land constraints. For example, firms may find it hard to obtain land, or may run the risk of expropriation if they own it.

The risks of contract farming

Although the arguments in favour of contract farming are convincing, there are also five key risks for smallholder producers. Contract farming can contribute to a loss of autonomy and control over farm enterprises. Smallholders also face substantial production risks if the technology available is inadequate or if the firm's price forecasts are inaccurate. Third, the firm's exclusive purchase rights can depress producer prices, or lead to late and partial payments (increased indebtedness is not uncommon). Fourth, contracts may be verbal or, if written, are not always in clear language (and conditions can be manipulated). Last, the vital gender dimension to smallholder farming often means that the intra-household distribution of labour/income is often altered to the detriment of women's interests.

There are also risks for firms. Smallholders often seek to profit from the inputs and produce by side marketing. For example, they may sell fertiliser for cash, or sell the produce post-harvest (to gain faster access to capital, to seek higher prices, or just to avoid repaying the firm). The limited literacy and education of some small farmers may also increase risks for the firms, and a widely dispersed smallholder population certainly increases transaction costs.

The role of producer organisations

The WDR places great emphasis on the role of producer organisations in ensuring the stability and longevity of contract farming arrangements and in delivering a fair distribution of profits. It argues that institutional innovation, in the form of recent producer organisations, is essential for increasing win-win outcomes from contract farming. From a farmer's perspective, producer organisations can help balance the power between firms and farms: collective bargaining, and the creation of relationships with rural credit and transport providers, can help reduce the risks farmers face. Moreover, producer organisations provide a forum where farmers can express their dissatisfaction over prices, timing, and increase the likelihood that a firm will recognise its social and environmental responsibilities.

However, producer organisations are not necessarily a guarantee of successful contract farming. Many producer organisations collapse. Moreover, if problems with contract farming arise, firms can easily switch to engaging large-scale agricultural units.

Although the WDR recognises the limitations of many producer organisations – for example, they frequently lack management capacity, they sometimes struggle to achieve coherence among a diverse membership, and are subject to elite capture – there is a danger of placing too many expectations on these often incipient rural institutions. The WDR argues, for example, that the role of producer organisations should extend beyond improving the terms of engagement with contracting companies (or wider input, output and transport markets). In addition, they should become stakeholders in agricultural policy forums, support technological adoption, direct agronomic research, and manage communal natural resources.

The WDR's policy response is for governments and development partners to encourage a political climate that supports the right to organise, to provide training, and attempt to empower weaker members

A coffee dealer empties bags of newly purchased beans

within producer organisations (perhaps through harnessing the particular competences of specialist NGOs). Such policy goals are certainly admirable. However, in promoting successful marriages between contract farming and producer organisations, it is also important to focus on two key issues: strengthening market-oriented producer organisations and mechanisms for resolving disputes between farmers and firms.

Market-oriented producer organisations

The WDR distinguishes several types of producer organisation (PO) according to their function – commodity-specific organisations, advocacy organisations and multipurpose organisations. But these may not be the best approaches to offering support to farmers for engaging with contracting firms. Focusing on market-oriented POs that provide benefits only to members is more likely to lead to successful contract farming arrangements than community-oriented participatory POs, which focus on providing public goods to an entire community. In this respect, a PO needs to be very clear about the goal it is working toward: increasing and stabilising smallholder incomes, or providing a platform for participatory governance and empowerment.

One example of a market-oriented PO is the National Smallholder Farmer Organisation of Malawi (NASFAM). Launched in 1997 with support from the US Agency for International Development (USAID), NASFAM has become the 'voice of the smallholder' in policy circles in Malawi's capital, Lilongwe. Originally set up to promote smallholder production of burley tobacco (which had previously been reserved exclusively for estates), NASFAM has encouraged crop diversification by promoting commercial production of a range of crops, including coffee, chillies, rice, soya and cotton.

NASFAM is very much a smallholder-focused organisation. With over 100,000 members, most of whom farm less than a hectare of land, NASFAM has developed a network of smallholder-owned business organisations. The structure of these organisations has been one key to their success. Individual farming clubs, with between 12 and 20 members, are joined together into local group action committees, which are combined to form local associations. These in turn are grouped into a national body. The members of this democratic, bottom-up organisation have a stong sense of ownership, and elect board members annually in a highly transparent process. However, the main reason for NASFAM's success has been its ability to develop the commercial capacity of its members and to deliver programmes that enhance their productivity. For example, NASFAM facilitates the provision of credit to smallholder associations (from a large number of providers), and provides extension and training through devolved field officers. It also uses economies of scale to reduce transportation costs and explores overseas markets for its members' produce.

Three further factors have been key to NASFAM's success: it has remained apolitical; has received sustained donor support (especially in its early stages); and has created strong structures which divide its commercial, development and training functions. For example, the smallholder associations jointly own a not-for-profit company, the NASFAM Development Corporation (NASDEC), which provides access to commercial opportunities and development services. NASDEC in turn owns two subsidiaries. The first, NASFAM Commercial (NASCOM), comprises the revenue-generating private sector business and marketing services. The other subsidiary, the NASFAM Centre for Development Support (NASCENT), provides development services that straddle the public-private divide: education and training, policy advocacy, and outreach work which covers HIV/AIDS, gender and other vital issues. This (simplified) structure has allowed donors to target their support to specific activities. It has also allowed the organisation to employ and utilise individuals who have particular (private sector, or development-based) skills.

Dispute resolution mechanisms

In view of the considerable risks faced by farms and firms, it is essential that state and non-state agencies offer accessible, transparent and legally binding mechanisms for resolving disputes between firms and producer organisations.

One example comes from smallholder sugarcane outgrowers in Morogoro, Tanzania. Following economic liberalisation in the early 1990, and the privatisation of the sugar mill, sugarcane outgrowers formed a number of producer organisations, and an umbrella body, the Tanzanian Sugarcane Growers Association (TASGA). Dependent on one privately owned mill to market their produce, and struggling to realise a profit, for a number of years growers were in conflict with the mill owners. The reasons are familiar – low prices, perceived unfairness in the grading of produce, and delayed payments – and the mistrust led to a number of protests (including blockading the mill until payments were made).

Since 2005/06 such disputes have been rare. Instead, and based on the Sugar Act of 2001, the involved parties (including the national sugar board) implemented a series of forums, consultations and stakeholder meetings. Moreover, they signed legally binding contracts which have acted as a release valve for the mistrust and resentment. Specific measures have included an independent audit of the all-important weighbridge every six months, the provision of six Ministry of Agriculture extension agents, an extra extension manager employed by the mill, and an agreement that payments will always be paid within two months. Whilst resolving such conflict takes time and energy, the benefits are clear: outgrowers' incomes are up (with benefits for themselves and the wider community), and the mill can operate more efficiently and effectively.

The recently announced Cooperative Facility for Africa (COOPAfrica), launched by the International Labour Organization (ILO) and funded by the Department for International Development (DfID), offers a good opportunity for creating such dispute resolution mechanisms. COOPAfrica aims to develop partnerships between POs and international cooperative movements, and use 'challenge funds' to support institutions offering training and services to POs. In doing so, COOPAfrica could foster mechanisms to ensure the longevity of contract farming operations, and thus integrate smallholders into (global) value chains.

Marrying contract farming and producer organisations offers substantial potential for poverty reduction. For the vision of the WDR 2008 to have the greatest chance of being realised, there is a need to be selective about the types of producer organisations that are supported, and the provision of spaces where disagreements and conflicts can be easily resolved. <

Much of this article has been previously published as: Prowse, M. (2007) *Making Contract Farming Work with Cooperatives*, ODI Opinion 87, ODI, London, UK.

Further reading

- Bernard, T., Birhanu, A. and Gabre-Madhin, E. (2007) *Linking Ethiopian Smallholders to Markets: Promises and Pitfalls of Collective Action.* Ethiopia Strategy Support Program Policy Research Conference, June 2006, Addis Ababa, Ethiopia.
- Chirwa, E. et al. (2005) *Walking Tightropes: Supporting Farmer Organisations for Market Access.* Natural Resource Perspective 99, ODI.

Links

- Cooperative Facility for Africa (COOPAfrica): www.ilo.org/coopafrica

Empowering a rural community in South Africa

Fruit producers in a fair-trade chain

David Boselie
dave@conceptfruit.com
Concept Fruit Ltd, The Hague,
the Netherlands

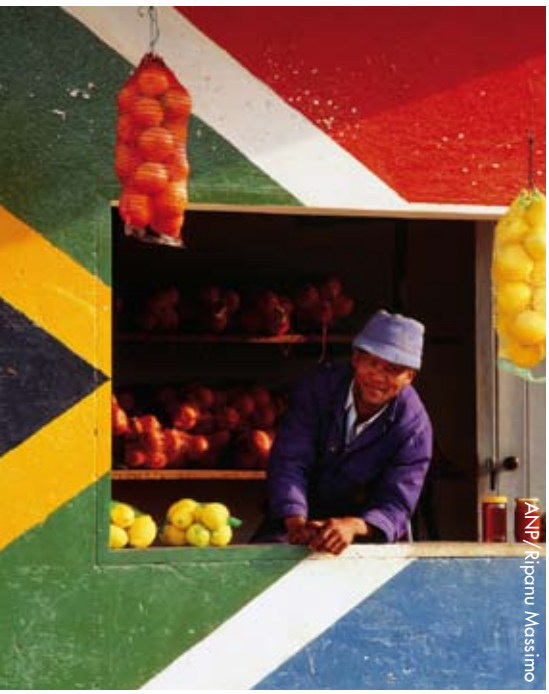
The Zebediela Citrus Estate in Limpopo province, South Africa, was returned to the Bjatladi community in 2003. The community now co-owns and manages the enterprise.

The South African land reform programme aims to empower rural community members who were discriminated against during the apartheid era. In 2003, the Zebediela Citrus Estate was handed back to its original owners, whose ancestors had been forcibly evicted from the land in 1918. The estate, which covers about 2000 hectares, was once the largest citrus farm in the southern hemisphere, and is now among the largest farms to be transferred under the government's land restitution programme.

Production on the estate peaked in the 1970s, at two million cartons of oranges a year. But mismanagement by the Agricultural and Rural Development Corporation (ARDC) of Zebediela beginning in 1996 caused production to plummet to virtually zero by 2000.

The estate is now owned by the Bjatladi community and the Zebediela workers. Its operation is based a plantation model, with the co-ownership and co-management of the local community and workers, rather than a smallholder association or cooperative.

Citrus fruit seller in South Africa



Through its shareholding in a local export service provider, FruitOne Pty, and through collective co-ownership in the Netherlands-based Fairtrade organisation AgroFair Europe bv, the Zebediela Citrus Estate is now part of a vertically integrated value chain. After a capacity development effort that involved some serious restructuring, the farm's performance improved significantly – some 300,000 cartons were exported in 2002 and 800,000 cartons in 2003.

Developing local capacity

A capacity development initiative by the South Africa Farm Management Group (SAFM) contributed to the success of the farm. The initiative included infrastructure improvements in order to comply with high export market quality standards, changes in the farm management structure and standard operating procedures, and training for staff at all levels.

SAFM is an initiative of the Boyes Group, named after a family of former large landowners. It started as a private investment group that provided management expertise and capital for newly restituted farms such as the Zebediela Estate. SAFM now wishes to contribute to rural economic development, and supports land reform, including the transfer of land and farms to their original family owners and managers. The group is applying its strategic and financial management skills to export farming to create a new viable business propositions.

In the SAFM business model, each stakeholder has a specific role to play. The community contributes the land and enables the operating company to expand its business, the workers provide labour and expertise, while SAFM's strategic partners (including AgroFair) provide technical know-how, access to capital and markets, and management skills.

SAFM started managing farms acquired under the land restitution programme in Limpopo province in 2000. Since then, the group has extended its activities to include 15 farms, including Zebediela, with a total of 5000 hectares of cultivated land producing a diverse range of subtropical fruits. These fruits are exported to markets in Russia, the Middle East and Japan. In 2005 the organisation started to work on fair trade certification, in partnership with the European importer AgroFair, in order to diversify its export portfolio and stabilise revenues above cost price level.

In the case of the Zebediela Estate, the Boyes Group acquired 51% of the shares in the operating company. The community holds 35% and the workers hold 14%. From the start it was agreed that within 15 years the management and ownership of the company would gradually be handed over to the workers and the community.

A work in progress

Building the capacity of the Zebediela Citrus Estate is a work in progress. Although local community members are actively involved in the day-to-day management of the farm, the final responsibility is still with Charles and John Boyes and Bill Skotcher, the initiators of the SAFM group. However, within 10 years, control will be in the hands of local managers.

After three years SAFM has learned a number of lessons:

- With economies of scale, an organisation can contract and build a professional business management structure. This distinguishes the Zebediela model from many others in which producer-members are engaged in management tasks.
- In order to empower local communities, it is important that stakeholders and donors commit themselves to providing long-term support. The co-ownership approach is complex and can be problematic.
- Not all members of the community surrounding the estate are involved or interested in the land or the operating company. The estate is increasingly dependent on temporary migrant workers who do not live permanently in the community. Placing shares in their hands would not create an appropriate sense of involvement and commitment. <

Link

- AgroFair Assistance & Development Foundation (AFAD): www.agrofair.nl

Oilseed value chain development in Uganda

Weaving the oilseed food web

Peter Otimodoch
oilseed@utlonline.co.ug
Uganda Oilseed Producers and Processors Association (UOSPA), Kampala, Uganda

The Ugandan government has chosen oilseed as one of several strategic commodities to spearhead the transformation of its agricultural sector from subsistence to commercial farming.

In the late 1980s, as part of the efforts to liberalise the Ugandan economy, the Ugandan government abolished the state marketing boards. Deprived of markets for their produce, farmers were left to fend for themselves in increasingly volatile markets, and many farmer cooperatives collapsed. The various actors in the agricultural sector realised that they had to get organised, and producer associations such as the Uganda Oilseed Producers and Processors Association (UOSPA) emerged.

UOSPA was founded in 1995 by farmers and other stakeholders, including processors, traders, researchers and consumers of oilseed products. Since then it has helped to form hundreds of farmers' organisations, representing over 75,000 farm households across Uganda. UOSPA has been instrumental in increasing seed supplies, and in improving processing capacity. The association also provides training for farmers to help them bargain for better prices, increase their incomes, and save money to reinvest in their farms. Whereas previously the cooperatives focused mainly on marketing, the new organisation supports the development of wide range of processes throughout the oilseed value chain, including production, processing, marketing and research.

Oilseed value chain

The oilseed value chain that has emerged in Uganda now encompasses farmers and a wide range of other stakeholders. The activities of all these stakeholders add up to a viable and competitive process that benefits all participants. Some farmers produce seed and high-quality planting materials that they sell to other farmers at the start of each season. Others have established their own small or medium enterprises for oilseed milling and processing. Yet other farmers produce vegetable oil using a hand mill (a ram press), which they can sell for a higher price.

Through the association, farmers are also able to take advantage of group savings and credit schemes. The capital is then available for loans that can be reinvested in their farms, or used to buy new machinery or inputs such as fertilisers that will lead to higher output.

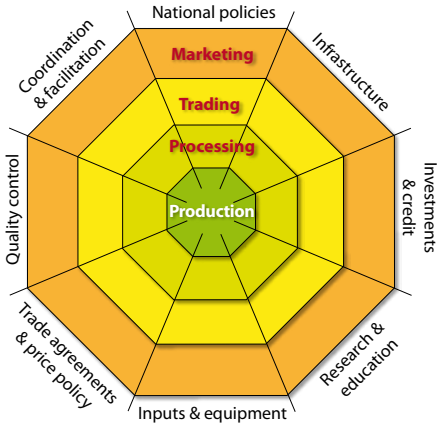
UOSPA has helped many farmers to increase production, and to extend their activities to other parts of the oilseed value chain, including the production of planting materials and processing. Because most producers are subsistence farmers, UOSPA has encouraged them to integrate oilseed production with their other farm activities. This is intended to help households diversify their farm activities, optimise the use of resources and increase their incomes. Many farmers are now involved in raising animals and crops that link into the oilseed farming system. For example, oilseed plant residues can be crushed into seed cake that can be used as cattle feed or to supply fish farms, or ploughed back into the soil, thus reducing the need for costly artificial fertilisers. The association also has plans to generate energy from the surplus vegetable oil produced on the farms.

Balanced development

The farms represent just one aspect of the oilseed value chain. It is important for UOSPA to consider the whole chain when seeking opportunities to develop the sector. This is not always easy. UOSPA receives support from several donors and other agencies, each with their own policies and preferences for the specific areas they wish to sponsor. UOSPA has to ensure that all relevant areas are addressed, including those that do not receive donor support, such as infrastructure development and links to international markets.

To ensure the balanced development of the oilseed sector, a spider web model is used to depict the various stages in the value chain, including production, processing, trading and marketing. These stages are then viewed in combination with all the areas that need to be considered in developing the chain, including national policies, infrastructure, research and education. The model has guided UOSPA, the government and development partners in the design of a five-year sector development programme called 'weaving the oilseed food web'. The aim of the programme is achieve a resilient oilseed sector that can cope with any kind of environmental, social, political, economic and institutional challenge. It is an alternative model for public–private partnerships and not a monopoly for multinationals who use smallholder rural farmers only as raw material producers. <

The oilseed food web



Uganda Oilseed Producers and Processors Association

UOSPA comprises 150 farmer groups representing 22,500 households, 40 small to medium processors, agro-input dealers and traders. UOSPA provides a platform for its members to participate in discussions about the development of the sector. Platforms have been established at the group, regional and national levels. The regional platforms include the oilseed farmers and millers and other stakeholders, such as district representatives. The national platform includes oilseed stakeholders at the policy-making level, such as government departments, national parliament and donors.

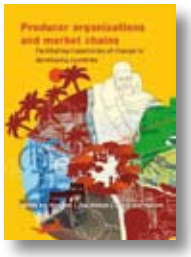
PUBLICATIONS

This section offers a selection of publications related to capacity development. A more extensive list can be found at www.capacity.org.

Walking Tightropes: Supporting Farmer Organisations For Market Access

E. Chirwa et al., Natural Resource Perpectives 99, Overseas Development Institutel
Farmer organisations are being asked to expand their role in supporting commercial agricultural development among smallholder farmers in Sub-Saharan Africa. This paper offers suggestions for policy and practice in support of farmer organisations. It is based on research on farmer organisations in Malawi.
www.odi.org.uk/publications/nrp/99.pdf

Producer Organisations and Market Chains: Facilitating Trajectories of Change in Developing Countries



G. Ton, J. Bijman and J. Oorthuizen (eds), AgriProFocus/ WUR/CTA, 2007
To reduce transaction costs, smallholder farmers must organise. But it is not easy for smallholders to gain market access through farmer-led economic organisations. This book presents approaches to providing economic services to members of producer organisations in developing countries.
www.wageningenacademic.com/pomc

Producer Organisations: A Practical Guide to Developing Collective Rural Enterprises

C. Penrose-Buckley, Oxfam Skills and Practice Series, 2007
Small-scale producers will have to adopt a market-oriented approach if they are to compete in and benefit from local and global markets. This book explains why producer organisations are key to increasing smallholder farmers' access to and power in markets.
http://publications.oxfam.org.uk

Chain-Wide Learning for Inclusive Agrifood Market Development

S. Vermeulen et al., Wageningen International/Regoverning Markets, 2008
Changes in how food is produced, processed and sold create significant challenges for small-scale producers, policy makers and businesses. This guide provides tools for working with agencies along the entire value chain so that modern markets can be more inclusive of small-scale producers and entrepreneurs.
www.regoverningmarkets.org

Building Social Capital for Agricultural Innovation: Experiences with Farmer Groups in Sub-Saharan Africa

W. Heemskerk and B. Wennink, KIT Bulletin 368, 2005
This Bulletin focuses on the role of farmer organiations and their importance to innovation processes. Using numerous case studies, the authors describe experiences in managing the involvement of community-based farmer groups in agricultural R&D.
www.kit.nl/publications

Mapping the market

Mike Albu and Alison Griffith, Practical Action, 2005
The roles of market systems in poverty reduction within livelihood frameworks, or in professional fields such as agricultural research that seek to promote rural development, often receive little emphasis.
This paper addresses this deficiency, and provides a framework for encouraging an outlook the authors call 'market-literacy'.
www.practicalaction.org

Chain Empowerment: Supporting African Farmers to Develop Markets

L. Peppelenbos (ed), KIT/FAIDA MaLi/IIRR, 2006
This book explains how Africa's smallholder farmers can earn more from their crops and livestock by increasing their roles in value chains – chains that link them with consumers in Africa's towns and cities, as well as in other countries.
www.kit.nl/publications

ORGANISATIONS, NETWORKS AND INITIATIVES

This section offers a selection of organisations, networks and initiatives concerned with capacity development. A more extensive list can be found at www.capacity.org.

Agri-ProFocus

Agri-ProFocus is a partnership of donor agencies, credit institutions, fair trade organisations and training and knowledge institutions that aims to improve the effectiveness of support to agricultural producer organisations.
www.agri-profocus.nl

International Federation of Agricultural Producers (IFAP)

IFAP represents more than 600 million farm families in 115 national organisations in 80 countries. It is a global network in which farmers from industrialised and developing countries exchange concerns and set common priorities. IFAP has been advocating farmers' interests at the international level since 1946 and has General Consultative Status with the UN Economic and Social Council.
www.ifap.org

La Via Campesina

La Via Campesina is an international organisation of peasants, small- and medium-sized producers, landless, rural women, indigenous people, rural youth and agricultural workers from 56 countries around the world. Its principal objective is to develop solidarity and unity among small farmer organisations. It organises international conference every five years.
www.viacampesina.org

AgriCord

AgriCord is a partnership of NGOs for development cooperation that have links to the farmers' and rural members' organisations in their home countries. All of these NGOs are funded or steered by organisations of farmers, rural women, young agrarians, cooperatives and agri-businesses. AgriCord facilitates an information platform for producer organisations called Agro-info.net (http://agro-info.net).
www.agricord.org

International Cooperative Alliance (ICA)

The ICA is an independent organisation that unites, represents and serves cooperatives worldwide. ICA members are national and international cooperative organisations in all sectors. Currently, ICA has 225 member organisations from 87 countries, representing more than 800 million people worldwide.
www.ica.coop/ica

GUEST COLUMN

Organised farmers are easier to support

Agriculture can't wait

Agnes van Ardenne
Ambassador and Permanent Representative of the Netherlands to the Food and Agriculture Organization (FAO), and former Dutch Minister for Development Cooperation

Farmers face a wide range of risks, including depleted soil, irregular rainfall, unexpected drought, rising input prices, decreasing output prices, diseases and sudden changes in demand, to name but a few. Many of these issues could be dealt with very effectively if farmers could get organised and if external stakeholders could provide a helping hand. The role of government is to put in place consistent agricultural policies that encourage increased production, as well as legal institutions that ensure equity and transparency in providing land titles and access to water for farmers. Stakeholders in a value chain can collaborate in initiating relevant research and establishing systems for sharing knowledge and information.

EurepGAP

A good example of a collaborative effort to mitigate the risks to small farmers is EurepGAP, a certification scheme that promotes good agricultural practices (GAP). EurepGAP was initiated by 30 European supermarket chains in an effort to meet increasing consumer demands for environmentally friendly and safe food that is produced in a healthy working environment. One supermarket's decision in 2006 to accept only EurepGAP-certified agricultural products by 2008 posed a tremendous threat for hundreds of individual smallholder producers in Kenya and Senegal who had supplied green beans to the supermarket for many years. Product certification was new to them, and they did not think they would meet the European market standards.

Dialogue

Inspired by the World Summit on Sustainable Development in 2002, where agriculture and public–private partnerships were the most important topics in the plan of action, the Netherlands Ministers of Agriculture and Development Cooperation started a dialogue with the supermarket to find a solution not only for the green bean producers in Kenya and Senegal, but for all stakeholders in the value chain. This included the interests of traders and consumers. The idea was to assist the small farmers with the EurepGAP certification and to convince the supermarket that it should guarantee reasonable green bean prices for small farmers.

It took many months before all the parties agreed to participate but then the process went very fast. Other stakeholders took part, including food standards agencies, the umbrella organisation of European supermarkets, certification bureaus, and farmers' unions and traders' organisations. Even the Netherlands Auctions for Fruit and Vegetables wanted to participate in the experiment, as well as the Ministers of Agriculture and Trade in Kenya and Senegal. Finally, everyone involved contributed financially or in kind with expertise and advice to achieve a common goal – the survival of small green bean farmers in Kenya and Senegal.

Important lessons

At least two important lessons have been learned from this successful experiment. First, reaching out to individual small farmers to help them meet the certification standards is almost impossible. Therefore farmers need to get organised in order to share knowledge and information. The green bean farmers went further. For efficiency reasons they redistributed their land and organised joint transport for their inputs and for delivering their produce to urban markets.

Second, governments and other actors in the value chain have an important role to play in confidence building and establishing an enabling environment for farmers to understand that economic improvement requires coordination and collaboration. Unfortunately governments often don't live up to this responsibility, and rural areas are mostly forgotten in governments' strategies. Hopefully, worldwide attention to the current food crisis will soon be transformed into permanent actions in favour of sustainable agriculture and food production. Agriculture can't wait. <

Capacity.org, issue 34, August 2008
Capacity.org is published in English, French and Spanish, with an accompanying web magazine (www.capacity.org) and email newsletter. Each issue focuses on a specific theme relevant to capacity development in international cooperation, with articles, interviews and a guest column, and annotated links to related web resources, publications and events.

Editor-in-chief: Heinz Greijn
heinzgreijn@yahoo.co.uk

Editorial board: Niloy Banerjee, Volker Hauck and Jan Ubels
Editorial board support: Niels Keijzer and Tony Land

Contributors to this issue: Agnes van Ardenne, Julio A. Berdegué, Jos Bijman, Dave Boselie, James Hradsky, Joseph Nkandu, Peter Otimodoch, Martin Prowse, Thomas Theisohn, Giel Ton, Jack Wilkinson

Production and website: Contactivity bv, Stationsweg 28, 2312 AV Leiden, the Netherlands
Editing: Tracy Brown Collins, Valerie Jones
Web editing: Wangu Mwangi
Translation: Evelyne Codazzi (French) and Beatriz Bugni (Spanish)
Layout: Anita Toebosch

Publishers: European Centre for Development Policy Management (ECDPM), SNV Netherlands Development Organisation and United Nations Development Programme (UNDP).
Capacity.org was founded by ECDPM in 1999.

ISSN 1571-7496

Capacity.org is available free of charge for practitioners and policy makers in international cooperation. To subscribe, visit www.capacity.org. Issue 35 will be available in November 2008.