BACKGROUND PAPER

Strengthening Farmers Organizations and Civil Society Organizations

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EXECUTIVE SUMMARY

Africa is on the threshold of a significant transformation. Over the last decade, the continent was home to six of the world’s 10 fastest growing economies, and the outlook for the region remains bright. Strong growth in Africa’s middle class is expected to continue on the back of better economic policy and governance, coupled with more business-friendly policies and improved demand, (Kestrel Capital, 2012, cited in AGRA 2012 Concept Note). This sustained increase in consumer spending, combined with population growth and rapid urbanization, means that today’s markets offer better opportunities for African smallholder farmers if they can meet demands related to larger volumes, consistency of supply and higher quality.

Participation in market-oriented agriculture can improve the livelihoods of many rural households through diversified nutrition, employment and enhanced incomes. As producers and consumers, smallholder farmers are key actors in the agricultural sector in many countries. Besides constituting a critical component of backward and forward linkages to other economic sectors, their contribution to rural labour-force and food supply is essential to the transformation of the rural economy, especially at the lowest income levels of the society. The importance of the sector notwithstanding, there are numerous problems of promoting growth of incomes and bringing about commercialization in smallholder agriculture, through farmer organization of different forms herein after referred to as farmer based organizations (FBOs).

Agriculture and farmers in SSA, more than the rest of the world, continues to face challenges that have hindered its capacity to spur economic growth. Notable among these are climate change, globalization and the recent global recession, increased pressure on the natural resource base, unfavourable external market conditions. These, coupled with poor rural infrastructure, weak institutions, low research and access to innovative technologies, low productivity of smallholders farmers, reduced investment by governments and official development assistance and the limited engagement by the private sector work slow down the process of commercializing the agriculture. (UNDP Report 2012).

According to AASR 2014, the population in SSA is expected to grow from 800 million in 2014 to 1.5 billion by 2050. It is impossible for Africa to end hunger and reduce poverty unless it significantly increases production and incomes on Africa’s smallholder farms. African economies and food security revolve around the millions of smallholder farmers, who work tirelessly on less than a hectare of land. However, most of them, especially women farmers, are poor, they struggle to produce enough food to feed their families and they face multiple challenges. They often work in depleted soils without access to improved seed, fertilizers, irrigation or financial help; they routinely confront drought, floods, pests and diseases, and now climatic change is making conditions even worse. Resource poor farmers are also faced with inadequate information, lack of strong organized groups, low motivation, low literacy levels, lack of access to productive inputs, low technological know-how among others that stand as stumbling blocks to entering the cash economy.
The challenges for smallholder farmers are numerous and extremely difficult to master individually. These range from the provision of services to development of business skills to deal with the new circumstances.

To address the challenges of integrating small producers and processors in their different groupings of FBOs into modern value chains, many innovative approaches and strategies are being piloted for promoting competitive business models in the agriculture sector. Africa has to assess and test them in order to adapt and adopt appropriate ones.

The above notwithstanding, the language used when talking about African agriculture and food systems has been shifting in recent years and is changing rapidly in positive and exciting ways. High level African leaders and their development partners are paying new attention to the positive role African agriculture plays in economic development across the continent. The fact is that Africa has the agricultural potential not only to feed itself but also to grow a surplus to help provide global food security. However, fulfilling this potential requires efforts from both within and outside the continent. It requires a broad perspective that looks at the needs of the smallholder farmers as part of the food systems and supply chains and considering agricultural productivity and food and nutrition security in the context of overall economic development and social stability.

Smallholder farmers are struggling to keep up with these new trends, finding themselves at a disadvantage due to high transaction costs and low bargaining power. Therefore, it is essential for commercializing smallholder farmers to work together as a recognized legalized entity (farmer organization – FO / Farmer based Organizations- FBOs) in order to strengthen their voice for articulating their needs, for lobbying and taking advantage of economies of scale. Thus, if players in the agriculture sector, including smallholders, want to compete successfully, they must not only respond to customer demand, but also focus on efficient operations that are cost effective and reliable. Farmers need access to efficient market chains that they can rely on to dispose of their products at competitive and stable prices. Small farms face major disadvantages in accessing modern market chains. These include low volumes of produce to sell, variable quality, seasonality and limited storage, high transactions costs, poor market information and contacts, and limited ability to meet the high and acceptable requirements of some high value outlets. Although many local market outlets still exist, the best business opportunities often lie with farmers who can organize for urban and export markets. Promising alternatives include contract farming arrangements with large farms or marketing/processing agents, voluntary producer groups, marketing cooperatives and fair trade. Another key issue is how to make staple food markets work better for small farms, particularly in countries where the private sector has not adequately filled the gap left by the demise of state marketing organizations. This implies that commercially oriented smallholder farmers have to organize themselves into strong farmer organizations that are able, motivated and sufficiently independent to effectively represent farmers’ interests....

Tested and successful FBO models are available from different organizations that have used them, such us the Food and Agriculture Organization of the United Nations (FAO and Sasakawa Africa Association / Sasakawa Africa Fund for Agricultural Extension Education. While looking for and testing new models, the existing ones should be scaled up and best practices from them publicized.
1. **BACKGROUND**

1.1 Farmers’ and Civil Society Organizations Matter.

National governments and donors have promoted and supported the development of farmers’ institutions in sub-Saharan Africa (SSA) for decades; some have supported them for practical purposes, while others have done so for strategic reasons. Cooperatives, saving and credit societies, commodity farmer associations, and other forms of farmer-based organizations (here in after - FBOs) have been promoted as an element of strategy for agricultural modernization and structural transformation of national economies; along planned economy in some cases, free-market economy in others. In addition, such organizations and other civil society organizations (herein after – CSOs) have been promoted as key mechanism for empowerment, particularly by those who viewed poverty and associated disadvantages as the consequence of ‘powerlessness’ in political, economic and social spheres. While ministries of agriculture (MOA) and affiliated institutions, supported by international organizations such as Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD), and others, encourage and promote FBOs ministries of labor (MOL) supported by the International Labor Organization (ILO) and affiliated organizations encourage CSOs to defend peoples’ liberties, justice, human rights, equality, equity and other socio-economic civil goods. While touching on CSOs, this paper will mainly discuss FBOs with the understanding that most of the discussion applies equally on CSOs.

Farmers’ organizations are, expected to play different roles and to perform different functions as they are meant to serve different purposes. The role of FBOs may be limited to providing local institutional support towards the implementation of government and donors assisted programs, such as facilitating service delivery, mobilization of local resources, and collective marketing. Alternatively, the legal roles of FBOs may encompass members’ empowerment at local level and engagement with policy and service providers by creating higher level structures and building their capabilities. The diversity in FBOs is not just in their roles, but their modes of operation may vary in different countries and contexts. This makes it difficult to come up with a definition of farmers’ organizations, which is relevant to all conditions. As a working definition, and for the purpose of the current analysis, it suffices to consider FBOs as ‘institutions of participatory governance with grassroots structures constituted by smallholder farmers and processors as building blocks, representing their interests, and with a certain level of accountability to them’.

Participation of FBOs in market-oriented agriculture can improve the livelihoods of many rural households through diversified nutrition, employment and enhanced incomes. As producers and consumers, smallholder farmers are key actors in the agricultural sector in many countries. Besides constituting a critical component of backward and forward linkages to other economic sectors, their contribution to rural labor-force and food supply is essential to the transformation of the rural economy, especially at the lowest income levels of society. The importance of

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1 Adapted from Uphoff and Esman (1974)
FBOs notwithstanding there are numerous problems of promoting growth of their incomes and bringing about commercialization in smallholder agriculture and solving them is not easy.

1.2 Necessary conditions for commercializing smallholder agriculture and bringing FBOs into the mainstream of agriculture

Ndmabo, 2005, identifies the critical factors that would enhance the competitiveness of smallholder agriculture and the agribusiness industries in the face of trade liberalization; they include:

1. Improved commercial integration among farmers, merchandisers and processors within the agricultural value chain, including improvement in risk transfer, technology transfer, product development, logistics and market information transfer.

2. Improved farm level competitiveness through better cropping systems, seed selection, cultivation processes, sourcing and application of modern inputs, proper harvesting and post harvesting handling using modern technologies, grading, sorting, agro-processing etc. as well as through the volume leveraging of procurement, packaging, storage and transport.

3. Defining and characterizing new commercial opportunities for third parties in interlinking farm level producers with processors, buyers/resellers, merchandisers and retailers.

4. Developing formidable capacity of farmer organizations, to mobilize them in order to create a substantive constituency operating within an agreed legal and operational framework (upholding constitutionalism and democratic principles) with a sharpened capacity in developing well researched concept and position papers for policy influence to assert a conductive farming business environment. A key aspect in addressing the above is the promotion of farmer based-approaches aimed at enhancing the capacity of farmer organizations in all spheres of their existence”, especially in management and finance.

In addition to Ndmabo’s identifies factors, one may add other factors such as:

5. Assessing the pool of appropriate crop and livestock productivity enhancement technologies that have gone through research certification process and introducing them to farmers by demonstration and training. A very good example of this has been (SAA) Sasakawa Africa Association’s experiences in 15 African countries: in each SG 2000 country (as they are known), production of the five staple crops: maize, rice, sorghum and millet increased by 21.5 million metric tons. About 25% of the added production was a result of productivity increases, brought about by the use of improved technologies such as fertilizer, improved seed and improved crop management, and timely planting. It is difficult to apportion with certainty those changes associated to SAA interventions; however, SG 2000 and its partners have, over the years, played a significant role in catalyzing these changes especially in maize production and productivity and almost invariably through farmer organization.

There has been widespread introduction of improved varieties with resistance to maize streak virus, coupled with the use of fertilizers and herbicides, in combination with improved crop management in Ghana, Benin, Togo and Nigeria. High-yielding maize hybrids were grown on more than 1 million ha in Ethiopia, Malawi and Nigeria, Tanzania and Uganda. Further, SG
2000 also played a key role popularizing maize and sorghum production in Mali and Burkina Faso. Introduction of early-maturing maize varieties more than doubled the area planted. SG 2000 also played a key role in the introduction of Quality Protein Maize (QPM) varieties on over 700,000 ha in program countries.

The most significant impact among semi-arid crops has been yield gains in millet; accounting for about 17% of the total increase in millet production. This was due, in large part, to the widespread popularization of the improved SOSAT millet variety, especially in northern Nigeria. Progress in sorghum has been much slower, and most of the efforts to introduce high-yielding varieties have not been particularly successful. The exception was the introduction of the high-yielding Hageen Dura 1 hybrid in Sudan.

Rice, in particular, has been a growing priority for since the late 1990s. It was the focus crop in Guinea where SG 2000 played a pioneering role in the introduction of NERICA (New Rice for Africa) varieties developed by the Africa Rice Center (WARDA). In 2005, SAA established a Regional Rice Program, which SAA worked aggressively to either introduce or expand rice production in Guinea, Nigeria, Mali and Uganda and Ethiopia. Significant impacts have been achieved in all of these countries.

6. Another critical condition is the backstopping of dozens of small- and medium- private seed enterprises, helping hundreds of agro-input dealers to get established, providing postharvest handling and storage training to more than 50,000 farmers, helping more than 1,000 rural women to establish agro-processing enterprises, and helping more than 50,000 farmers to organize into formal associations as avenues for collective input acquisition, output marketing, access to credit, and enterprise development.

2. CHALLENGES

2.1 General Challenges to smallholder agriculture

Agriculture in sub-Saharan Africa (SSA), like the rest of the world, continues to face challenges that have hindered its capacity to spur economic growth. Notable among these are globalization coupled with price fluctuations, recent global recession, increased pressure on the natural resource base, unfavorable external market conditions and of late climate change. These, coupled with poor rural infrastructure, weak institutions, low research and access to innovative technologies, low productivity of smallholders farmers, reduced investment by governments and official development assistance and the limited engagement by the private sector work to slow down the process of commercializing in general and smallholder agriculture, in particular. (UNDP report 2012).

The following general challenges have to be tackle head on at all levels, especially at farm level to assist farmer organizations to take off and become sustainable:

i. Low productivity and production due to limited use of modern inputs, such as good quality hybrid seed, fertilizers, herbicides, irrigation and farm / field mechanization

ii. Poor postharvest handling and limited value addition to agricultural products

iii. Insufficient agricultural manpower and skills

iv. Limited access to credit and generally low funding both at national and household levels

v. Diseases and pests control
vi. Limited access to sustainable and quality input and output markets
vii. Marginalization of women farmers and their lack of capacity
viii. Emerging threats to agricultural development due to climate change.

The impact of each of these factors to agricultural production varies greatly under different farming situations. Each farmer organization is unique and needs to be handled within the domain of the available resources. Responding to most of the above challenges requires a robust and an effective National Agricultural Extension and Advisory Services (NAEAS) that can be provided by public, private and non-profit sectors (NGOs) sectors. A strong system of NAEAS is, therefore a prerequisite to agricultural development, it plays an important role in ensuring that farmers and various stakeholders have access to improved and proven technologies and that their concerns and needs are properly addressed by relevant service providers.

In addition to the above list liberalization of markets and the closing down of state marketing boards led to all players in the agricultural sector to face increased competition. Smallholder farmers are struggling to keep up with these new trends, finding themselves at a disadvantage due to high transaction costs and low bargaining power. If players in the agriculture sector, including smallholders, want to compete successfully, they must not only respond to customer demand, but also focus on efficient operations that are cost effective and reliable. Farmers need access to efficient market chains that they can rely on to dispose of their products at competitive and stable prices. Small farms face major disadvantages in accessing modern market chains. These include low volumes of produce to sell, variable quality, seasonality and limited storage, high transactions costs, poor market information and contacts, and limited ability to meet the high and acceptable requirements of some high value outlets. Although many local market outlets still exist, the best business opportunities often lie with farmers who can organize for urban and export markets. Promising alternatives include contract farming arrangements with large farms or marketing/processing agents, voluntary producer groups, marketing cooperatives and fair trade. Another key issue is how to make staple food markets work better for small farms, particularly in countries where the private sector has not adequately filled the gap left by the demise of state marketing organizations. This implies that commercially oriented smallholder farmers have to organize themselves into strong farmer organizations that are able, motivated and sufficiently independent to effectively represent farmers’ interests. The challenges for smallholder farmers to enter the cash economy are numerous and extremely difficult to master individually. These range from the provision of services to development of business skills to deal with the new circumstances. The challenge is how strong, viable and sustainable farmer organizations can be. Resource poor farmers are also faced with inadequate information, lack of strong organized groups, low motivation, low literacy levels, lack of access to productive inputs, low technological know-how among others that stand as stumbling blocks to entering the cash economy.

2.2 A need for Collective Action

The implications of the above discussion is very clear, it is essential for commercializing smallholder farmers to work together as a recognized legalized entity in order to strengthen their voice for articulating their needs, for lobbying, for buying, bulking and selling, thus taking advantage of economies of scale. The most common form of collective action is the joint buying of inputs and joint marketing of products. Being able to sell produce in bulk is often a minimal requirement for attracting buyers and securing bargaining power. This method is
strongly promoted in SAA project countries of Ethiopia (through cooperatives), Mali (through Nie@tekenes), Nigeria (responding to specific buyers, such as Grain Cereal) and in Uganda (either through One Stop Centre, known simply as OSCAs, as well as specific Bulking Centres. In all cases, the mentioned facilities are utilized for both input storage and output bulking and storage. In addition, controlling the flow of produce is a way for the organization to control quality, and for perishable products, it is a way to process them and thus improve marketability. An FBO, especially one with legal standing, can facilitate the grouping of produce and linkages with the market: collecting orders from buyers and disseminating information to its members, negotiating minimum prices and setting a delivery date; it can also make it easier to negotiate credit and other financial products from financial institutions.

The future success of demand-driven, market-oriented rural advisory services rests in large part on the formation and capacities of FBOs. A majority of development success stories are the direct result of or dependent on collective action. However, the multifaceted role of FBOs in extension efforts is not well understood. In many contexts, the story of local rural development efforts is a tale of failed farmer groups. The majority of those groups, created for various purposes by national agencies or development organizations, commonly lacked essential elements that could have assured their longevity. Improving our understanding of the role of farmer organizations in development outcomes is clearly critical to identifying options and strategies for promoting successful rural advisory services (RAS).

2.3 Learning from experience

Sasakawa Africa Association (SAA) and Sasakawa Africa Fund for Extension Education (SAFE) have long started work towards strengthening FBOs in a number of countries, including Ethiopia, Mali, Nigeria and Uganda. The process has to start with identifying success and failure factors of FBOs in their different environments, assessing market demand, market prices and other market forces, to identify bankable commodity value chains for commodities that would respond to market opportunities, competitive business models of the selected commodities, knowledge and skills required by farmer organizations and capacity building strategies. It is imperative that farmer organizations carefully select enterprises that will bring benefits to member farmers, since not all enterprises are profitable. The objectives and activities or services of FBOs should be relevant to the needs and priorities of their members. The activities undertaken and services provided by FBOs should be done in an efficient or cost-effective way in order to generate tangible benefits that would outweigh members’ resource and time investment in collective actions. In addition, such organizations must have sound mechanism for ensuring their financial sustainability.

A study commissioned by SAA / SAFE conducted in 2012, established the existence of FBOs and examined how FBOs are functioning in Africa, their role in agricultural development, with a focus on Ethiopia, Mali, Nigeria and Uganda. The study looked at the various approaches that link FBOs to markets, in order to pin-point the successful models that involved engaging the “middle” part of the value chain in providing services and markets for the FBO members.

In Nigeria the study reported that, the existence of strong farmer organizations that are able, motivated and sufficiently independent to effectively represent farmers’ interests is an
indispensable factor for the protection and enhancement of the smallholder agricultural sector (SAFE/SAA, 2012). However, there are several challenges facing resource poor farmers ranging from inadequate information; lack of organized groups; low motivation; low literacy level; lack of access to productive inputs; low technological know-how among others that stand as stumbling blocks to entering the cash economy. For their individual development and the society at large, smallholder farmers must forge strong links of cooperation among themselves, using all the means at their disposal: economic, organizational, lobbying capacity and negotiation skills. Also, there is the need for the farmer groups to identify important agricultural commodity value chains that will bring economic benefits to them.

In Ethiopia a similar study showed that those FBOs which could provide tangible and adequate incentives to their members were able to increase their membership-base, scope of activities, geographical coverage, and to ensure organizational viability and financial sustainability. This is was a key finding, which implies that increase in FBOs economic importance enhances the ability of FBOs to expand their membership-base and to mobilize members. With effective capacity development, this could become the organizations’ powerful source of influence. Moreover, supporting economic improvement of smallholder farmers through viable collective actions is an effective and practical leverage point to contribute towards the development of strong and sustainable FBOs. Enhancing economic viability and visibility of FBOs, while also developing their demand articulation capability, could gradually lead to empowerment.

The data for Uganda case studies was obtained from two main sources:

i) A commodity assessment survey conducted for the ZAABTA One Stop Center (OSCA) (in 2012). The study was undertaken on eight commodities selected by farmers at Zirobwe Agriculture Farmers’ Association (ZAABTA) in Luwero District, with the aim of coming out with five commodities that demonstrate high market potential and more profitability than others. The focus was on the capacity of the OSCA and its members to exploit market opportunities and build the association into a sustainable business model. Special attention was given to profitability of the commodities and competitiveness of the OSCA business. The findings of the study were used to guide SAA/SAFE to effectively support the strengthening of the OSCA into a sustainable business. This is important to enable members of ZAABTA to make choices of commodities that are profitable as well as understanding the capacity development needs of members and the leadership of the OSCA in transforming into a viable business.

ii) A comprehensive study of farmer organizations in Uganda commissioned by SG 2000 Uganda is another good experience. It was undertaken on fourteen (14) different farmer organizations with a special focus on factors that would encourage the emergence of strong, viable and sustainable farmer organizations. Findings of the study were used to propose viable intervention options for development agencies such as SAA/SAFE to effectively support the development and strengthening of farmer organizations. This is desirable to enable smallholder farmers to be competitive in commodity value chains through their collective action. The selected farmer organizations were of three types: multi-purpose, commodity specific and advocacy organizations operating at various levels i.e. community,
higher level and apex. The study identified several successes and fail factors that influenced the organizations’ capacities to either generate both benefits for their members and fulfill the purposes for which they were formed or failed to do so.

2.4 Factors that may influence organizational performance of FBOs and CSOs

After FBOs or CSOs are successfully formed there are factors that influence their organizational performance; these can be categorized broadly into three (Horton et al, 2003): organizational capacity; internal environment; and external operating environment (see Figure). The first set of factors influencing performance is related to organizational capacity (organizational resource, leadership and management):

i) Resources that are at the disposal of an organization to achieve its goals (human, finance, infrastructure, facilities, equipment, transport, etc);

ii) Leadership and its ability for setting direction, mobilizing members around common concerns, and realizing objectives;

iii) Capacity for effective program management (delivery of services to members, participatory planning and periodic review, etc), and

iv) Effective process management (staff management, facility management, financial management, fundraising, and networking and external linkages).

The second set of factors is related to the internal environment or organizational ‘personality’ (mission, structures, incentive and reward system, and leadership and management styles). These factors influence the degree of cohesiveness, trust and the level of motivation among members to cooperate, and thereby the effectiveness of collective actions by smallholder farmers around issues of common concern.

Figure 1: Framework for organizational assessment

Thirdly, the external operating environment has an important influence on emergency, and the viability and sustainability of FBOs. Factors relating to external environment comprise the legal systems, political support that exists for FBOs and their missions, and socio-cultural, economic and ecological conditions in which the organizations operate. These factors create both opportunities and challenges to effective functioning of FBOs, and strongly influence the success and sustainability of collective actions by smallholders.

2.5 Challenges specific to farmer based organizations (FBOs)

A study commissioned by SAA / SAFE, conducted in Ethiopia, Mali Nigeria and Uganda to identify success and failure factor of FBOs came up with the following list of specific challenges:

i) **Inappropriate approach to the development of farmers’ institutions**

This may result from ambitious and target-based approach characterized by inadequate and unsystematic effort at awareness creation about the needs and opportunities for collective action; limited time for farmers to internalize issues, process, and to develop shared mission and common goals; and hastily implementation of re-organizing primary cooperatives.

In some cases, the employed approach and related process resulted in FBOs with members who have low sense of ownership. In the worst case scenario, such FBOs could be perceived by members as an extension of government structure, rather than organizations created and owned by farmers.

In a number of countries were the campaign-type of approach to re-organizing, especially cooperatives, has had negative consequences that have led to weak and less viable organizations in some cases, and to demobilization in others.

ii) **Lack of responsive financial services**

One of the challenges to the success of FBOs across SSA is limited access to finance and the lack of responsive financial services. The organizations, emerging unions in particular, found it difficult to access credit needed for investment in basic infrastructure and facilities and for working capital to run their operations like purchasing outputs at harvest. Some cooperative unions and farmer associations secure loans from saving and credit unions raise additional finance from borrowing from other sources, but finance is never adequate. Access to responsive and adequate financial services is one of the critical success factors for any type of organization.

This was amply demonstrated by the scrutiny and a closer look into the performance of some cooperative union in Ethiopia, which is one of the best performing farmers’ organization.

*Licha Hadiya Cooperative Union was established in the year 2002 in Hosania town, Hadiya Zone, SNNP Region, with limited start-up capital mobilized from 15 member primaries (shares). Marketing of members’ product was the primary objective of the union as Hadiya Zone is one of high potential areas for the production of staple cereals like wheat. Soon after its establishment, the SNNP Region established ‘Rural Fund’ in recognition of the lack of responsive financial services for FBOs, like Licha Hadiya Union. The union had secured from*
the Rural Fund sufficient credit (about a million Birr) in 2004 and 2005 to run its marketing operations. With this, profit of the union, which was about 11,000 Birr in 2003, had grown to 942,000 in 2004 and reached about 1.4 million Birr in the following year (2005). Currently, the union owns a flour mill and supplies processed and packaged wheat flour to big bakeries like Shoa Daba bakery located in Addis.

iii) Infrastructure and their utilization

The existence of basic infrastructure and other facilities is crucial for success, depending on the nature of commodities and activities in which the farmers’ organizations are involved. As mentioned above, often FBOs face difficulty to access credit for such investment. Nonetheless, infrastructure-related challenges go beyond financial limitation, comprising issues of economic viability (in terms of capacity) and technical appropriateness, facilities, and in-house capacity or access to affordable private service for repair and maintenance.

An example is An Integrated Livestock Development Project (ILDP), funded by the Austrian government, had introduced crossbred dairy cows with improved forage to some woredas in North Gondar Zone of the Amhara Region. The intervention increased milk production in the area and created demand for external inputs, in particular for concentrate livestock feeds. This, in turn, demanded collective action for input (feed) supply and output (milk) processing and marketing. In response, ILDP supported the organization of 9 primary dairy cooperatives and the formation of Jantakil Dairy Development Union in Gondar town in the year 2007.

The union had enjoyed generous infrastructural and technical support, including for the establishment of milk processing and packaging unit, with boiler, cooler and chiller, crème separator, churner, and bagging machine. The capacity of the processing unit was said to be 1,500 litters of raw milk per day. Later on, it was learnt that the capacities’ of the cooler and chiller don’t match with and far below that of the boiler; and frequent breakdown, limited availability and prices of spare parts, and high repair and maintenance charges made the cost of running the unit exorbitant. On the other hand, the relatively high milk yields at the beginning couldn’t be maintained, partly because of inability of the union to supply feeds due to financial limitation. In addition, logistic problem, lack of appropriate transport, reduced its catchment area, excluding 2 of the 9 primaries. This, coupled with low milk yields, limited the maximum amount of milk supplied to the union to about 270lts/day. As a consequence, even the available capacity of the unit is being underutilized.

iv) FBO-Private-Partnership: A missing link

Farmer organization - public- private partnership doesn’t exist or is nascent in many SSA countries. This is regardless of its potentially useful role for the success of collective action by smallholders. There are several reasons for the virtual absence of such partnership, among which, is unfavorable attitudes of leaders and experts of supporting institutions, who tend to perceive the private actors more as ‘exploiters’ than as important service providers. This has effectively excluded from consideration the possibility of creating partnership between cooperatives and private actors on the basis of win-win institutional arrangements.
In some cases, farmer groups/organizations could benefit more from partnering with the private sector, such as in access to inputs, sale of outputs and value addition that involves significant processing. Partnership with the private actors could be important for these kind of activities, which often requires heavy investment, specialized skills, and entails higher risks (Ferris et al, 2006). Improving agricultural productivity (irrigated and rain-fed agriculture) requires, among other things, an increase in the use of agro inputs of seeds, fertilizer, and agro-chemicals. The use of agricultural inputs remains very low. In 2002–2003, Sub-Saharan African farmers used on average 9kg of fertilizers per hectare (ha) of arable land compared to 100kg/ha in South Asia, 135kg/ha in Southeast Asia and 73kg/ha in Latin America. The challenge is to facilitate farmers’ access to critical productivity-enhancing inputs.

**v) Facilitate commercial credit services for partner FBOs and entrepreneurs.**

FBOs need funds to set up viable commodity value chains and agro enterprises, but access to funding in a form of credit and other forms have been one of the stumbling blocks for FBOs. Many banks do not want to deal with smallholder farmers’ association for fear of high transaction costs and heavy follow ups for re-payments. However, arrangements for lending to FBOs and entrepreneurs from with micro-finance institutions and some banks have worked in some countries, such as Uganda and Nigeria.

**vi) Mainstreaming gender and environment**

The low level of participation of women in farmers’ organizations is a big challenge. Most times the women come together as a group, but are less prominent in mixed groups like cooperatives or farmer associations. Women participation and empowerment in general has been constrained by the well-documented socio-cultural and institutional conditions. The higher illiteracy rate among women than men farmers in many countries is another major factor constraining the involvement of women and their leadership role in FBOs. Conceited effort has to be made to mainstream women in agricultural transformation agenda.

**Gender relations**, i.e., the relative position of men and women in division of resources and responsibilities, benefits and rights, powers and privileges, reflect the power relations between men and women. The **implications** of these relations are detrimental to agricultural production and food security from access and allocation of resources point of view. The marginalization of women is at the detriment of Africa food, nutrition and income security, since it has been scientifically proven that

- The greatest and easiest **technology gap** to close is with women farmers.
- An **investment** in crop productivity extension for women **gives twice the return** as an investment with men.
- In Kenya, for example, research showed that **10-20% greater production increase** can be achieved by shifting seed & fertilizer vouchers from men to women.

**vii) Political interference**

The SAA – SAFE study found some degree of unproductive interference in the internal affairs of FBOs, especially cooperatives. Government officials may exert ‘unnecessary’
pressure on FBOs, striking the balance between incentives for the FBOs and the hidden costs and risks associated with the involvement of officials or politicians remains a challenge that needs due policy attention.

**viii) Policy and institutional environment**

There are a number of gaps in the policy and institutional environment affecting FBO and CSO.

- Clear FBOs and CSO development policy;
- Input market governance;
- questions associated to transparency and accountability;
- Export promotion policy associated with export incentives
- Lack of public support to strengthening lobbying and advocacy roles of FBOs / CSOs, especially related to peace and security, justice and human rights and the rights of any minority groupings;
  - No deliberate effort at developing capacity of FBOs to enable them to effectively articulate interests of their constituency and to develop evidence-based policy proposals; and
  - Lack of platforms and effective mechanisms for enabling active participation of FBOs in the policy arena.
- Fragmented mandates and structures supporting cooperatives and other FBOs / CSOs;
- Weak linkages within public institutions and with other actors along the value chain.

**ix) Other factors constraining the viability of collective actions have to be mentioned**

Several other factors that constrain optimal exploitation of already existing opportunities through collective action by smallholders (FBOs and CSOs) include the need to:

- Access appropriate technology and inadequate knowledge in specialized technical areas
- Enhancing productivity of marketable high value commodities (milk and honey);
- To improve crop protection and postharvest to reduce losses, improve quality, and add value
- To produce certified seeds with improved quality, processing and packaging.
- To access appropriate technology for postharvest handling/processing as well as the lack of effective institutional arrangement to enhance their collective bargaining power in the market (especially for perishables -fruits and irrigated vegetables).
- To improve weak or inappropriate leadership in farmer groups which inhibits their capacities to address their needs, for example, by failing to mobilize their resources to reasonable levels before seeking external support. Some resource poor farmer groups are led by people who perceive the group as an avenue for accessing financial resources from support organizations, while in some cases it is for political ambitions. Such leaders are the most troublesome in that they inhibit the farmers' ability to establish an institutional capacity for self development; also weak leadership tends to create dependency.
ix) Last but by no means least, African agricultural policy makers must address the issue of an aging agricultural workforce, even within FBOs, in Africa and the growing trends of the youth to migrate to urban centers with few skill sets and job prospects. This is a fertile seedbed for social and political unrest. Former President of Nigeria, Olusegun Obasanjo, summarized the issue succinctly:

"As long as farming remains, at best, marginally rewarding, young men and women will drift away from the rural areas to increase the battlefields of the urban poor. The idea, therefore, that African agriculture should be based only on a half hectare holding is, to say the least, unappetizing. I want to see people encouraged. I want to see the evolution of young, emergent, commercial farmers who will be holding, not a half hectare of land, but 5 to 10 to 20 hectares of land, and for whom the city will have no big attraction."

It looks as if the list of challenges cannot be exhausted, but something can be done to assist FBOs to take off and set the ball rolling.

3. OPPORTUNITIES FOR FBOs

Africa is on the brink of a significant transformation. Over the last decade, the continent was home to six of the world’s 10 fastest growing economies, and the outlook for the region remains bright at a time when the rest of the world is facing major political and economic challenges. Strong growth in Africa’s middle class\(^2\) is expected to continue on the back of better economic policy and governance, coupled with more business-friendly policies and improved demand. This sustained increase in consumer spending, combined with population growth and rapid urbanization, means that today’s markets offer better opportunities for smallholder farmers who can meet demands related to larger volumes, consistency of supply and higher quality.

The language used when talking about African agriculture and food systems has been shifting in recent years and is changing rapidly in positive and exciting ways. High level African leaders and their development partners are paying new attention to the positive role African agriculture plays in economic development across the continent. The fact is that Africa has the agricultural potential not only to feed itself but also to grow a surplus to help provide global food security. However, fulfilling this potential requires efforts from both within and outside the continent. It requires a broad perspective that looks at the needs of the smallholder farmers as part of the food systems and supply chains and considering agricultural productivity and food and nutrition security in the context of overall economic development and social stability.

In its 2008 World Development Report, the World Bank indicated that, indeed, investment in smallholder farmers was among the most efficient and effective ways of raising people out of

\(^2\) The middle class in East Africa account for 22.6% of the total population, with Kenya at 44.9%, Uganda at 18.7% and Tanzania at 12.1%. A 36.2% growth was recorded by Kenya between 2006-2010 (Kestrel Capital – Nairobi Stock Exchange, March 2012).
poverty and hunger. Raising productivity for resource-poor farmers is one piece of ending hunger, but how this is done depends on whether these farmers can gain access to more land, more inputs at affordable prices and better product markets. It is, therefore, essential that agro-ecological friendly farming practices and structural reforms that ensure that resource-poor farmers have the land and other resources they need for sustainable livelihoods are the best way forward. A vibrant agricultural sector has been the basis for successful economic transformation in many of today’s developed countries and it was the precursor to the industrial revolutions in Europe and the USA and more recently to those in China, Taiwan, Republic of Korea, Thailand, Viet Nam and other rapidly growing Asian economies.

Finding the right mix of commodity value chains and farm enterprises, guided by market demand, will strengthen farmer organizations, as members increase their incomes and improve their livelihoods.

Emerging transformations in the agriculture and agri-food sector, the role of the private sector and other forces of change in Africa that provide opportunities for FBOs include:

- **Government's critical role in creating enabling environment for growth and transformation.** A number of countries are demonstrating how sound agricultural policy and implementation can result in remarkable growth rates (5 to 10 percent as opposed to a 3.8 percent average for Africa). Several countries are showing that productivity improvements can have major impacts on food and nutrition, security, and poverty alleviation, while also conserving land and other natural resources. Policy and institutional innovations are essential to encourage growth and engage the private sector to develop markets and supply chains; so are political leadership and vision, coordinated strategies and a long term commitment. Others notable transformations are:
  - **Diversification of food markets and food systems as a response to urbanization** and as engines to growth. Rural-to-urban food supply chains are developing rapidly to meet expanding urban demand. African entrepreneurs, both large and small are investing throughout the supply chains; from inputs through processing to retailing.
  - **The smallholder farmer as an agent of change:** Smallholder farmers are achieving productivity gains and contributing significantly to agricultural growth in many African countries. Many smallholder farmers are women, who play central roles not just on the farm but throughout the food system by helping to ensure household nutrition and community - wide food security. Farmers are building up business management skills that enable them to articulate their needs and to better manage resources and risks, while access to real-time and better data is resulting to better decisions. Farmer organisation are helping to support cross cutting issues, sharing of best practices , dissemination of innovation and informing of decisions.
  - **Government – led vision for agricultural entrepreneurship** that would encompass incentivizing investment, appropriate regulations, support communication and planning across sectors and providing safety nets to manage risks and
  - **Capturing the potential of youth in the labor force:** Youth unemployment is a big challenge facing the African continent, with the growing population and its large percentage of young people, most of whom are not attracted to farming in the rural areas. Thus, farming and the agri-food sector need creativity, technological skills and engagement of the youth. A number of mechanized farming, food processing, transportation, marketing and other small business opportunities are emerging that need talent and skills to fill their
ranks so that they can grow and expand to create meaningful employment for African youth.

4. SUGGESTED ACTIONS / THE WAY FORWARD

4.1 At Policy and decision Making Level

At a high continental level, a number of actions have been taken or being taken, to address agriculture transformation generally, including this high Level Conference in Dakar to discuss Africa’s Agricultural Transformation Agenda. Other actions have included: (just to mention them):

*The New Partnership for Africa's Development (NEPAD)*

i. The Comprehensive Africa Agriculture Development Program (CAADP),
ii. Harnessing Innovation for African Agriculture and Food Systems Meeting of 2013, which specifically highlighted *the needs of the smallholder farmers*,
iii. The 2014 Malabo Summit and Declaration
iv. The Africa Green Revolution Forums (AGRF)

At the 4th AGRF the discussion focused around six major themes critical to Africa’s food security including: increasing crop and livestock productivity in the presence of climatic change and other challenging conditions; promoting agricultural investments that will generate benefits at all economic level; increasing financing for agricultural development; and support for farmers and farmer organizations through modernizing commodity markets and removing barriers to intra-regional trade.

4.2 At Planning and Implementation Levels

A number of present day governments in SSA have developed policies to transform agriculture, using value chain approach and present agriculture as a business not a project; these noble ideas have remained empty rhetoric void of action due to weak farming groupings in on the ground that fail to sustain their businesses.

Practically smallholder value chain actors, individually, but especially in their different groupings, have to be strongly integrated into modern value chains; innovative approaches and strategies for promoting competitive business models in the agriculture sector should intensified. Models that have worked and could be expanded and scaled up include but are not limited to:

4.2.1 The SAA / SG2000 Model

SAA /SG2000 has always had a very strong field and farmer orientation. Working with the main partners, national agricultural extension services, SAA has concentrated on introducing productivity-enhancing food crop technologies to increase yields and improve household incomes. The best synthesis of its mission was captured in Dr. Borlaug’s dying appeal, “Take it to the farmer”. Initially, SG 2000 focused on showcasing the potential of improved food crop technologies, hands-on participation and training of extension workers and farmers. SAA
primary classrooms were and remain the fields of smallholder farmers. From 1986 to 2013, national extension personnel and smallholder farmers worked with SG 2000 country program staff to establish more than half a million large crop demonstration plots and several million smaller production test plots in the target countries. Of late, SAA program in the focus countries are also incorporating livestock, based on the needs of the smallholder farmers, and spreading along the entire value chains. New priorities and programmatic areas have been established to include farmer mobilization and capacitation to form address post-harvest and marketing issues, and link FBOs to a range of service providers and organizations, often from the private sector.

The model relies on establishing what farmers need to know (through their Farmers Organizations); it tries to respond to the numerous challenges discussed above and finding sustainable solutions. The model also believes in working within a robust and effective Agricultural Extension and Advisory Services (AEAS) that can be provided by public, private and non-profit sectors (NGOs) sectors’ combined effort. A strong system of AEAS is, therefore a prerequisite to agricultural development and transformation; it plays an important role in ensuring that farmers and various stakeholders along the value chain, have access to improved and proven technologies and that their concerns and needs are properly addressed by relevant service providers.

The transformation first and foremost, of the extension system, is paramount. Addressing farmers’ needs and growing challenges in agriculture necessitates innovative approaches in extension and agricultural development, pluralism of service provision, and demand-driven extension services along the agricultural enterprises value chains. The agricultural extension service provider has to go beyond production technology transfer to facilitation; training to learning, dealing with post harvest handling, food safety, nutrition, value addition and marketing issues; conservation of natural resources, financial and other resource mobilization, agribusiness, and gender issues in agriculture development in general and specifically at household level. Service providers need to be up to date with topical issues about agriculture in related to changes in the global food and agricultural systems, change in consumer demands, off-farm rural employment opportunities and mitigating constraints imposed by HIV/AIDS, climate change that affect agricultural productivity and production, thus affecting rural livelihoods. This calls for a critical mass of human resource with knowledge, skills and information on agricultural production, post harvest and marketing; appropriate delivery approaches/methods, channels and tools.

\textit{Agricultural commodity value chain approach}

A value chain depicts the necessary activities and functions that have to be undertaken from the farm level to the consumer’s table. The activities / functions occur in a sequence and are carried out by different players, including farmers, input and output traders, processors, transporters and retailers. Before choosing an agricultural enterprise, FBOs have to carry out a value chain analysis (VCA), which, in a narrow sense, focuses on the primary activities in the chain, including production, transportation, processing, marketing, information exchange, just to mention a few. In a broad sense, VCA encompasses the ‘rules of the game’ (i.e. the
governance of the chain), as well as support services, such as quality control and certification (Da Silva and de Souzo Filho-2007). Below is a generic value chain (could be rice, maize, dairy, etc). The cost along the chain will vary depending on the commodity under review.

To bring a value-chain perspective to smallholder agriculture and to the FBOs, a major capacity building effort is needed to broaden and upgrade the skill sets of extension specialists and frontline agents. Both informal and formal training will be needed.

**Ensuring Maximum benefits for FBOs from commodity Value Chains**

- **Production**
  - Expanded land use
  - Crop diversification
  - Efficient use of inputs
  - Reduce drudgery, especially on women
  - e.g., $30/100kg

- **Post-Harvest**
  - Minimize harvest and other field losses
  - Timely harvest of crops
  - Reduce drudgery for women & children
  - Minimize storage losses from insect and pest infestation
  - Maintain quality
  - Provide option for market

- **Cleaning & Storage**
  - Whole grains
  - High milling recovery
  - Options for by-product utilization

- **Processing**
  - Whole grains

- **Market**
  - Collective marketing (bulking, warehousing, transportation)
  - Packaging and product presentation
  - Market outlets

- **Rice Postharvest Systems**

**ii) Improving production and productivity of agriculture enterprises**

FBOs have to have to master the best recommended farming practices, awareness about new varieties and their performance to enable farmers to test, discuss, evaluate and validate the advantages and disadvantages of new technologies under local farming conditions and learning by doing. SAA / SG2000 uses the farmer learning platform (FLP) approach; an approach developed and used successfully by Sasakawa Africa Association (SAA) in many countries. An FLP is based on three main pillars: training, demonstration and monitoring. The implementers of FLPS are the Extension Agents (EAs), who are trained by SAA staff for this task, after taking them through 3 training sessions during the growth period – pre-season, mid-season and end-season training. The EAs then train and re-train farmers on a continuous basis, which could be 3 to 8 times during the season. To intensify the impact of training and stimulate interest and credibility, two types of demonstrations are implemented on farmers’ farms:
technology option plots (TOPs) and women assisted demonstrations (WADs), which specifically reaches out for marginalized smallholder farmers in their communities. Both types of demonstrations are taken care of by a farmers’ group of 5 to 20 members. Monitoring visits from SAA staff are conducted regularly.

iii) Ensuring quality produce for food and the market
Poor post harvest handling practices are still a challenge to bringing quality produce to the market that can fetch farmers premium prices. Good post harvest practices and technologies include economically viable value-adding postharvest and agro-processing technologies of clearly defined crop value chains with the aim of improving food security, nutrition and incomes of smallholder farmers. FBOs need to have information on technologies that improve quality and quantity of produce to the required market standards at the same time reducing postharvest losses. Such practices and technologies allow timely harvest of crops, minimize harvest, field and storage losses, and reduce drudgery, especially for women and children. Such practices and technologies include timely harvesting when produce has reached maturity, use of tarpaulins to place produce when harvesting and drying to avoid contamination, manual and motorized grain and nut shellers, grain cleaners, harvester/reaper among others.

After harvesting the grain requires proper cleaning and good storage, thus, use of technologies that minimize storage losses from insect and pest infestation and maintain quality so that opportunities for remunerative markets are expanded. SAA program has successfully introduced and trained FBOs in the use of the following technologies: hermetic storage technologies, such as, improved silos, triple/pics bags, proper packaging and placing bags on pallets, while ensuring the right moisture content is observed as well as identify promising value-addition agro-processing enterprises. Postharvest learning platforms (PHLP) with an enterprise context, should be encouraged where FBOs have hands on training through demonstrations on the use, care and maintenance of technologies; demonstrations should involve farmers, store keepers/managers and even traders. Better still, Local equipment manufacturing capacity and quality control should be promoted; likewise, some farmers within FBOs should be trained and skilled to become local entrepreneurs to provide post harvest services such as shelling, threshing, cleaning to the farmers.

iv) Value addition to maximize benefits from existing markets of agriculture commodities
Currently the majority of the smallholder farmers in Africa do not get full returns from production, because value addition is not included in the package of extension and advisory services by extension workers to the farmers. This is partly because extension services tend to focus on improving productivity and production as these are considered to be the priorities during their training, leaving out postharvest handling and marketing.

Value addition involves product transformation of form or shape, for example, milling maize gain (primary form) into maize flour (secondary form), a product which is more profitable than when unprocessed; for example, cereal drying, grading, milling and packaging leads to better markets and higher profits. For FBOs to maximize profits, buying inputs in bulk, bulking their produce, transportation and marketing utilizes economies of scale and reduces transaction
costs. Extension workers, therefore, have to be knowledgeable about these issues. They need to organize farmers into FBOs, create awareness about value addition and bulk buying and marketing. Most importantly, FBOs production should be demand driven, i.e., markets should be identified before production to ensure sustainable enterprises for farmers.

Governments alone cannot deliver agriculture transformation, the need therefore, for public-private partnerships for extension provision and market integration cannot be overemphasized. Partnerships harness both human and financial resources for sustainable agricultural development, for example, SG2000 Ethiopia, Mali, Nigeria and Uganda work with various partners and stakeholders that support agriculture at various levels of the value chain. The partnerships’ aim is to establish viable market linkages for the smallholder farmers through the farmer based organizations (FBOs), a network of private input dealers, and developing workable business models that allow sustainable agricultural enterprises. There is need to strengthen alternative providers of Extension Advisory Services such as NGOs / Farmer Organizations, Agro-input/seed suppliers/dealers and private advisory service providers.

Through training, capacity of extension workers should be build to link organized smallholder farmers to market-oriented agriculture; Integrate private agri-businesses, NGOs, FBOs, and universities into smallholder extension provision. Strengthen research-extension-farmer-input supplier institutional relationships and pipelines; and supporting national extension forums for knowledge sharing and policy advocacy is also necessary. Thus the need to strengthen research-extension-farmer-input linkage systems (REFILS) as indicated in figure below:

The different categories have different roles namely: Research for technology generation on station and on farm technology validation, varietal release and product registration; Extension for technology demonstration, training, adaptation and feed back to research; Farmers for technology selection, adaptation and farmer-farmer information diffusion and Agro-enterprises for Input supply, extension advisory services and facilitating farmers access to markets.

Market information is critical and should be availed to the farmers. Service providers need to periodically provide such information on commodities on demand and their prices and the required quality. This can be done through the extension workers and also using new technology applications using mobile telephone sets.

v) Mechanization

Smallholder agriculture needs mechanization; to reduce drudgery, improve speed and efficiency, and increase the quality of harvested crops. African governments have attempted to provide mechanized services through public service providers and through the provision of
machinery to farmer-based organizations as concessionary loans or even outright grants. These programs have invariably failed, with the machinery being ruined in one-third or less of its expected useful life. Inappropriate equipment, poor maintenance, over use and preference given to politically connected farmers are some of the reasons for these failures. Yet the need is still there. Farmers need laborsaving technology, including access to farm machinery.

vi) Monitoring, evaluation, learning

A robust monitoring, evaluation, learning and sharing system needs to be established at the different levels. This is important as it is necessary to

- Establish effective ME&L systems to assess interventions, outputs and outcomes;
- Establish an evaluation and learning culture among extension workers and farmer groups to pressure-test core beliefs, strategies, activities and technologies.
- Conduct ex ante rapid appraisal activities to evaluate promising technologies and best practices.
- Contribute to operational research literature on efficacy of extension as a smallholder development activity.

The other two workable models to elaborate upon are the Inclusive Business Model Approach and the Empowerment of small and medium agro-enterprises (SMAEs)

4.2.2 The Inclusive Business Model Approach (IBM) for strengthening produce-buyer FBOs linkages

In addition to the obvious benefits of collective bargaining power, bulking and economies of scale, smallholder organization is also a fundamental requirement for participating in a coordinated and efficient value chain. Better coordination between farmer groups and buyers can translate into added value, lower transaction costs, and increased competitiveness. The ways in which farmer organizations can be organized into groups can be described as “driver models” which are producer-driven, buyer driven, or intermediary driven3. Producer-driven models are motivated and owned by small-scale producers based on collective action for increased participation in markets. Buyer-driven models involve larger businesses organizing farmers into suppliers, which can also include the provision of inputs and technical advice based on the buyers’ needs, also known as contract farming. Lastly intermediary models which are commonly led by local NGOs involve the provision of technical assistance and support to identify and improve smallholder market linkages. Regardless of the type of driver model used, some type of organization is crucial if small farmers are expected to be active players in a value chain.

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3 This concept was developed in the paper Vorley, B., Lundy, M, MacGregor M., Baker, D., 2008, Business Models for Small Farmers and SME’s, FAO.
The business model approach supports FBOs and other informal groups to mainstream business thinking among their organizations and move away from operations that are dependent on government or donor contributions. The approach supports farmer groups define how they do business with their customers based on a better understanding of buyers’ requirements and prioritize activities that contribute to more effective business relationships between smallholder supplier groups and small, medium or large agribusinesses. The approach supports FBOs improve the aspects of their business related to (i) value addition with the improved management of business and logistical processes, (ii) better business to business coordination between farmer groups and immediate buyers and, (iii) improved market access for both the players involved and the entire chain.

A number of good practices have been identified to enhance the linkages between farmer organizations and buyers and strengthen the inclusive business model. They include the following:

**Good Practices in strengthening producer-buyer linkages**

- Commodity specific agribusiness training for farmer organizations
- Producer-buyer business meetings
- Appraisals on potential linkages to local financial products and services
- Integrated quality control and logistical systems: buying platforms; collection points etc.
- Formalization and monitoring of contracts
- SMAE buyer appraisals to understand procurement requirements and market needs

### 4.2.3 Promotion of SMAE performance and competitiveness

In addition to strengthening the role of FBOs in value chains, an increasingly important aspect of inclusive agribusiness development focuses on support to small and medium agro-
enterprises (SMAEs) given their importance not only in linking farmers to markets, but generating off-farm employment in rural areas. The role of SMAEs in rural development is often not given due credit and recognition. In addition to being overlooked by development agencies that focus primarily on more disadvantaged groups, the regulation of SMAEs also tends to receive little attention from government as they fall between the policy mandates of the ministries of trade and agriculture. While SMAEs play a critical role in driving modernization of the agriculture sector, they face a number of constraints which need to be addressed before their full developmental potential can be realized. Public-private partnerships targeted to enhancing the competitiveness of small and medium agro-enterprises could reinforce the capacity of small enterprises to supply high quality products to domestic and regional markets, whilst reducing risks and costs to the global and local companies that buy their products. The list below summarizes the lessons from several agribusiness roundtables organized to better understand the challenges facing SMAEs.

**Lessons to keep in mind:**

i. SMAEs generally start as family-owned businesses, using personal savings and loans, based on a vision and need to generate income and wealth for the family and relatives. Capitalization and access to finance is however always an issue with few commercial banking options to choose from and unreasonable high interest rates and loan criteria.

ii. There are large seasonal variations in employment and pressure from extended family and friends for jobs, which is a daily stress for owners and managers.

iii. The overregulation and bureaucracy that SMAEs face discourage them from formalizing their businesses.

iv. The inadequacy, unreliability and cost of utilities infrastructure (power and water) is a major source of unforeseen costs and affects long-term competitiveness.

v. Smallholder inability to produce, plan and market collectively is a serious procurement impediment for small firms wanting to do business with small farmers, which has meant that some firms have invested in small farmer organization schemes and on-farm technical assistance to improve supplies.

vi. SMAEs often face competition from cheap imports and require support in developing local brand differentiation to build up a reliable and loyal customer base.

vii. Business is also highly dependent on a minimum quality standard product. Small companies do not have the capacity to ensure the safety and quality of their products and cannot afford the certification fees charged to large firms. With assistance however, locally customized quality management schemes can be put in place.

viii. Operations and transport can be a company’s highest cost factor. With support to logistics systems, a small company can address many inefficiencies and reduce waste, transforming this aspect of business into a competitive advantage relative to other local firms.

**4.2.4 Other necessary Actions to be considered**

i) **Promoting Demand-Driven Agricultural Extension.** Agricultural extension programs based on the needs and demands of FBOs and smallholder entrepreneurs, some of whom are emerging commercially oriented farmers, should be strengthened through a wider variety of institutional intervention
ii) **Develop Leaders:** Poor leadership within FOs and CSOs is a serious problem. Organizations work the way they do because of the way people work in these organizations, and often enough the way they work is a reflection of their leadership (Heaver 1982). People expect leaders to show personal commitment to the organization's vision and provide conceptual clarification as to the direction of the organization - where are we going and why! To be truly effective, leadership involves all leaders - not only executive leaders, but also networkers (frontline workers, in-house consultants, trainers, and professional staff who spread ideas throughout and outside the organization) and local line leaders (branch managers, project team leaders, and other frontline performers). All have an essential role in bringing about development.

iii) **Promote capacity building of all advice providers and users.** Re-envisioning extension necessarily entails capacity building, in management negotiations and the establishment of national and district work plans and budgets in line with a new, pluralistic extension strategy, as well as with producers and communities. Pluralistic communication systems will be needed to operate in this larger arena. Both the food security network and the extension communication arena will be challenged to decentralize activities in favor of knowledge and information exchange and development.

iv) **Capacity building at all levels:** Capacity building and institutional strengthening widen the pool of qualified service providers and ensure strong links with and modernization of the various components of the formal and non-formal agricultural education system, thus, although costly at first, capacity building at all levels is critical.

v) **Establish and Maintain Links between Policy Makers, Support Services, FBOs and Markets.** Often the most binding constraint for smallholder producers is a lack of marketing information and inability to meet quality standards that stifle agricultural production. Producers need to know where the markets are, where their competition is, what preferences and standards have to be met, how to technically meet these standards and how to minimize price and marketing risk. If these hurdles were overcome, financial intermediaries will not be so reluctant to lend to the smallholder agriculture sector. (See Figure 1)

The critical links

![Diagram](image)
Because large-scale farmers are already adequately served by the private sector, agricultural economists claim that governments and other development workers should best concentrate agricultural development efforts on the mass of smallholder farmers, especially those organized into FBOs rather than seek to serve a bimodal structure of small and large farms. Some maintain that concentration on smallholder farmers leads to faster growth rates of both aggregate economic output and employment (Johnson and Kilby, 1975; Eicher and Staatz 1984).

High priority is the creation of producer-led, demand-driven extension services that promote producer FBOs at the local, community and village level and generally lead to greater self-help, community-driven programmes.

vi) Promote linkages between institutional and ICT as well as personal networks. Linkages may be institution based, community based or simply directed toward individual awareness.

Linkages, and the structure and management of linkages, between institutions significantly affect their relative success or failure. This is especially true for the "agricultural knowledge triangle" of research, education and extension. Today's technologies allow for linkages via ICTs such as the Internet. International linkages to research and appropriate agricultural technologies are available through systems such as the FAO's TECA. [http://www.fao.org/sd/teca/](http://www.fao.org/sd/teca/)

5. CONCLUSION

Agricultural extension workers/service providers are key in causing change in agriculture; however they need to be knowledgeable about new trends, challenging and opportunities for farmers that they have to serve; they have to be aware of the market demand, as well as farmers’ demands. There is need to understand the experience of different countries/organizations and different extension models (e.g the farmer learning approach and business models promoted by e.g., FAO, Sasakawa Africa Association and other organizations) to develop and implement more effective models for developing counties – Africa in particular. The extension workers, meanwhile, should be trained on the new concepts, especially on the concept of agricultural commodities value chains in order for them to trail, skill and capacitate FBOs in their endeavor to achieve agricultural transformation.

Strengthening of Farmer Based Organizations (FBOs) Implementation guidelines

Strengthening of farmer based organizations (FBOs) is intrinsically part of everyday extension work. Whether one is promoting market gardening, dairying, or crops, FBO strengthening is essential for farmers to fully exploit market opportunities through economies of scale. FBOs are not developed in a vacuum – they are developed within the commodity value chains which they are engaged in. This means FBOs’ strengthening needs will be commodity value chain-specific. Therefore, the FBO strengthening component will be done within the context of the commodities promoted by the countries in question.
**Implementation procedure**

In the countries in which FBO programs will start, undertake studies to

- Establishing political, social, economic and policy issues and conditions that impact on the development and sustainability of farmer organizations; and
- Establishing the type and level of organizations of existing farmer institutions and their organizational structures.

- To understand the success and failure factors behind existing farmer’ organizations;
- To identify appropriate organizational and management structures for FBOs in given market environment;
- To identify options and propose viable intervention for AfDB to support the development of viable, strong and sustainable FBOs / CSOs in Africa; and
- To establish holistic capacity needs of the farmers’ organizations.
- Establish credit needs of FBOs based on their priority product value chains
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