

# Commodity associations: a tool for supply chain development?

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by

**Andrew W. Shepherd**

Rural Infrastructure and Agro-Industries Division

**Jean-Joseph Cadilhon**

Regional Office for Asia and the Pacific

and

**Eva Gálvez**

Rural Infrastructure and Agro-Industries Division

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# Contents

<b>PREFACE</b>	<b>v</b>
<b>ACKNOWLEDGEMENTS</b>	<b>vii</b>
<b>1. INTRODUCTION</b>	<b>1</b>
<b>2. REVIEW OF LITERATURE AND EXPERIENCES TO DATE</b>	<b>3</b>
<b>3. REVIEW OF CASE STUDIES</b>	<b>13</b>
<b>4. DISCUSSION</b>	<b>23</b>
<b>5. CONCLUSIONS AND RECOMMENDATIONS</b>	<b>29</b>
<b>REFERENCES</b>	<b>33</b>
<b>ANNEX</b>	<b>37</b>
<b>SUMMARY OF INDIVIDUAL CASE STUDIES AND OTHER ASSOCIATIONS</b>	

## Preface

Commodity associations are organizations that bring together a wide spectrum of interest groups related to a particular commodity or sector (such as horticulture) in a particular country, whether the commodity is for export, for the domestic market or for both. Such associations can draw membership from individual farmers or their associations, from crop buyers, processors, distributors and exporters, as well as from suppliers of support services. Sometimes government agencies are also members.

Drawing on a literature review and case studies of relevant associations in Africa, Asia and Latin America, the paper explores the role of commodity associations in improving supply chain performance. Particular attention is paid to “inter-professional” associations, a concept first developed in France. These draw their membership from associations representing each activity, or “profession”, of the chain. Associations can play an important role as a focal point for policy dialogue with government but they also have many other functions, including arbitration and regulation, setting or advising on grades and standards, promotion of trademarks or quality signs, support to research, export and domestic market promotion, and provision of information and statistics. The paper also touches on the concept of “value chain roundtables”, which may be considered a first step towards full chain association development.

The paper should be of interest to associations representing individual stages of a commodity chain (e.g. exporters’, processors’ or farmers’ associations) that see merit in promoting associations with wider chain representation. Policy-makers interested in creating an appropriate enabling environment for such associations to flourish should also find the paper to be of value, as should chambers of commerce. There have been significant donor efforts to promote commodity associations recently, although some have encountered problems. Thus donor organizations may also find the paper to be of use.

## Acknowledgements

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Errors and omissions and all interpretations do, of course, remain the responsibility of the authors.

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<sup>1</sup> <http://www.inter-reseaux.org>

<sup>2</sup> <http://www.regoverningmarkets.org>

<sup>3</sup> Agricultural and Food Marketing Association of Asia and the Pacific, [www.afmaasia.org](http://www.afmaasia.org)

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# 1 Introduction

Associations in agricultural commodity supply chains are to be found throughout the world. Farmers, traders, processors, importers, exporters, and sometimes input distributors, storage companies, and transporters are represented by associations or similar organizations. These can play an important role in promoting the particular interests of their members and may conduct a broad range of other activities, such as product promotion, quality development, training, and information provision.

Some associations bring together a broad spectrum of interest groups related to a particular commodity in a particular country, whether for export, for the domestic market or for both. Because they draw membership from the entire chain these associations tend to have much greater strength when advocating policy or regulatory changes. This type of broader association may be established by government, by the chain participants totally independent of government, or by the chain participants with subsequent legitimacy being provided through national legislation. Chain or commodity association membership may be decided by government or may be open to all who wish to join, as in the United States of America. Alternatively, membership may be limited to associations where membership is primarily drawn from other associations that represent the different activities, or professions, that are found in the chain. This “inter-professional” approach distinguishes them from chain associations that permit individual membership. In some cases a “hybrid” model, where chain associations have both associations and individuals or companies as members, has developed.

Associations that represent the entire chain are not widespread in most regions of the world although interest in the potential role of such associations is growing rapidly. Nevertheless, at present many countries have no such associations and in others only one or two commodity chains may be represented in this way. Yet the concept would appear a potentially valuable one in that such associations can provide a focal point for policy discussions with government, for communication between chain participants and for activities to develop the industry. The purpose of this paper is therefore to highlight the potential offered by such associations. At the same time, commodity associations cannot be blindly promoted without an awareness of the difficulties that may be faced. Thus the paper also seeks to identify these difficulties and advise on how they may best be overcome.

This paper draws on the existing literature and on case studies conducted by or for FAO on associations in Nepal (poultry industry); Mali and South Africa (livestock and meat industry); Viet Nam and Zimbabwe (horticultural industry); Ghana (rice industry); the Philippines (coconut industry) and Sri Lanka (spices)<sup>4</sup>. Existing associations appear to play an important advocacy role, either by making policy proposals to their governments or by commenting on government proposals. In many countries there appear to be inadequate consultation mechanisms at the time of policy formulation and the possibility that chain associations could fill this void was a major motivation for the research reported on here. Other activities carried out by associations include provision of assistance to governments on trade negotiations; provision of marketing and other

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<sup>4</sup> Studies were carried out by Rajendra Singh (Nepal); Tobias Takavarasha, Chiedza Muchopa and Basilio Sandamu (Zimbabwe); Phan Thi Giac Tam, Le Thanh Hoan and Nguyen Thi Bich Phuong (Viet Nam); Dioumé Koné (Mali), Andrew Shepherd (Ghana, Republic of South Africa and the Philippines) and Christopher Fernando and Jean-Joseph Cadilhon, Sri Lanka.

information; promotion of the commodity on both domestic and overseas markets; implementation of training programmes; and promotion of improved quality. Some associations reviewed here play an arbitration role; one of the associations studied is involved in price setting; and two are involved in the marketing of equipment for quality-control purposes.

There can be little doubt that many associations do play an important role, and their existence seems to be generally appreciated by their governments. At the same time, almost all experience financial difficulties. While none appears in danger of closing down because of financial constraints several report that the activities they can carry out are limited by lack of funds. Some are funded by government-approved levies on sales or exports and others have requested such levies. In almost all cases membership fees appear inadequate for the association to carry out all the activities it would like.

Following a literature review, this paper discusses the major functions of existing associations, drawing primarily on the case studies conducted for FAO. Concluding sections examine the lessons learned from the experiences to date with such associations, compare the inter-professional approach with alternative types of commodity association and consider the feasibility of further promotion of commodity associations in developing countries.



## 2 Review of literature and experiences to date

### Commodity associations: a rare subject for research

With the exception of studies of inter-professional associations in France or Francophone Africa, there seem to be relatively few studies that specifically analyse chain associations. However, other writings do note the importance of such associations and their potential roles. In a general review of farmer, commodity and chain associations, Lamb (2004) argues that associations represent an increasingly important form of participatory development in developing countries. He highlights a number of factors influencing the importance of associations to agribusiness development, including how representative the association actually is; how broadly or narrowly the association defines its mandate; the level of resources it has at its disposal; the wisdom of the board of directors and quality of senior management; and the level of support and effort the members themselves give to the association. Lamb considers that the principle functions of an association are to clarify, represent, defend and further the interests of its members.

Williamson (1996) shows how the institutional environment of the commodity market, including the existence of associations, impacts on the choice of governance structure in the marketing chain. Raynaud *et al.* (2005) note that supply arrangements are based predominantly on formal contracts when quality of a product is guaranteed by a private trademark. On the other hand, when a quality label is guaranteed by the state and when relevant commodity chain associations exist looser market mechanisms are preferred. Therefore, the existence of commodity chain associations may relax the contractual arrangements between suppliers and buyers in a given industry. More anecdotal evidence of this relationship comes from studies by Vergniaud and Montigaud (1993), Young and Hobbs (2002) and Coronel and Liagre (2006).

Agriculture has traditionally been classified as a primary production industry. However, Nefussi and Aznar (2007) view agriculture as the latest service industry. In this context they allocate two specific roles to a commodity association:

1. The elaboration of a common language between industry stakeholders, which will facilitate definitions for the new products. This helps harmonize names and characteristics at industry-wide level, thus making marketing easier.
2. The guarantee of the definitions and product characteristics it has defined. It can play the role of mediator and judge when buyer and seller within an industry do not agree on the definition of the product they are transacting. It is therefore very important that decisions taken within the association are as unanimous as possible; unanimity ensures that future contestation of an industry-wide standard can be more easily resolved.

Recent work by Regoverning Markets (2008) has concluded that public policies and strategies of rural development, farming, food, public health, trade and environment are often inconsistent or incomplete. They argue that new arrangements are required to facilitate dialogue between farmers, business and government. They see commodity associations or value chain task forces as an important way of formalizing this dialogue.

The objectives of existing commodity associations may have changed over time in order to adapt to changing socio-economic and political environments. Langreo (2002) points out that most inter-professional associations in Europe were created to promote specific crops, solve problems arising between farmers and agro-industries, plan production and regulate marketing (including fixing minimum prices). A few years down the road, they took on new goals, such as promoting consumption, assisting the government in trade negotiations, fostering market transparency and promoting price discovery. In recent years other issues have emerged, namely food safety, traceability and environmental protection. Examples of the last include initiatives carried out by the Spanish olive oil association to foster greener management practices of olive oil mill residues, or many initiatives for promoting the use of environment-friendly food packaging (IICA & AECI, 2000). The following table synthesizes the main objectives pursued by European inter-professional associations and changes that have taken place over time:

**Table 1. Main objectives pursued by inter-professional associations**

Concept	Importance over time
Market regulation	Decreased
Contractual relation	Decreased
Information provision	Increased
Quality assurance	Increased
Export promotion	Increased
Consumption promotion	Increased
Research and development	Increased
Environmental management	Increased
Food traceability	Increased
Food security	Increased

Source: Langreo, 2002

Langreo (2002) highlights the contribution of inter-professional bodies to trade promotion. She cites the example of the *productshappen* in the Netherlands<sup>5</sup> and the case of SOPEXA, a French mixed-capital entity, held jointly by the government and several inter-professional organizations from the food and wine sectors, which has as its main objective the promotion of food products in the international market.

Commodity associations are far more widespread in Latin America than in other developing regions. Evidence gathered by Giuliani *et al.* (2005) on governance of agricultural value chains and clusters in Latin America (sugar, tobacco, wine, fruit and milk) suggests the existence of very high levels of joint action, mostly promoted by collective or inter-professional associations engaging in trade promotion, basic research and extension, technology transfer and provision of other services to small farmers, among others.<sup>6</sup> Examples of such associations are found in Chile: SalmonChile and Chilealimentos (fruits and vegetables); Brazil: Valexport (fruits); Argentina (wine); and the Peruvian Institute for Asparagus and other vegetables (IPEH). (Giuliani *et al.*, 2005; Gálvez *et al.*, 2009).

Commodity associations or related bodies have taken several forms, adapting to different geographical and socio-economic settings. In many cases, the structure and features of the

<sup>5</sup> The *productshappen* are vertical coordination organizations that act as inter-professional associations and play an important role in the implementation of the Common Agricultural Policy of the European Union.

<sup>6</sup> Natural resource-based chains/clusters perform much better with regard to collective action than other sectors such as traditional manufacturing and complex product chains.

associations can be explained by the historical problem that was to be resolved at the time of their creation. Different models are discussed below.

## The French model of “inter-professional” associations

The inter-professional approach has its roots in France, and has spread most rapidly in Francophone areas of the world. Coronel and Liagre (2006) consider that the approach had its origins in the period after the Second World War, when France was keen to achieve food self-sufficiency. The concept was subsequently reinforced by the introduction of the commodity-specific subsidies of the European Community’s Common Agriculture Policy, by the greater integration of French agricultural markets with those of the rest of the world, by food safety problems and by overproduction of crops and the need to address the implications of this for rural areas. The establishment of some associations was also linked to the development of Controlled Denomination of Origin for wines and dairy products, with the associations serving as Regulatory Councils in charge of protecting the origin label, controlling the production, processing and marketing of these products, and ensuring that strict quality requirements were met. (IICA & AEIC, 2000). More recently, something similar has happened with the development and implementation of quality seals, such as the French *label rouge* for poultry and meat products. (IICA & AEIC, 2000)

In the French language the concept of “profession” has a broader meaning than that in English, where it is defined as “a paid occupation, especially one involving training and a formal qualification”.<sup>7</sup> The French equivalent of profession is *métier*, whereas *profession* in French is defined as a manual or intellectual activity earning a salary or other form of income. Thus a direct translation of the French term *interprofessions* into inter-professional associations may not be strictly accurate. Nevertheless, the term is retained here to refer to associations that bring together other associations representing participants in all or most stages of a commodity chain.

Coronel and Liagre (2006) define inter-professional associations as private organizations, recognized by the State, that group together participants from all stages of the same commodity chain (*filière*), with the objectives of elaborating policies, guaranteeing equity among the members, facilitating the improvement of the performance of the chain and defending the interests of the members. There are around sixty such associations in France. While Coronel and Liagre view the approach as being valuable for other countries to replicate, they caution that the simple transfer of the “French model” to developing countries should be treated with caution. Such associations cannot function without, among other factors, well-organized farmer associations and other representative bodies that are able to elaborate a strategic vision.

The structure of inter-professional associations in France varies according to the nature of the industry or commodity chain. For example, the association representing the dairy chain groups together three federations. These all have a regional structure and represent 130 dairy enterprises; 140 milk cooperatives; and 117 000 farmers, respectively. The sugar association brings together the union of sugar processors and the federation of sugar farmers which, in turn, is organized on a regional basis and includes representation from cane sugar producers in overseas territories. Unlike other inter-professional associations in France, the sugar association invites a Government observer and the association’s administrative council is formally nominated by the Minister of Agriculture, on recommendation of the two federations. The fresh fruits and

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<sup>7</sup> Concise Oxford English Dictionary.

vegetables inter-professional association consists of two “colleges”<sup>8</sup> representing four fruit and vegetable producers’ associations and four associations of wholesalers, exporters and retailers. The meat and livestock association is composed of 13 national professional organizations representing professions such as farmers, traders, abattoir operators, meat processors and distributors (Coronel and Liagre 2006). In this, it is rather similar to SAMIC in the Republic of South Africa, which will be discussed later.

In the case of the inter-professional organization of the French processed tomato industry, members are associations representing agricultural producers, canning cooperatives and private canning companies. Vergniaud and Montigaud (1993) note that this association helps fund public-sector research as well as its own research and development to improve production and canning technology and disseminates this innovation for the benefit of all the members of the association, research that may not have been stimulated without the association.

As IICA & AECI (2000) point out, there are some links of the agricultural chain that are not generally represented in these associations in France and other European countries, namely: input providers (e.g. seed and feed suppliers), trade unions and consumers’ associations. It will be noted below, however, that some other associations around the world do embrace a wide range of interest groups.

Both Zoma (2006) and Coronel and Liagre (2006) believe that inter-professional associations should follow three guiding principles.

1. They should draw their membership from organizations that represent chain participants and not from the participants themselves. These organizations must be fully representative of the stage(s) in the chain that they represent. Without this, the inter-professional association loses its legitimacy.
2. There must be parity between the “professions” or activities represented. All must be treated equally and have the same votes.
3. There must be unanimity. While there will inevitably be disagreements between the various members, it is an accepted principle that inter-professional associations speak for and act on behalf of all members. For this to be the case, unanimous decisions must be reached and thus each member of the administrative council or governing board must have the power of veto.

A further principle, elaborated by Zoma (2006), is that of subsidiarity. An inter-professional association does not exist to take over the functions of its individual association members. It only acts on areas of concern felt by more than one stage of the commodity chain.

Under the French system and in many examples from Francophone Africa, the principle of parity is achieved through the use of colleges. Associations from the commodity chain do not join an inter-professional association individually, but are represented through a college. There is a college of producers, one of traders, one of processors, etc., as applicable to the chain. Each college carries, in theory at least, the same weight in the inter-professional association. This avoids the problem of one profession or sector with many associations dominating another with just one or two. It is the responsibility of each profession to come to an agreement within its college on the position to be voiced by the college before each meeting of the inter-professional association. However, the lack of organizational capacity within the colleges has been identified

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<sup>8</sup> A college is an organized group of professional people with particular aims, duties and privileges. Concise Oxford English Dictionary.

as a weakness in the representation of all interest groups within a given profession. Furthermore, different types of producers (small or big) or different types of traders can be in complete opposition to one another, thus making it difficult to agree on one single message to be voiced by a college at inter-professional meetings.

Coronel and Liagre (2006) and Zoma (2006) also identify what they see as essential characteristics of inter-professional associations, as follows:

1. They should be a grouping only of private associations and should have been set up voluntarily by those working in the chain. Membership should also be voluntary.
2. Such associations should represent different stages or activities of a commodity chain and these organizations should be clearly representative of a large majority of those carrying out that work.
3. There need to be several clearly identifiable stages within the chain and these should be carried out by independent individuals or companies.<sup>9</sup>
4. Inter-professional associations should have a clear legal status, be able to collect membership fees and be recognized as arbitrators of disputes within the chain.
5. There should only be one inter-professional organization for each product or product group, in order to avoid possible conflicts.

There are inter-professional associations in the Netherlands and Spain that follow almost exactly the French model. In the Netherlands these associations began in the 1930s, a decade characterized by the adoption of a protectionist policy, which resulted in the post-Second World War period in the creation of legal entities representing producers, agro-industries and buyers. In parallel, in Spain several associations were developed around sugar beet, dairy products, oranges, olive oil and rice. However, these organizations underwent profound changes during the political transition period and with the entry of Spain into the European Union some of them were even closed down. Something similar happened to other inter-professional associations created in Italy, Germany and the United Kingdom. At present, however, these associations are attracting renewed interest. Evidence for this is the emergence of at least 18 new inter-professional bodies in Spain after a new Law on Agrifood Inter-Professional Associations<sup>10</sup> was enacted in 1994. Italy is experiencing similar developments, but to a lesser degree, upon enactment of the Law 88/1988 on Inter-professional Agreements (Langreo, 2002).<sup>11</sup>

The inter-professional concept has gradually been introduced into the French-speaking countries of Africa, either through the initiative of French technical assistance or because of promotion by governments themselves. In part, this can be seen as a response to the decline of marketing boards, as a result of structural adjustment measures (Teyssier, 2008; Vindel, 2005). While inter-professional associations were not designed to take on marketing functions, they were seen as a means of carrying out other vital functions that were lost with the collapse of the Boards. A similar response was seen in South Africa with the development of several industry councils after deregulation, including SAMIC, discussed below. There are several associations in Burkina Faso. In Senegal there are associations covering peanuts, horticulture, processing tomatoes, milk and fish. In most cases inter-professional associations cover one commodity (e.g. cotton) or one commodity grouping (e.g. fruits and vegetables; livestock and associated products).

<sup>9</sup> The inter-professional concept is difficult to apply to highly integrated chains where a few companies control the market. Examples of integrated chains where the inter-professional concept may not be so relevant could include those fairly perishable commodities where the harvest is delivered directly to a large processing facility, often through a contract farming arrangement. Tea, sugar and oil palm are examples.

<sup>10</sup> Law 38/1994 of 30 November (Ley de Organizaciones Interprofesionales Alimentarias), modified by the Law 13/1996 of 30 December.

<sup>11</sup> Law 16-081998 (88) on Inter-professional agreements and contract farming (Legge 16-03-1988, n. 88 Norme sugli accordi interprofessionali e sui contratti di coltivazione e vendita dei prodotti agricoli).

An exception to this general rule comes from Cameroon where the *Conseil interprofessionnel des filières cacao et café au Cameroun* (CICC) covers the, albeit closely related, sectors of cocoa and coffee. Membership consists of (1) producer organizations or cooperatives that have at least 100 members producing at least 250 tonnes of coffee or cocoa in total; (2) associations representing traders and primary processors; (3) organizations representing exporters and (4) organizations of industrial processors. Producers have 24 delegates to the General Assembly, traders six, exporters 24 and processors six. A rival association, the *Fédération interprofessionnelle du cacao et des cafés* (Ficca), was established in 2001 (Inter-réseaux, 2004).

The legal status of inter-professional associations remains unresolved in many countries. A law approved in June 2004 in Senegal outlines the country's vision for modernizing the agriculture sector and, at the same time, introduces legally the inter-professional model, defining the general objectives of inter-professional bodies. Decrees are used to adapt the legislative framework to the diverse realities of inter-professional organizations, and to avoid enforcing a standard model (Pesche, 2005; Robast, 2006). In Senegal, inter-professional boards have been created for peanuts, tomatoes, small-scale fishing, cereals, milk and local rice. These sometimes have an extremely wide range of member associations. For example, the *Comité national interprofessionnel de la filière du riz local* (CIRIZ) – the inter-professional body that focuses on local rice – includes representatives of producers, manufacturers, financial institutions, input suppliers, traders, consumers, agricultural service providers, public institutions and development agencies. On the other hand, some associations draw representation from just two or three stages. These include associations for bananas, fish, tomatoes and dairy. The milk sector is supported by inter-professional associations at the local and national levels. They set the framework for concerted government-led efforts and coordinated inter-departmental activities (Broutin, 2005).

Drawing from experience of inter-professional associations in Burkina Faso, Zoma (2006) argues that one weakness faced by those following the French approach is that the law relating to associations in general has not yet been adapted to the specific needs of inter-professional associations. In particular, he notes that the *filiale* or marketing chain is inadequately defined and rights to association membership often make no distinction between those who are directly and solely involved in the supply chain, such as producers, processors and traders, and those who are indirectly involved through the provision of services such as input supply, transportation and banking, or those for whom the particular commodity chain represents just a small part of their income, such as general retailers. While there can be arguments for inter-professional associations being private-sector based and not including government representatives, this does not seem to be a widespread practice. Duteurtre (2007) notes that in Senegal most associations seem to be of a “hybrid” form, with the state or development projects often involved in the emergence and functioning of associations.

Several inter-professional associations in West Africa have experienced problems. These seem to stem primarily from the weakness of the member organizations and from the inability of associations to generate sufficient funds (Zoma, 2006), the latter problem also being noted with some of the associations studied by FAO. In Benin, a cotton inter-professional association, developed by the Government in 1999, took on marketing coordination functions in order to address difficulties faced since the liberalization of the cotton sector. The inter-professional cotton association (AIC) works with cooperatives and input suppliers to organize the supply of fertilizer and pesticides and assure credit repayment. AIC also works with the Government and cotton ginneries to set prices and assign quotas to the ginneries. However, the system has not worked well because both members and non-members of the association fail to follow the rules. With overcapacity, ginneries seek supply beyond their quotas and producers bypass their

cooperatives to obtain inputs. Even Government-owned ginning companies have ignored the agreement with AIC and have set up parallel buying networks (Inter-réseaux, 2005).

French technical assistance projects in Madagascar had, among other objectives, plans to establish inter-professional associations covering the small animal and horticulture sectors. Unfortunately, success has been limited. The *Maison du petit élevage* (MPE), an association covering farmers of water fowl, chickens and pigs, as well as fish farmers, was set up in 1995. However, it has progressively become an association of producers, rather than an inter-professional association. This is attributed to the divergent interests of the large and small chain participants; the lack of common interest between the different chains; a lack of well-established organizations within each chain; and to a basic individualistic tradition amongst farmers. There was a similar experience with the horticultural association. While it has succeeded in promoting improved relations between chain participants, it has been unable to get them to adopt a common approach for joint activities (Jardot, 2005).

### **American commodity associations and councils**

In the United States of America, many commodity associations or councils cover the entire chain. Examples include the U.S. Apple Association, the American Soybean Association, and the American Sugar Alliance. They have a variety of structures, but do not follow the inter-professional model in that members usually join on an individual basis, although committee members are frequently nominated by state and other associations. In the case of the National Cotton Council (NCC), for example, each membership segment (producers; ginners; warehouse companies; merchants; cottonseed processors, cooperatives and manufacturers) has an equal voice in developing policy, which is done through a representative body of delegates selected by each segment through state, regional and national interest organizations. When a majority of delegates from each of the seven segments, voting separately, approves a recommendation, it becomes NCC policy. Thus the American model departs from the inter-professional association concept of “unanimity”. Despite this voting procedure, members join individually and not as members of interest organizations (NCC, 2008). Board members of the NCC and other associations established by Act of Congress are appointed by the Secretary of Agriculture, although this is just a formality as the Board members are nominated by the association members

Commodity organizations in the United States of America often implement “Checkoff Programs”. These are research and promotion programmes funded by levies or taxes, usually on producers, on the basis of a fixed assessment per unit of production, which is normally levied at the time of sale. Such funds cannot be used for lobbying and advocacy, and are thus not normally a substitute for membership fees. However, some organizations, including the National Honey Board and the National Pork Board, are entirely funded by the checkoff and limit their activities to promotion and research.

The term “checkoff” (or check-off) originated because such levies were in the past voluntary and producers were asked to check off a box on a form if they wished to contribute. However, national programmes are now mandatory, having been approved by Act of Congress. Seventeen such programmes were in operation in 2007 and others have been authorized but not implemented (Becker, 2007). Programmes are implemented by a variety of association types and access to checkoff funds is not confined to associations that represent the entire value chain. Producer associations are major beneficiaries. There are also numerous state-mandated programmes. Producer levies may be unworkable in developing countries but several associations studied by FAO raise funds through levies on processors or exporters. As the American

experience shows, the approach is not without its problems. Producers have challenged checkoff arrangements in the courts on the grounds that they constitute a “tax” that they would not pay for voluntarily, that the funds have not been used for the purposes intended under the legislation or that more powerful members of the beneficiary associations have come to dominate how the money is spent, which is not necessarily in the best interests of producers (Becker, 2007; Findley, 2007).

Many other associations around the world raise funds through levies, usually with approval of their governments. Teyssier (2008) argues that levies are easier to raise for the export sector, where there is usually a clear point in the chain where this can be done, such as the processing factory or export point. However, associations covering products destined for the domestic market have experienced problems in self-financing because of the difficulty of raising levies.

### **Industry discussion forums**

An alternative approach to commodity chain consultation is found in the *tables-filière* of Québec, Canada. These were developed in the early 1990s as a response to a deficit in Québec’s terms of trade for agrifood products. They are less formal arrangements than associations and bring together actors from different sectors of a commodity chain for *ad hoc* meetings, with the secretariat being provided by the Ministry of Agriculture, Fisheries and Food. Although organization of these roundtable meetings of chain participants is done by the Ministry, Rouleau (1994) notes that it is important that government representatives avoid requests to take on leadership and confine themselves to providing support and coordination.

Each *table-filière* consists of representatives of producers, processors, distributors and government agencies. Poussier (2000) argues that the approach is an ambitious one, bringing together at the same table people who do not always have interests in common, and permitting them to establish business contacts, improve business linkages and identify the advantages of working together. In 2000 there were 25 such associations in Québec, with between 10 and 40 members, and meeting from two to five times a year. More recently, Canada has adopted the idea from Québec and has established eight Value Chain Roundtables (AAFC, 2007). The model has also been introduced to West Africa under Canadian technical assistance (Duteurtre, 2007), most notably in Burkina Faso.

A similar approach has developed in Ecuador. In association with a World Bank project the Ministry of Agriculture facilitated the formation of Consultative Councils for eleven sub-sectors including coffee, banana, potato and dairy. Each Consultative Council is composed of producers, traders, input suppliers, exporters or processors, and key ministry officials. The Councils met originally to review data from an agricultural census. They helped to verify and interpret census information and to promote awareness and use of the data. Subsequently, the Councils continued to meet to discuss and seek solutions to sub-sector problems and to represent sub-sector interests with the government. They have been successful in facilitating dialogue between the government and the various actors in the chain (producers, marketers, processors, exporters, and importers). Use of up-to-date, reliable information has enabled these groups to agree to manage their supply chains in a rational and efficient way. Agreements have been reached on milk prices and imports, maize prices, soybean imports, and various other commodities (World Bank, 2008).

The Ministry of Agriculture in Brazil established similar organizations, mainly in 2003. There are 30 Sectoral and Thematic Chambers of which 25 cover individual sectors and five cover different themes or topics (Vilela and Araujo, 2005). The aim of these chambers is stated as



being to identify opportunities for development of agricultural chains by defining priority actions for Brazilian agribusiness in its relations with domestic and export markets. The Ministry argues that these links between the Government and the private sector result in a transparent and democratic mechanism for policy formulation. Membership of the chambers consists of representatives of producers, employees, consumers, companies, experts, government bodies, parliamentarians and banks. The 25 sector chambers cover most agricultural products in Brazil, including red meat, sugar and alcohol produced from sugar, cotton, fruit, citrus, rice, beans and *cachaça* (Brazilian white rum). Thematic areas covered are agricultural inputs; agricultural competitiveness and sustainability, finance and insurance for agribusiness, international negotiations and agricultural science. In 2005, the Ministry established a coordinating body for these chambers in order to provide it with an adequate structure to examine proposals received from the chambers, as well as to stimulate action by them.

Colombia and Peru have followed a slightly different approach called Competitiveness Agreements, whereby a formal multi-stakeholder agreement or action plan is signed. Competitiveness Agreements are an exercise of consultation between the public and private sectors for the design, adoption and implementation of joint strategies and actions to improve the internal and external competitiveness of productive chains. They have legal personality and stipulate the commitments and obligations of all the concerned actors. Prior to the signature of the agreement many activities, such as value chain diagnosis, consultation roundtables, and strategy and action plan definition, among others, are carried out. After the signature, National Chain Councils are established to implement and monitor the agreement, and to foster the dialogue among chain members, and in particular between the public and private sectors. Competitiveness Agreements have already been signed for the yellow corn and cocoa chains in Peru, and for citrus, cotton, potato, dairy, citrus fruits, tuna, cocoa and its by-products, banana, grains and oilseeds in Colombia.

In Chile, horizontal networks and productive alliances have been established to launch Chilean 'brands' and install Chilean salmon, wine and berries, among other food products, on the international market. These associations have focused on giving rise to quality seal certifications defining product standards, conducting marketing and joint promotion campaigns and addressing sustainability issues (Gálvez, 2009). Such joint actions led by the private sector and supported by public policies paved the way to the further strengthening of the commodity chains. In the late 1990s, Chile put in place a new financing tool to provide research and development funds to multi-stakeholder associations through competitive tenders (Giuliani *et al.*, 2005).

In the United Kingdom, similar "commodity groups" have been encouraged by the government to allow producers' organizations and processors' organizations to meet and negotiate together on issues of interest for the whole industry. These loose groups have been useful forums to harmonize contractual arrangements in some agrifood industries. For example, the National Farmers' Union, the Grain and Feed Trade Association, and the United Kingdom Agricultural Supply Trade Association have been involved in developing "fair" contractual terms (Young and Hobbs, 2002). Indonesia has also made tentative moves in this direction, with the Department of Horticulture putting in place a multi-stakeholder group to support the transformation of the agrifood industry, specifically with regard to fruits and vegetables (Regoverning Markets, 2008).

Finally, there are also examples of where specific value chains have promoted stakeholder consultations, while not necessarily incorporating all those involved with a product in a particular

country. In Mexico, Michoacán state produces 88 percent of the country's avocados. Poor quality and phytosanitary restrictions were affecting the capacity of producers to export. "Vegetable Health Committees", involving participation by producers, the industry and government, were established and were successful in overcoming the problems faced (Medina and Aguirre, 2007).

### **Commodity associations with strong government representation**

An alternative approach, found in some developing countries, involves significant representation by government, even though the association may be nominally independent and largely self-financing. An example is the Coffee Industry Corporation of Papua New Guinea, which was set up in 1991 to consolidate three separate agencies working in the coffee chain. Members of the Corporation, which is a Company limited by Guarantee, are six grower associations, the coffee exporters' association, an association of coffee plantations and processors, a land settlement association and representatives of three Government departments, i.e. Agriculture, Trade and the Treasury (CIC, 2007). Although much coffee is still purchased at the roadside by traders, there is no trader representation on the Corporation, given the absence of any representative body.

### 3 Review of case studies

This section is based on a review carried out by FAO of the following associations:

- Nepal Poultry Entrepreneurs Forum (NPEF)
- The South African Meat Industry Company (SAMIC)
- United Coconut Associations of the Philippines (UCAP)
- Ghana Rice Interprofessional Body (GRIB)
- Horticultural Promotion Council of Zimbabwe (HPC)
- *La Fédération des groupements interprofessionnels du bétail et de la viande du Mali* (FEBEVIM)
- Viet Nam Fruit Association (VINAFRUIT)
- Spice and Allied Products Producers' and Traders' Association, Sri Lanka (SAPPTA)

FEBEVIM, the Mali inter-professional association for livestock and meat, closely follows the French model. To a certain extent this also applies to GRIB, which although not in a Francophone country, has been established with French technical assistance. The other associations seem to have developed because of within-country initiatives rather than through technical assistance projects. They tend to be more related to the French approach or the commodity associations or councils of the United States of America than the *tables-filière* of Canada, in that they have formal structures, usually with a permanent secretariat, and mainly, although far from exclusively, draw membership from associations rather than individuals and companies.

#### Background, structure and funding of commodity associations

**Reasons for establishment.** Most of the associations studied seem to have been initially promoted as a response to problems being faced by the particular industry. In South Africa similar problems were being experienced by a range of commodity sectors and several commodity associations of a similar model to SAMIC were established simultaneously. In Viet Nam, VINAFRUIT was one of several enterprise associations promoted by the Government in the early 2000s. In the case of Ghana, Nepal, Philippines and Zimbabwe, on the other hand, the associations studied seem to be one-offs, and no similar associations have been identified in those countries.

In the early years of producing for the export market, Zimbabwe's horticultural farmers faced a whole range of problems related to production, post-harvest handling and marketing. Participants in the export chain considered that an overall institutional framework was necessary if the industry was to be successful. HPC's fundamental role was thus seen as being to promote linkages between producers and other sectors such as processors, exporters, traders and transporters. In Ghana, GRIB was established in 2004 to address the many problems being faced by the Ghanaian rice industry relating to quality issues and difficulties faced in competing with imported rice. The NPEF in Nepal was formed in 1994, although not formally registered until 2002. It does not appear to have emerged as a response to a specific problem but more, as its name implies, in response to a felt need of existing associations representing different sectors of the industry for a Forum for discussions and joint activities.

In 1996 South Africa deregulated its commodity sectors, moving from a system of marketing boards to one in which the private sector was to play the leading role. In common with other commodities the meat industry saw the need for an umbrella organization that would ensure the effectiveness of the industry in the newly deregulated marketing environment and SAMIC was established in 1997. In 2001 VINA FRUIT began to address the many problems facing the horticultural industry, including scattered and small-scale production, lack of suitable varieties, absence of standards and certification and poor logistics. UCAP in the Philippines dates back to 1966, having been established at a time when there was considerable conflict within the coconut industry and when farmers, in particular, felt that their interests were being threatened. It is interesting to note that such an organization was felt necessary despite, or perhaps because of, the existence of the Government-run agency, the Philippines Coconut Authority (PCA), which is now a member of UCAP.

**Membership.** Some of the inter-professional associations studied follow the principle of the French approach, where members are generally associations representing different stages of or “professions” in the commodity chain, rather than individuals or companies. Others, however, permit membership to companies, individuals and government organizations. Mali’s FEBEVIM closely follows the French system. Membership consists of associations of cattle producers, cattle exporters, hides and skins producers, and meat processors. Absent from the association are representatives of market intermediaries such as cattle brokers and traders in hides and skins.

Apart from FEBEVIM, SAMIC possibly comes closest to the French system. Twelve associations are members. These represent feedlots, red meat producers, livestock and meat brokers, pork producers, “emergent”<sup>12</sup> red meat producers, meat processors, meat traders, meat importers and exporters and abattoirs. Additional organizations represented are the Skins, Hides and Leather Council, the South African Consumers Union and the union representing employees of meat traders. However, SAMIC differs from the French system in that just one national association from each activity or “profession” is represented on the association, and there are no colleges.

HPC in Zimbabwe exhibits hybrid characteristics. It includes four specialist associations amongst its members, representing flower, citrus and deciduous fruit producers, and the Fresh Produce Producers’ Association. However, larger producers can also join on an individual basis, as can exporters and marketing agents. NPEF in Nepal also shows hybrid characteristics. Its membership primarily consists of five associations representing egg producers, the hatchery industry association, the feed industry, livestock raw material entrepreneurs and veterinary drug suppliers. However, individuals who have significantly contributed to the poultry sector or have potential to provide a contribution can also join, if supported by two-thirds of existing members. A major weakness with NPEF is that broiler farmers’ associations are no longer members.

UCAP is made up of associations representing coconut growers, oil crushers and refiners, exporters, desiccated coconut manufacturers, virgin coconut oil producers, and others. A weakness is the lack of representation of traders and this has particularly impacted on the ability of UCAP to undertake quality improvement activities. In addition to the associations, members are the Philippine Coconut Authority, the United Coconut Planters Bank and the Philippine Coconut Research and Development Foundation. Others involved in the coconut chain, including shipping companies and insurers, can be associate members.

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<sup>12</sup> “emergent” refers to black African farmers who were disadvantaged under the previous Apartheid regime.

SAPPTA draws its membership from individual companies rather than associations. It can also co-opt members and its executive committee makes room for four ex-chairmen of the association, as well as for one industry expert. A weakness is that it has no mechanism for involving small-scale farmers, even though these account for the bulk of spice production in Sri Lanka. In Viet Nam, VINAFRUIT's membership of around 100 is drawn from companies responsible for input supplies, production, processing, and trading and export. A prominent member is the Southern Fruit Research Institute, which is a research and development unit of the Ministry of Agriculture and Rural Development. In Ghana, GRIB represents some 8 000 people or organizations involved in the rice industry. Individuals cannot join the association and representation is through farmer organizations, groups of rice millers and female rice processing groups. However, rice brokerage or trading companies can join on an individual basis.

**Structure and staffing.** The associations established in the French-speaking countries of West Africa, particularly Burkina Faso, follow an organizational structure that involves overall supervision by a General Assembly. This has participation of associations representing the different stages of the commodity chain, according to agreed percentages, with producer associations tending to predominate (usually 60 percent of membership of the Assembly). The Assembly elects an Administrative Council, which is charged with implementing the decisions of the General Assembly and which, in turn, supervises the Executive Committee. This committee is responsible for overseeing the Secretariat and its staff.

In Mali, FEBEVIM is also controlled by a General Assembly, which meets annually or more frequently if requested by two-thirds of the membership. A National Office of 25 members is chosen by the General Assembly. Members of this Office carry out the functions of the Association without remuneration, apart from reimbursement of expenses. FEBEVIM also has a regional and local structure, with local and regional offices sending delegates to the General Assembly and with regional offices being represented on the National Office. In Ghana, the Annual General Meeting of GRIB attracts some 80 percent of association members. There are three annual Executive Committee meetings, attended by elected representatives from the rice-producing zones. The eventual aim is to decentralise GRIB's operations.

In South Africa, SAMIC has no need of large-scale general meetings, given its limited, albeit comprehensive, membership. Around five board meetings are held annually, attended by all members and by observers from the country's National Agricultural Marketing Council. SAMIC has a Chief Executive Officer and seven staff who operate from the Association's headquarters in Pretoria, as well as regional managers in the country's nine provinces. Four departments cover Finance, Standards Control and Quality Assurance, and Research and Development, as well as the marketing of quality-control equipment. A similar structure is witnessed with UCAP in the Philippines. The 11-member board representing all members meets six times a year, while the Executive Committee meets in the months when there is no board meeting. A Secretariat based in Manila has an Executive Director and 12 staff. Board members are unpaid, and due to business commitments generally meet over lunch.

HPC in Zimbabwe holds an Annual General Meeting for all members. Every two years this nominates an Executive Committee, which consists of representatives of the four specialist horticultural associations, the Zimbabwe Farmers Union, the Indigenous Commercial Farmers Union, the Commercial Farmers Union and ZimTrade, a national export promotion organization. HPC has an Executive Director and three staff. In Viet Nam, VINAFRUIT has a Board of Governors consisting of the President, Secretary-General and three Vice Presidents. The Association maintains an office in Ho Chi Minh City with two staff, in addition to the Secretary-

General, who also holds other posts in the industry. SAPPTA is governed by a 25-person Executive Committee. It has just one full-time employee.

In Nepal, NPEF, which has 65 members, holds a General Meeting every two years. This is the supreme body of the Forum and elects a working committee. An Annual General Meeting is held for review and preparation of an annual plan, while a Working Committee with thirteen members operates as executive body of the Forum. NPEF has an office located in the main poultry area of Nepal, Chitwan, and has four paid staff. Many of the Executive Committee members give freely of their time to assist the staff.

In addition to being umbrella associations for their own industry, most associations studied are, in turn, members of national, and sometimes local, chambers of commerce. Several are members of international organizations.

**Funding.** All associations studied, as well as many of those in developing countries covered in the literature review, appear to experience financial limitations. A variety of funding sources is used, including annual membership fees, levies on exports or other transactions and government or donor support. Some associations depend on assistance provided by financially stronger members. A shortage of funds does not always jeopardize their sustainability but it does affect their ability to carry out all of the activities they would like. Some associations would appear to endanger their independence by being dependent on their government for financial support and the possibility of equal representation within an association may be jeopardized where associations obtain additional contributions from some of their members. Others rely on individual members or donors to finance specific activities.

The newest association studied, GRIB, is presently 85 percent funded by French Government assistance. As noted in the Annex, several associations set up with French support in Burkina Faso are also still partially reliant on donor and other support. FEBEVIM in Mali, on the other hand, appears to receive no external support but annual membership fees, at just US\$50 per member association, are considered insufficient to carry out the Association's work. It is no surprise, therefore, that FEBEVIM does not have paid officials or staff.

SAMIC is funded by the Government of South Africa through the Meat Industry Trust, which was established using funds of the former Meat Board and from fees charged for training and inspection services. Some support is also provided by individual members for specific activities. However, resources have been inadequate to permit the Council to carry on supporting some of the information dissemination and research and development functions undertaken by the former Meat Board. SAMIC therefore applied to the Government for a levy on meat exports and this was approved in November 2007. In Nepal, NPEF membership fees are not high, at around US\$70 per association, but the Forum is able to generate additional funding from input suppliers and from the five umbrella associations that represent the individual stages of the poultry chain that are members. In Sri Lanka SAPPTA charges annual fees of around US\$44 and very much relies on other agencies to help carry out its work programme.

In Zimbabwe, HPC obtains just 2.5 percent of its revenue from membership fees. Together with the four specialist associations of the horticultural industry it derives operational finance from levies on exports. These are adjusted upwards or downwards depending on a number of factors including volume and value of exports, exchange rate, level of expenditure, and staffing levels. Extra-budgetary items such as financing of studies on various aspects of the horticultural industry and assistance to smallholder farmers had been funded by donors. The other

horticultural association studied, VINAFRUIT, in theory charges annual membership fees of around US\$100 but the association has been negligent in chasing up payment and in 2005 only 30 percent of members reportedly paid their fees. The association has been kept going through the voluntary work of the Board of Governors, combined with support provided by members for specific activities, such as training courses, information dissemination, trade fair organization and website design. Until recently, it also received some support from USAID for specific activities.

Membership fees of UCAP are assessed according to the capacity of member associations to pay. In isolated cases when a particular association has had trouble in paying fees, other associations have agreed to increase their contributions in order to avoid a member leaving. However, the main source of funds is an export levy paid to UCAP by the oil milling sector. One problem with this system is that UCAP is flush with funds when the sector is performing well, i.e. when production is high, but short of funds when it needs them most, when production is low. UCAP is one of the associations where finances are supplemented by support for specific activities provided by individual members.

## Activities carried out by commodity associations

Activities carried out by the associations studied can be loosely characterized as being either external to the association, such as advocacy with government, or internal, such as provision of training to members or dispute resolution. In some cases, however, there may be some overlap, such as in the case of market information provision, where information is often provided to both members and non-members. In the following pages we discuss association activities under the following categories:

- advocacy and trade negotiation
- promotion and quality development
- training provision
- market and other information provision
- overcoming logistical difficulties
- research, and
- other activities.

**Advocacy and trade negotiations.** The need for industries to be well-represented in policy discussions with government appears to be a persuasive reason for the development of commodity associations. This is the major activity of almost all of the associations studied here. Moreover, the role of these associations seems to be generally well-appreciated by their governments. However, the fact that associations represent an entire industry means that it can often be difficult to reach agreement on a common position. In South Africa, for example, both meat producers and meat importers are members of SAMIC. While producers often seek tariff protection against competitive imports, the importers are inevitably opposed to this.

In Nepal, NPEF has played a particularly important role in assisting the Government to formulate a response to Avian Influenza, in particular the drafting of a Quarantine Act. HPC in Zimbabwe has provided representations on such issues as foreign exchange management, input tariffs, taxation, the country's land-reform programme, and on transportation, as well as on general macro-economic reform. It is represented on committees dealing with trade negotiations, such as negotiations on Economic Partnership Agreements between ACP countries and the EU. In this it collaborates with other horticultural organizations in Eastern and Southern Africa in order to present a common view to all governments.

With varying degrees of success, FEBEVIM in Mali has advocated reform of the animal feed industry, has worked to overcome illicit taxes levied by police and others at road blocks and has sought to persuade the Government to reform rules that inhibit more intensive rearing of cattle. FEBEVIM has also sought exemption from export taxes for cattle exported to the neighbouring countries of Senegal, Burkina Faso, Nigeria and others. It has advised the Government on WTO negotiations.

In Ghana, GRIB, although still a young association, plays an important advocacy role, and the Government reportedly relies on the Board for advice on the rice industry. Emphasis has not only been on policy formulation but also on ensuring that policy, once formulated, is actually implemented. GRIB was successful in persuading the Government to establish a Rice Development Fund, with funding through a five percent levy on imported rice. In the Philippines most members of UCAP have advocated a reduction in the export levy charged to provide funding for the Philippine Coconut Authority (PCA). A problem faced here, however, is that the PCA is a member of UCAP. Outside of the Philippines UCAP has carried out a range of advocacy activities since its inception. In the 1980s the coconut industry was jeopardized by suggestions that coconut oil had a negative effect on health and UCAP generated resources to pay for a lawyer and lobbyist in Washington D.C., as well as for scientific research on the subject.

SAPPTA in Sri Lanka has fought a cap on pepper imports by India and a proposed increase in India's import duty on cloves. Domestically, it has successfully campaigned for steps to be taken to increase the speed with which Value Added Tax is reimbursed. SAMIC reportedly has open access to the Minister and senior officials of the South African Department of Agriculture. It has played a particularly important role in supporting the Government in trade negotiations, through the Agricultural Trade Forum, which was established to facilitate trade for the entire agricultural industry.

**Promotion and quality development.** The associations studied all carry out product promotion on domestic markets, export markets or both, depending on the supply chain represented. A related issue is that of quality improvement, also an area in which the associations are all involved.

Domestic market promotion has been carried out by associations in Nepal, Ghana, South Africa and the Philippines. In Nepal, NPEF responded to fears over Avian Influenza by organizing eight Chicken Festivals in five locations. These involved giving away samples of different chicken dishes to visitors. GRIB in Ghana carries out campaigns to promote the sale of domestically grown rice. It works with a chain of filling stations and has domestic rice on sale in shops on the forecourts of the capital of Accra. This was reportedly so successful that consumers in other cities were demanding similar arrangements. Board officials write newspaper articles about rice and are often invited to appear on radio and television.

In South Africa the use of brands by the meat industry is growing in importance. SAMIC is playing a growing role as a supervisor of trademarks, ensuring that they are correctly applied. It played an active role in the "Beef Up 2006" campaign, which focused on the role of beef in a balanced diet. SAMIC also promotes competitions amongst restaurants and organizes a National Carcass Competition. UCAP is presently conducting a campaign in the Philippines to promote the health benefits of coconut oil. The country is the only one in which coconut oil predominates as the oil of choice for cooking and there is a concern in the sector that trade liberalization will lead to competition from palm oil. UCAP also maintains a permanent exhibition on coconuts at the country's National Heritage Centre.



From the point of view of export promotion, HPC has worked with ZimTrade to promote Zimbabwean horticultural produce at overseas fairs and exhibitions. VINAFRUIT organizes overseas trips for members under the National Trade Promotion Programme. SAMIC manages Meat Exporters of South Africa (MESA), which promotes the South African brand in selected markets. In Sri Lanka, SAPPTA has been involved with spice promotion on the Indian market and works closely with the country's Export Development Board.

With regard to quality promotion, FEBEVIM in Mali plays an active role in ensuring that its members are kept informed of prevailing legislation related to slaughter, particularly that requiring abattoirs to be used and veterinary certificates to be obtained. It organizes training courses on quality for its members. SAMIC has been assigned responsibility by the Government to ensure that appropriate meat classification standards are applied in a uniform manner. Although registration is voluntary the programme covers over 300 abattoirs, which are subject to a minimum of five unscheduled spot checks a year. SAMIC also plays a major role in defining official standards and grades and in ensuring compliance of members with GLOBALGAP and other international standards. It also addresses the spread of disease from neighbouring countries. NPEF has tried to resolve the problem of overuse of drugs by broiler farmers and has also worked on issues related to feed quality and retail hygiene.

SAPPTA has been addressing pest control issues and is beginning to work on quality improvement. UCAP has attempted to improve the quality of smallholder copra, used to produce coconut oil. Poor copra quality is considered a major constraint by the industry. However, these efforts have not been too successful, in part because there is surplus copra crushing capacity and thus little incentive for crushers to reject for quality reasons supplies received from traders, and in part because traders who buy copra are not organized into associations and thus are not members of UCAP.

Ghanaian rice receives strong competition from imported rice. The approach of GRIB is that local producers must compete with imports on the basis of quality rather than through major Government protection. With Japanese technical assistance it has an active programme of quality training. HPC developed a Code of Practice for the Zimbabwean horticultural industry, merging domestic standards with those of international commercial standards, such as GLOBALGAP. In association with a local training organization the Council organizes training courses on environmental management, post-harvest handling, and the safe storage, handling and usage of agrochemicals, as well as on employment and social issues. NPEF also organizes training courses, technical seminars and trade fairs.

**Training provision.** Nearly all of the associations studied organize, conduct or fund training courses and seminars. Most of these are aimed at disseminating improved technologies and information about markets. However, in several cases financial limitations are said to constrain what can be accomplished.

In Nepal, NPEF, working with chambers of commerce, the Ministry of Agriculture and donors, organizes occasional National Poultry Expos. In addition to displays, the Expo presents a variety of technical seminars and workshops. The first Expo, held in 1995, proved significant in making chain participants aware of the availability of improved technology and of ways to use it. A second Expo was held in 2005. In Zimbabwe, HPC has well-established relationships with two national training institutes and has helped design training programmes. Courses include training in farm management as well as a higher national diploma in horticulture. FEBEVIM organizes an

annual exhibition of livestock products, as well as seminars and workshops, which are funded by various development agencies.

VINAFRUIT in Viet Nam regularly organizes workshops and seminars on new technologies and on quality requirements of world markets. With external support, VINAFRUIT also organized Vietnamese participation in GAP training in Thailand. National workshops, convened with support from donors, input companies and the Government, have covered exporting to China and to Europe, processing for export to the United States of America, organic fruit cultivation for export to Japan, information technology in the fruit industry, and logistics in the Chinese fruit industry.

SAMIC organizes and carries out initial training and refresher courses for meat classifiers in the beef, lamb and pork industries. It works closely with agricultural colleges and other training institutions to develop both formal and informal training courses and contributes to the work of the Agricultural Sector Training and Educational Agency, which is responsible for the accreditation of agricultural training courses. UCAP used to offer training courses, but following an office move to a location without an available training centre, it was found to be too expensive to organize training. However, the Association is hoping to revive its programme. Limited resources also make it difficult to train UCAP's own staff.

**Market and other information.** All associations studied provide statistical and market information. UCAP produces daily, weekly, monthly and annual statistical reports for subscribers, as well as an annual journal, "Coconuts Today", and various other statistical publications covering periods of more than a year. Dissemination is by a mixture of email and hardcopy and some publications can be downloaded from the Association's website. FEBEVIM collects and analyses market information and disseminates this mainly through its regional structure. SAMIC publishes an electronic newsletter once a week but in case of urgency will also send out a "News Flash". Information disseminated includes livestock numbers; auction and abattoir prices for livestock and hides and skins; import and export statistics; and livestock classification reports. It also produces an annual report. NPEF has established a process of regular data collection, particularly of prices. This is published in local newspapers and over local radio stations in the main poultry producing areas.

VINAFRUIT updates members on a regular basis by email and mail with information on trade issues, Government programmes, and training courses. All of the 100 members of VINAFRUIT have been contacted to identify their particular information needs. The Association also acts as a focal point for overseas buyers who wish to contact Vietnamese suppliers. GRIB produces a monthly newsletter.

**Overcoming logistical difficulties.** For a country involved in large-scale horticultural exports, such as Zimbabwe, there can be many logistical difficulties. In particular, there is a need for storage facilities to be available close to the airport and for arrangements to be made to ensure fair and efficient use of cargo space. Before the formation of HPC, booking of freight space was haphazard. Exporters would make speculative space bookings and then not use their allotment, with the result that planes left with empty space that other exporters could have filled. HPC set up an Airfreight Task Force to ensure the availability of cargo aircraft, to coordinate exports and to work closely with the civil aviation authorities. The inadequacy of ground handling equipment at Harare's airport also presented major difficulties. For the export of fresh produce a cold chain must be maintained from the farm to the shop shelf but this was breaking down at the airport.

Following representations from HPC a site was made available to a consortium of exporters to enable them to construct a cargo handling facility adjacent to the airport.

**Research.** This is an area where most associations studied play an important role. While they mainly lack resources to fund research themselves, their role as a representative organization for an entire industry gives them a strong voice when approaching government agencies or donors. In South Africa, SAMIC is closely linked to the Red Meat Research and Development Trust. It nominates members to the committees of the Trust and is responsible for managing its research and development activities. It works closely with the country's Agricultural Research Council. SAMIC is also actively involved in animal welfare activities. HPC does not fund research but has been instrumental in organizing research funding, for example for a project to phase out the use of methyl bromide for fumigation purposes. UCAP actively seeks funding from the Government of the Philippines for research of relevance to the coconut industry.

**Other activities.** Associations studied carry out a variety of important activities that do not fit into the categories discussed above. These give an interesting insight into the potential roles other commodity associations could play. For example, two associations market specialized quality control equipment of relevance to their industries. UCAP sells copra moisture meters, both in the Philippines and overseas. SAMIC is the sole agent in South Africa to distribute classification equipment for the red meat industry. This includes labels for age identification, and edible ink for marking carcasses.

The availability of a suitable umbrella association is often welcomed by government agencies, which prefer to deal with one organization rather than with many individuals. HPC was tasked by Zimbabwe's Plant Protection Research Institute with implementing a European Union Directive that all exporters should have a Production Unit Code. This, incidentally, helped the Council to identify exporters who were not members but who were benefiting from HPC's services.

Arbitration is another potentially important role for associations. The cost and time for dispute resolution through the courts is a powerful incentive to seek alternative methods of resolving disagreements. Much rice trading in Ghana is carried out on the basis of trust but there are often misunderstandings, particularly over the agreed price. GRIB arbitrates where required. GRIB also plays a role in facilitating loan transactions between a bank and brokers. Lack of cash flow in the chain had meant that farmers were obliged to accept delayed payment from traders. Favourable interest rates were also negotiated.

When production and marketing of products is carried out through contract farming or outgrower arrangements there seems to be a strong need for an organization to promote fair practices. Where farmers are supplied with inputs on credit by one company it is not desirable that they should sell their outputs to another company and fail to repay the credit. Industry-wide agreement on annual prices, while not necessarily promoting competition, may be one way of avoiding the abuses that often occur. However, the associations studied do not, in the main, cover those commodities that most lend themselves to contract farming and only GRIB is involved in price setting, as a short-term measure. The farmer price for paddy is set on the basis a gross margin analysis and an agreed milled rice selling price is also set.

Commodity associations can not only contribute to a greater understanding between chain participants, i.e. those directly involved in handling the commodity, but can also promote greater understanding between the direct participants and the indirect participants. The latter group includes transporters and freight forwarders, input suppliers, bankers and insurers, labour unions,

chambers of commerce, government agencies and, in many countries, donors. Associations studied thus generally see the promotion of improved linkages of this type to be one of their major functions, although in most cases this has been done on a fairly informal basis.

## 4 Discussion

A review of the experiences of the associations studied, together with the available literature, suggests that commodity or chain associations could play an important role in several areas. They can promote dialogue between government and the chain and among chain participants. They can support compliance with trade and other regulations and promote improved quality and product safety. Nearly all provide market information and many have developed training programmes.

At the same time, many associations face problems. Lack of financial sustainability is a major one. Given the financial difficulties that existing associations appear to face it would therefore appear wise for new associations to be established with only a limited range of objectives, expanding as and when their financial position becomes sound. The poor representation of some chain participants is also an area that clearly needs to be addressed. It is self-evident that such associations should be representative of all major participants in the chain and that they should deliver a set of services that address the different needs of the chain participants in a balanced manner.

Apart from those inter-professional associations established with French support in the French-speaking countries of Africa, there appear to be relatively few commodity associations in existence in developing countries. Of the countries studied by FAO only Mali, South Africa and Viet Nam appear to have more than one such association. It proved hard to identify other such associations for study, particularly in countries outside of the Francophone area.

Some of the issues<sup>13</sup> to emerge to date from the research are discussed below.

### **1. Should associations be created by outside agencies or emerge solely from the wishes of the chain participants?**

No general conclusions can be reached. While those associations set up in West African countries with government or donor support are in many cases facing financial difficulties, the same applies to some of the associations that originally developed because of a common need felt by the chain participants. Even where the association has developed from within the chain it may be financed by the government, as is the case with SAMIC in South Africa. The most long-lasting association studied, UCAP in the Philippines, appears to be on a sound financial footing but even UCAP has many activities it would like to undertake that remain unfunded.

It is perhaps too early to assess the sustainability of the many associations in Francophone Africa. There certainly seems to be evidence that they serve a useful function and are welcomed by the chain participants. Nevertheless, commitment to an association must include willingness to eventually meet the full costs of that association.

Until recently, donors have tended to neglect the private sector. Support in the field of agriculture has largely been steered towards governments and to farmer organizations such as cooperatives, often with little impact. It is therefore encouraging that some support is now being

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<sup>13</sup> Inter-réseaux, 2007a proved particularly useful in stimulating this discussion

offered to commodity associations and other private-sector associations. At the same time, a note of caution must be sounded. Associations must be sure that they will be able to generate sufficient resources to continue once donor support is no longer available. Excessive donor inputs can lead to an organization expanding in order to absorb the available funds and not being able to downsize easily when those funds are no longer available. A further problem is that the greater the resources that are available, the more likely are funds to be misused.

Associations play a valuable role in promoting communication between chain participants. Without such associations there is often little or no such communication. However, if there is no communication then how do the participants identify the need for an association in the first place? It is perhaps no accident that most associations that have emerged independently of donor or government support have done so as a response to industry problems, which have provided the incentive for chain participants to get together. Examples mentioned in the previous chapter include the establishment of SAMIC in response to market liberalization in South Africa and the development of UCAP and HPC because of significant problems facing their industries.

Financing and organizing the initial step of holding meetings to which potential association members can be invited seems to be an important role for donors and technical assistance agencies such as FAO. However, as noted above, in order to promote sustainability the core activities of any association should be self-funded. Donor and public-sector support should be confined to assisting with one-off expenses, rather than with recurring costs such as office rental and staff salaries. Legitimate support in the initial stages could, for example, include organizing visits to successful associations, resolving any legal difficulties including drafting legislation if required, and identifying appropriate modalities for long-term self-funding arrangements. In the longer run donors could consider supporting activities that are desirable but not essential for the continuation of the association, such as product promotion or research, something that was done by USAID with VINAFRUIT, for example. Public-sector agencies could further assist by identifying forums in which a new association should be represented, e.g. advisory committees set up by government, thereby giving the association initial visibility and a clear justification for its existence.

## **2. What criteria should be adopted for membership?**

It is self-evident that a commodity association should be representative of all participants in the chain and that it should deliver a set of services that address the different needs of the chain participants in a balanced manner. The French model for inter-professional associations is that they should, in effect, be umbrella organizations for a commodity chain, where the members are associations, federations or unions representing the different stages of the chain or *filière*. Most of the associations studied by FAO follow this model to a certain extent but some also allow membership of private companies, individuals or government agencies.

Clearly, it would not be possible for thousands or hundreds of thousands of farmers to be individual members of commodity associations. Participation of farmers therefore requires that they be represented by farmer associations or similar organizations. However, one possible problem with this approach is that farmer organizations may not necessarily be fully representative of all farmers in a country. Some farmers may choose not to join associations or may live in areas where they lack access to membership. In some cases, farmer associations or unions may be dominated by larger, more commercial, farmers, leaving smaller farmers effectively disenfranchised. In South Africa this problem has at least partially been overcome in

SAMIC by including one association representing African smallholders together with one representing the commercial sector.

The French inter-professional rule, whereby different *professions* are represented by their associations, may have to be waived where one stage (e.g. input suppliers or commodity exporters) is monopolized by a small number of companies or individuals who are reluctant to organize into an association. Indeed, in the case of SAPPTA in Sri Lanka the association consists entirely of individual concerns rather than associations.

As noted in the review of literature, some concern has been expressed that membership of associations has in cases been open to organizations that are, at best, peripheral to the commodity chain. In Burkina Faso, for example, retailers have been represented on *tables-filière* and associations even though the particular commodity may represent just a small fraction of their turnover. Such participation may reflect outside intervention in the establishment of the association, where membership was effectively decided by the donor or government rather than by the chain participants themselves.

Nevertheless, the approach that membership should be limited to those directly involved with the commodity, excluding those indirectly involved, such as input suppliers, transporters, bankers and government bodies, finds little support among those associations studied by FAO. UCAP in the Philippines counts a bank and a parastatal agency amongst its board members. Input suppliers play an important role, both technically and financially, in Viet Nam and Nepal. In South Africa, SAMIC includes an association representing meat importers, a union representing abattoir employees and the consumers' union. In the final analysis, membership should probably be available to those associations and relevant companies or organizations that want to join. The shortage of funds experienced by many chain associations argues for a broad membership of those able to help meet the costs. Where membership of an association or organization only marginally involved in the commodity becomes disruptive it can be asked to resign.

### **3. Can associations ever be a partnership of equals?**

The literature review noted that inter-professional associations in some Francophone countries were experiencing problems because of weaknesses of member associations representing farmers. Considerable efforts were being devoted by the inter-professional associations to strengthen farmer organizations, and this was diverting attention from their core activities.

There is one view that inter-professional associations can stimulate development of stronger associations representing the different chain participants, but experience to date suggests that efforts to do this may jeopardize the viability of the chain association. The need for strong farmer associations presents a major problem. Lessons can perhaps be drawn from the Spanish experience, where the Ministry of Agriculture, Fisheries and Nutrition provides funds for a certain period of time to the weakest participant in inter-professional bodies (e.g. producers' organizations) to build their capacities, so they can participate as equals with better-off members. However, the track record of farmer organization development has not always been good in many developing countries, even with the availability of external support.

In Nepal, the association representing farmers, in this case broiler producers, resigned from NPEF, apparently because the broiler producers did not feel they could relate to other members as equals. Any association bringing representatives of small-scale farmers or small-scale traders

together with representatives of large, sophisticated companies inevitably runs the risk that there will be an unequal relationship. An additional problem stems from the fact that farmer associations are often general associations representing farmers producing all products. Representatives of the other stages of the chain are, on the other hand, usually specialized in the particular commodity. In the real world members can never be equal even if there is strong mutual interest in making an association work. The dangers of unequal relationships can, in part, be addressed by the inter-professional association rule that all decisions should be unanimous. However, this does not overcome the risk that the weak member(s) may give in to domineering one(s) and that associations become top-down organizations where the stronger partners set the agenda, even if the association is governed by legislation that tries to avoid such an occurrence.

#### **4. How desirable is independence from government?**

Many associations, particularly those in Francophone Africa, have been established because of government initiative. There are, of course, dangers in such an approach, in that the associations may be too dependent on the government and thus sacrifice their independence. The relatively recent promotion of inter-professional associations in those countries perhaps owes much to Structural Adjustment measures that led to the closure of state parastatals, a point also noted by Vindel (2005). While the private sector was generally able to take over the marketing functions of the former marketing boards, there was often no mechanism in place to cover the important non-marketing functions of those boards.

It is not easy for associations to function completely independently of government. In South Africa funding of SAMIC comes from the Government. In other countries major support is offered by government agencies, such as that provided to VINAFRUIT by an agricultural research institute. Government agencies are members of some associations and they have associate member or observer status in others. Even where associations do not receive funding directly from governments they may be dependent on government authority in order to raise funds by levies. As noted earlier, several national commodity associations in the United States of America depend heavily on legally mandated assessments to fund generic promotion and research functions. Such funding is not available for lobbying and advocacy activities, although a case could be made that receipt of “checkoff” funding for some activities enables the association to allocate a higher share of membership fees to policy work.

Dependence on government for funding may not necessarily compromise the effectiveness of an association. Such associations may play an advocacy role, but governments are free to accept or reject their recommendations. Thus, being in receipt of funding from the government would not be expected to affect the policy recommendations being made by the association. Of greater concern, perhaps, is that government funding, whether through direct support or through legal authorization of levies, can never be relied on. Dependence on such funding could therefore threaten the sustainability of the association.

It would therefore be preferable if associations were able to generate their own funds without recourse to the state. This can, however, place a significant administrative burden on smaller associations. As noted, VINAFRUIT has only been able to collect 30 percent of its membership fees. Several other associations charge fees of less than US\$100 a year for individual or even association membership and increasing fees may lead to resignations. Clearly, identifying sustainable funding sources and ways of collecting those funds must be one of the first steps taken by a new association.



## 5. What are the preconditions for successful associations?

Participants in the commodity chain must share a perception that joint action can be beneficial. Promoters of such associations must be careful to ensure that organizations and individuals are joining because they see real potential long-term benefit and that they are prepared to make the compromises required when working in an association. The dangers of donor-led initiatives are that the chain participants, or their representatives, attach more importance to the possibility of short-term personal gain from working with donors than the long-term benefits of an association. In Madagascar, 50 percent of members quickly dropped out, often after having received the training provided to members (Jardot, 2005).

A related issue is that chain participants must also believe that the benefits of association membership more than compensate for the fees that need to be charged to support a viable association. The relatively low fees charged by some associations have been noted, as has the difficulty experienced by some of those associations in carrying out their activities due to lack of alternative funding sources.

The need for some, and perhaps all, stages or professions of the commodity chain to be represented by an association or associations has already been touched on. Thus a precondition for commodity chain associations seems to be the existence of organizations representing those stages. While it might be possible for some stages with relatively few participants to organize quickly and easily, that will not apply to farmers. Thus, the prior existence of farmer organizations seems essential. Where such farmer organizations do not exist, the alternative of a commodity chain association following the American model seems impractical in most countries. It is just not feasible to work with, and raise fees from, the numerous small farmers found in developing countries.

There is a clear need for associations to be established within an appropriate legal framework. The absence of such legislation has been commented on in the case of Burkina Faso, where the absence of specific inter-professional legislation is considered a handicap. Associations studied by FAO have adopted various solutions. The legal structure is likely to vary according to the country's legal system and the wishes of the chain participants involved. Different commodities or commodity groups may also require different legal structures. The availability of suitable law or the relative ease with which laws can be established are therefore also important factors to take into account.

In the case of Cameroon, it was noted that a parallel association had been set up to rival the existing cocoa and coffee association. However, the literature review identified a general belief that an association should be the sole representative of a particular value chain. A danger of providing a legal basis for such a monopoly is that there is then less incentive for the officers of an association to perform well. This may particularly be the case when the favoured association also benefits from levies made possible under legislation and is thus less dependent on membership fees. On the other hand, governments do need a clear idea of who to refer to for policy discussions, and cannot be expected to evaluate continually the merits of rival associations.

## 6. How do the different approaches compare?

Several ways of organizing commodity industry representation have been touched on in this paper. Apart from inter-professional associations, there are *tables-filière* or value chain roundtables, found in Canada and similar bodies found all over Latin America; membership commodity

councils or associations in the United States of America; boards funded by assessments, also in the United States of America; and industry associations in which the government plays a leading role.

Commodity chain associations require a secretariat, for which funds need to be generated. Where the main intended purpose of such an association is to promote policy development in discussion with government representatives, the value-chain roundtable approach may be more relevant, in that the same results can possibly be achieved without the need for a secretariat. Of course, this requires an efficient ministry of agriculture bureaucracy to organize and follow up roundtable meetings and, as with associations, requires that there is adequate representation of all stages of the chain.

Where an industry considers that activities other than advocacy are required, such as research, promotion, training and information provision, a secretariat and funding become necessary. In this case the question is then whether to follow the inter-professional approach, with membership made up of associations, federations or colleges from each stage of the value chain, whether to follow the American model of individual membership, or whether to follow a hybrid approach, as found in some of the case study associations. In most cases in developing countries individual producer membership is, as already noted, impractical, given the numbers of farmers involved. It may therefore be possible to have hybrid associations that draw membership from farmer associations as well as from individuals or companies further along the chain.

Associations that are established by government and have government representatives as board members are probably not an acceptable alternative for most supply chain participants. While government representatives can bring a wealth of expertise and analytical skills to a board, government representation on a board is likely to influence and inhibit discussion and policy formulation.

## 5 Conclusions and recommendations

The situation of policy formulation weaknesses, observed in many countries, provided one of the reasons for the research reported on here. It was hypothesized that a commodity association representing the entire value chain would provide an important focal point for policy discussion and could reduce the *ad hoc* nature of some decisions. Evidence from the literature review and the associations studied does suggest that commodity associations and chain roundtables do play an important role in policy formulation and are much welcomed by policy-makers, as well as by administrators, who generally prefer to deal with one association rather than many. Moreover, associations also facilitate communication between chain participants; communication that might not otherwise have happened.

Increasing attention is being paid by the UN, FAO and others to the question of broadening the policy debate over agricultural development. The 2008 food price crisis drew attention to issues related to globalization, to the limited attention to the agricultural sector in recent decades, and to policies related to imports, exports and subsidies (FAO 2009). While most countries recognise the need to work with the private sector to address such issues, there often remains a significant gap between policy statements and practical actions. An important challenge is to identify ways of working with the private sector to implement policies in support of agricultural development. The case studies suggest that associations covering an entire commodity chain could play an important role in achieving this.

For those countries involved in exporting to OECD markets the world becomes daily more complex. WTO negotiations and the increasing complexity of governmental and private standards and non-tariff barriers place a considerable burden on governments to provide support to their exporters. Many developing countries face significant problems in adequately representing their interests in trade negotiations. Several of the case studies indicate that associations are increasingly playing a major support role in this area.

The growing role of contract farming in many developing countries has in places been jeopardized by the failure of both farmers and companies to honour contracts. At the beginning of the research it was felt that commodity associations could emerge as a major force to overcome such problems. There is little evidence from the case studies that this has occurred, but there may be other associations carrying out this function. In West Africa, one or two inter-professional organizations have been successful in promoting contractual arrangements between companies and farmer groups.

Associations of the “inter-professional” type draw their membership primarily from other associations representing different stages of the chain. Given the need to ensure broad representation of a chain this does seem a logical approach. Nevertheless there are inevitably problems. The lack of or underdevelopment of farmer associations; the absence of adequate associations representing small traders; and shortage of funds are problems experienced by several associations. Both the *table-filière*, or value chain roundtable, approach and government-supported associations may overcome the problem of financing, but not the other two problems. Nevertheless, there appear to be good arguments for governments who wish to promote commodity associations to first develop value chain roundtables with a limited mandate, in the

hope that they can subsequently develop into full-scale associations. Some of the problems experienced by inter-professional associations in West Africa seem to stem from the fact that they have tried to take on too many responsibilities in their initial stages.

The necessity that commodity associations or roundtables include strong farmer representation can present major difficulties, whatever the model used. Resources that have been put into developing farmer associations in the past have not always achieved great success. Governments and donors do need to assess critically whether further allocation of resources can overcome in a sustainable way some of the difficulties experienced in establishing successful farmer organizations. The need for strong farmer representation on commodity chain associations is probably not, in itself, sufficient justification for promotion of farmer associations. Farmer associations can potentially carry out many important functions; their role as members of a chain association would be just one of these.

Trader associations are widespread. However, limited evidence suggests that they work better when representing traders based at a specific market rather than traders who have no such focal point such as those with retail shops or those who buy export crops for sale to processors. The case studies and literature review did not identify major examples of where associations of traders working with small farmers play an active role in inter-professional associations. As noted in the case of UCAP in the Philippines, this can have a significant impact on the success of some activities, notably those that require trader participation in order to promote improved produce quality. Donors and technical assistance agencies that have devoted significant resources to the development of farmer associations have tended to neglect the potential for association development among traders, although trader associations that do exist seem to play important roles.<sup>14</sup>

The question of legislation is a complex one. There are significant differences between French law<sup>15</sup>, which is also used in former French colonies, and Anglo-Saxon law. Requirements for legislation relating to commodity associations will vary depending on the prior existence of suitable legislation relating to associations in general and depending on whether it is intended that the association should benefit from levies, taxes or assessments, as done in the United States of America, or solely depend on membership fees and donations. All associations require some sort of legal status, if only because it would be difficult to operate a bank account without it. However, it must be stressed that true representation of a chain requires legitimacy. This cannot be guaranteed by decree but only conferred by the members of the association. Governments need to be aware of this and work with legitimate, representative associations.

In conclusion, governments may like to consider carrying out some or all of the following activities:

- Review the most significant commodity chains in their country, both for the domestic market and for export and identify those for which they feel there are significant policy and other weaknesses that could, in part, be overcome by the existence of commodity chain associations;
- Either organize by themselves or request bodies such as FAO to organize meetings of value chain participants to discuss potential for associations or for value chain roundtables;

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<sup>14</sup> See Shepherd, 2005 for a discussion of trader associations

<sup>15</sup> and the similar law found in the Netherlands

- Contact Chambers of Commerce and associations covering particular stages of each commodity chain to alert them to the possibility of forming commodity associations;
- Identify existing legislation related to associations and seek legal advice on the suitability of such legislation to govern various forms of commodity association.

Chambers of Commerce and existing associations may wish to:

- Consider the desirability and feasibility of promoting chain associations or of working with government to establish value chain roundtables;
- Identify existing associations representing stages of a chain that could be members of such commodity associations and identify stages of each commodity chain presently unrepresented by associations;
- Call meetings to discuss potential for inter-professional actions.

Donors and technical assistance agencies may like to:

- Conduct surveys of commodity value chains to identify the need and justification for association development;
- Finance meetings and workshops to enable commodity chains to discuss the possible development of associations, and provide technical support for these;
- Provide initial “seed money” for chain associations, while being careful not to jeopardize long-term sustainability.

Finally, the research community may wish to address the lack of information on this topic by documenting existing examples of the types of commodity association and chain roundtable discussed in this paper.

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## Annex

# Summary of individual case studies and other associations

### Inter-professional associations of Burkina Faso

Burkina Faso is more advanced in the development of inter-professional associations than most other developing countries. Four associations, covering the oil seeds, rice, cereals and cotton sectors, were established in the early 2000s and are governed by a law on associations passed in 1992. A further such association, covering the horticultural sector, appears inactive. Four others, created by ministerial decree, cover shea butter, meat, milk and bananas and follow the *table-filière* approach of Québec, having been set up with Canadian technical assistance.

All of those following the inter-professional association model exclude state bodies from membership, while the *table-filière* bodies involve active participation by the State. Members of the inter-professional associations are those associations representing farmers, traders, processors, importers and exporters, as appropriate. Some allow membership or observer status to others not directly involved in the chain, such as transporters, researchers, banks and insurers. Each inter-professional association is governed by a General Assembly, an Administrative Council and an Executive Committee. Some also hold regional assemblies. Arrangements for the *tables-filière* are more informal and, as in Québec, the secretariat is provided by the Ministry of Agriculture.

Some success has been achieved by these associations. They have become recognized as important points of reference by the Government, and therefore are playing a role in policy formulation. Action plans and strategies for development of the sectors have been prepared. Some associations provide market information and the cereals association has successfully promoted contracts between producers and processors. Several associations have been active in promoting improved product quality and, where appropriate, in both identifying export markets and promoting the products to the domestic market.

On the other hand, there are acknowledged weaknesses. A lack of support from some chain participants has been noted, particularly from those, such as distributors, where the commodity contributes only a small part of their livelihoods. Those associations following the French model have had problems in generating sufficient resources and some are dependent on donor support for continued operations. Member associations, particularly those representing farmers, have themselves experienced organizational problems, and this has impacted on the inter-professional associations. Thus one of the main initial activities of some of the inter-professional associations has been to strengthen their member associations.

Source: Zoma, 2006; Inter-réseaux, 2007b.

## **Associations in Madagascar**

In Madagascar, French technical cooperation projects have supported the horticulture and small animal husbandry sectors by, *inter alia*, establishing inter-professional associations. The major tasks of the *Maison du Petit Elevage* (MPE), the inter-professional association for small animals, were set as: negotiating value chain policies with the government; establishing an avian laboratory; information, communication and the organization of knowledge exchange trips; boosting pig breeding and artificial insemination; procuring inputs; and enhancing industry representation at the national level. The members are farmer groups, livestock enterprises, and the upstream and downstream chain participants. In order to improve the functioning of the chains and to allow a better representation of the interests of the medium and large producers, five chain councils were created. These accept individuals as members and cover pigs, fish farming, water fowl, layers and broilers. They, in turn, choose their representatives to the MPE. About 500 members have joined since the inception of the association in 1995, but many have also left. By 2002 there were about 125 members left who still paid the annual subscription. The major share of funding is external and only a small proportion comes from subscriptions and services provided.

MPE has been unable to overcome several fundamental problems. These have included the diverging interests of small and large chain stakeholders, despite the restructuring into chain councils; lack of common vision; weak member organizations for each chain, and the fundamentally individualistic nature of animal breeders.

CTHT is an inter-professional regional association, established in 2001, which promotes the horticulture sector. The main activities are: publishing and disseminating material on high-value fruits; training producers and disseminating product specifications; improving the product quality for exporting; post-harvest activities; and disseminating market and agronomic information. CTHT has mostly focused on interventions in the litchi chain. The technical support to enhance the performance of the chain and reduce the cost of production has kept litchi exports at a high level. This provides a source of income for 30 000 families. However, of the 300 members, about half have stopped paying their subscriptions. CTHA is another horticultural association. The members consist of eight colleges - the fruit and vegetable producers, ornamental plant producers, horticulture retailers, manufacturers, support service providers, exporters, and input suppliers. Since the start, 91 members have joined but 25 percent have subsequently left.

After the inter-professional associations in Madagascar had been in operation for about two years, they lost about 50 percent of their members. Other members have dropped out immediately after receiving training. A common reason for dropping out is that members become disillusioned when they are not provided with the services they need. Interestingly, the number of producer-members has tended to increase over time in comparison with other chain participants and they have come to dominate the associations. This implies a gradual transformation of what were intended to be inter-professional associations into associations of producers.

Source: Jardot, 2005

## Nepal Poultry Entrepreneurs Forum (NPEF)

NPEF is the umbrella organization of the commercial poultry sector of Nepal. Membership mainly consists of local associations who are members of umbrella associations representing egg producers, the hatchery industry, the feed industry, the veterinary drug industry and raw material entrepreneurs. A major weakness, however, is that the Nepal Broiler Producers' Association withdrew from membership. It is believed that the broiler producers, who tend to be relatively small commercial farmers, felt uneasy in a working relationship with associations representing large companies and felt that the views adopted by the NPEF did not adequately represent their interests. Clearly this needs to be addressed if the Forum is to be truly representative of the industry.

The main aims of the NPEF are to promote contacts between industry participants; advise the Government on relevant policy issues; assist in the amicable resolution of disputes within the industry; and improve the safety and promote the consumption of poultry products. NPEF has played an important role in ensuring an adequate response by Nepal to the worldwide avian flu epidemic.

Membership is limited to poultry industry associations and to "special" members who are elected to membership by the Board on the basis of their contributions to the industry. There are presently 65 members. The committees of the umbrella associations automatically become members of the Forum on an *ex officio* basis. General meetings are held every two years to elect a 13-member Working Committee to run the association, while an Annual General Meeting prepares the annual work plan. The Secretariat of the NPEF is based in the Chitwan district and this office is headed by the Executive Secretary and four permanent support staff.

Membership fees are low and do not cover costs. The Forum receives direct contributions from its five association members towards meeting office costs and it obtains sponsorship from drug companies. All member associations are actively involved in the Forum and these associations have a positive view of its work. They often make available their own staff to assist Forum staff.

A problem in the poultry industry of Nepal is the overuse of vaccines and drugs by farmers. This is partly due to the absence of appropriate diagnostic equipment. The Forum conducts workshops to train farmers and has sought assistance from international donors. Discussions with the Government have included support for the development of a commercial poultry sector; as well as the need to address feed quality issues and hygiene at the retail level. NPEF is closely working with the World Poultry Science Association (Nepal Chapter).

NPEF collects market data and arranges for this to be published in newspapers and on the radio. It organizes a regular National Poultry Expo and has plans to make this a regular event. The Expo attracted 50 000 visitors in 2005. Another activity of the Forum is the organization of regular Chicken Festivals, at which cooked chicken products are distributed to consumers.

Source: Rajendra Singh (unpublished)

## **South African Meat Industry Company (SAMIC)**

In 1996, the South African Government dissolved several commodity or industry boards, which previously had controlled many aspects of their respective industries. However, these industries, including the red meat industry, saw the need for those boards to be replaced by umbrella organizations that would act as mouthpieces for their industries and ensure that important functions would continue to be carried out. The South African Meat Industry Company (SAMIC) was thus established in 1997.

Through their respective associations all sectors of the industry are members of SAMIC. Interest groups represented are feedlot owners, red meat and pork meat producers, livestock and meat brokers, meat processors, meat traders, employees of meat traders, meat importers and exporters, the hides and skins industry, and abattoirs. African farmers are represented by the National Emergent Red Meat Producers Organisation which has as its members black African cattle producers, breeders and feeders.

Headquarters are in the capital, Pretoria. The Board has a Chairperson, Vice-Chair and Directors, with all member associations being represented. The Chief Executive Officer is responsible for implementing Board decisions through four departments that cover finance, sales, standards and quality, and research and development. Members do not pay a subscription. The Association receives finance through the Government's Meat Industry Trust using resources left over from the former Meat Board and from fees for training and research activities. Resources available were felt to be inadequate and SAMIC lodged a request for a levy in order to provide essential services to the industry. This was approved in November 2005 to last for two years and renewed for three years in November 2007.

SAMIC has played an important role in addressing problems being faced by the red meat industry. These include cheap imports; the potential spread of disease from other countries in the region; the need to integrate emergent African farmers into the industry; meat safety; and stock theft. The Association has direct channels of communication with the Minister of Agriculture and senior staff and is recognized as the first port of call for discussion of meat industry matters. It plays an active role in developing standards and regulations to govern the industry and manages the meat export council, Meat Exporters of South Africa (MESA).

In addition to defining, setting and enforcing meat industry standards, SAMIC provides training in meat classification and supplies relevant equipment to the industry. It endeavours to ensure compliance with international standards such as GLOBALGAP and carries out abattoir inspections. It promotes improved quality through a National Carcass Competition and other means. Actions to support emergent farmers include provision of mobile sales pens, as African farmers have limited access to formal markets. SAMIC also runs campaigns to promote red meat consumption, most recently the "Beef Up 2006" programme. Finally, the Company promotes competitions among restaurants and is active in the area of animal welfare.

SAMIC publishes a weekly electronic newsletter, together with newsflashes when it is necessary to distribute information urgently. Through its web site and other media, information provided includes livestock numbers, auction prices, import and export statistics, and meat classification statistics.

Source: Authors

## **Horticultural Promotion Council (HPC) of Zimbabwe**

In the early years of development of a horticultural export industry in Zimbabwe it became apparent that the industry faced many problems. To address these, the Horticultural Promotion Council (HPC) was set up in 1986 to promote the interests of horticultural producers and liaise with processors, exporters, traders and transporters of the products.

Earlier attempts by the Government to establish an institution to promote horticulture had failed. The HPC was developed as a private sector initiative and succeeded in obtaining recognition as a national coordinating body for the sector. The Council's main functions are to liaise with the Government regarding policy affecting the sector; facilitate linkages between sectors of the industry; coordinate market research and disseminate information.

Membership of HPC is made up of several categories. Producer members, either individually or as members of a union, pay fees to the Council through export levies; trade members are exporters or marketing agents and pay annual subscriptions; and associate members, are usually smaller growers. Four growers' associations are also members. These are the Export Flower Growers' Association; the Citrus Export Growers' Association; the Deciduous Fruit Growers' Association and the Fresh Produce Producers' Association. Although HPC draws its members only from among producers and exporters and is thus not, strictly speaking, a full inter-professional association, it does work very closely with other organizations involved in the export chain. These include financial institutions, input and packaging suppliers, freight forwarders, transporters, labour unions and donors.

Management of the Council is carried out by an Executive Committee of representatives of the four growers' associations, together with representatives of three farmers' unions and ZimTrade, an export promotion organization. In turn, the Committee appoints the Executive Director who is charged with day-to-day management. Export levies contribute about 97.5 percent of the Council's revenue, with annual subscriptions being regarded as just a token contribution. HPC has legal authority to collect the levies.

Considerable time is taken up with advocacy activities. Instead of dealing with individuals or organizations the Government prefers to work with a representative body on policy issues. Issues raised have included foreign exchange management, input taxes and tariffs, taxation, and land reform. The Council also works hard to increase the understanding of banks of the horticultural industry.

HPC has been instrumental in drawing up a Code of Practice for the industry, combining export market requirements, such as GLOBALGAP, with national legislation. It works with training organizations to ensure that farmers are aware of international standards and maintains a database of experts able to advise on horticultural production and related issues.

An efficient cold chain connected with air transport is essential for fresh produce exports. HPC identified the inadequacy of equipment at Harare's airport as a major constraint and was able to negotiate a site near the airport where private exporters could establish a cargo handling facility. The Council set up an Airfreight Task Force to address the issues faced with shipments by air, including high airport costs, and to coordinate allocation of freight space.

Source: Tobias Takavarasha, Chiedza Muchopa and Basilio Sandamu (unpublished)

## **Viet Nam Fruit Association (VINAFRUIT)**

The Government of Viet Nam has promoted commodity associations as a way of more effectively involving small farmers in the management of their industries. One such association is VINAFRUIT, which was established in 2001 in order to link industry participants throughout the country and address problems faced by the industry. These problems included scattered and small-scale production, lack of suitable varieties, absence of standards and certification and poor post-harvest and marketing infrastructure. VINAFRUIT is the only association representing all participants in the horticultural chain.

The association is based in Ho Chi Minh City, in the south of the country where fruit production is most concentrated. In the future it is hoped to open new offices in the middle and north of Viet Nam. The Board has five members. All, including the Secretary-General, have other jobs with horticultural organizations. There are now over one hundred members, including producer cooperatives, research centres, and traders at different stages of the supply chain, as well as processors and input suppliers. VINAFRUIT is a member of the Vietnamese Chamber of Commerce and Industry.

Annual fees are relatively low, at around US\$100 per annum, but only 30 percent of members reportedly pay. This is thought to be due to poor administration by the association; most members contacted believed fees should be raised. Members also make specific contributions for particular activities of the association. For instance, the Southern Fruit Research Institute (SOFRI) has assisted VINAFRUIT to improve market information provision and to upgrade its web site. Input companies have supported technical training and information dissemination.

In the first six years of operation, activities included support to planning of a national programme for horticultural export development; and trade promotion and coordination of market research. Viet Nam has been following a cluster approach to fruit development by earmarking specific areas for different fruits and VINAFRUIT has been active in advising on which fruits are best suited for particular areas. It regularly organizes workshops for members, with most such events highlighting export potential. Board members regularly participate in Government meetings on the fruit sector and the results of such discussions are disseminated to members by email, together with market information and intelligence and advice on quality standards such as SPS and GLOBALGAP.

VINAFRUIT would appear to have considerable potential, although achievements to date seem to be relatively limited. Much of its initial impact seems to stem from the considerable reputation in the industry of its Board members. However, issues such as the association's finances seem to have been neglected and VINAFRUIT has tended to rely on a few, larger members for support.

Source: Phan Thi Giac Tam, Le Thanh Hoan and Nguyen Thi Bich Phuong (unpublished)

## **United Coconut Associations of the Philippines (UCAP)**

UCAP is the only such association of its type in the Philippines. It was established in 1966 at the time of some turmoil in the industry. Membership is made up of national associations representing various coconut sectors, together with the Government-run Philippine Coconut Authority (PCA) and the United Coconut Planters Bank. Member associations include those representing coconut producers, coconut oil millers, exporters, desiccated coconut manufacturers, and virgin coconut oil producers. Associate members, who do not have voting rights, include shipping companies and insurers. The only major sector not represented on the Board is the traders who buy copra from farmers. There is no national organization of such traders.

UCAP is governed by an 11-member board, which meets in Manila every other month. Members are not paid. Board meetings are held over lunch as most members are businessmen who could not take off a whole day for a meeting. For the Association to adopt a policy stance requires the unanimous vote of all Board members. Executive Committee meetings are held in alternate months when there is no Board meeting. Three other committees also report to the Board. These are those on Research and Development, International Affairs and Membership. Other committees are established as and when required.

The Association is self-funding. Membership fees are assessed according to the capacity of member associations to pay. The main source of funds is an export levy paid to UCAP by the oil milling sector. It is a member of international oilseed sector associations such as FOSFA (Federation of Oilseeds and Fats Associations) and NIOP (National Institute of Oilseed Products).

UCAP has carried out a range of advocacy activities since its inception. In the 1980s the coconut industry was jeopardized by suggestions that coconut oil had a negative effect on health and UCAP generated resources to pay for a lawyer and lobbyist in Washington D.C., as well as for scientific research on the subject. The Association is presently conducting a campaign in the Philippines, where coconut oil is the main cooking oil, to promote its health benefits. UCAP also plays an active role in advising the Government on trade-related issues, regarding both the WTO and the ASEAN Free Trade Area. It has lobbied to have an export levy that is imposed by the Philippine Coconut Authority reduced, so far without success.

The Association has in the past carried out training courses to give industry participants from one sector a broader view of the coconut industry, but this ceased due to lack of funds. Limited resources also make it difficult for UCAP to carry out developmental activities for its own staff.

As well as advocacy work, UCAP produces daily, weekly, monthly and annual statistical reports for subscribers, as well as an annual journal "Coconuts Today", and various other statistical publications. It also produces and markets an electronic moisture meter for copra, which is sold both inside and outside the Philippines.

Source: Authors

## **Inter-professional Livestock and Meat Federation of Mali (FEBEVIM)**

The *Fédération des groupements interprofessionnels du bétail et de la viande du Mali* (FEBEVIM) was created in 1999 to organize the various bodies of the livestock and meat value chain, in order to promote activities from husbandry to consumption. FEBEVIM is the only representative body of the sector and has three main objectives: promotion of the value chain; coordination of activities regarding domestic and sub-regional trade; and creation of a framework for cooperation with private and public bodies, development agencies, etc. It is a member of the *Assemblée permanente des chambres d'agriculture du Mali* (APCAM).

Membership is on a voluntary basis and consists of 272 local associations and companies, of which approximately 50 percent are farmers, 30 percent livestock traders, and 20 percent processors. Individuals cannot join the Federation and are represented through associations. FEBEVIM is independent from any government agency and its revenue comes from subscription rights, annual membership fees, donations and subsidies. However, it regularly experiences financial difficulties, and lacks dynamism in finding additional resources. It is considering requesting a tax on infrastructure or on livestock exports, in order to diversify its resources.

FEBEVIM is managed by a General Assembly and a National Office, together with Regional and local offices. The General Assembly is the main decision-making body and the National office, consisting of 25 elected members, acts as the executive body. The President calls a meeting of the National Office once every three months and a meeting of the General Assembly annually. The General Assembly is composed of members of the National office and five members from each of the Regional offices. It can take decisions only if two-thirds of members are present. All functions are unpaid.

The Federation has elaborated a program of activities centred on organizational capacity building, provision of marketing information, and strengthening of production capacities. Its activities include promoting rural infrastructure, campaigning against illicit taxes levied at police road blocks, and promoting standards and norms. FEBEVIM has assisted the Malian Government in negotiations at the WTO, as well as with sub-regional negotiations.

FEBEVIM organizes an annual exhibition of livestock products. To build capacity of its members it organizes seminars and workshops, which are funded by various development agencies, such as USAID.

Source: Koné (2008)



## **Ghana Rice Interprofessional Body (GRIB)**

GRIB was established in 2004 to address the many difficulties being faced by the Ghanaian rice industry relating to quality issues and difficulties faced in competing with imported rice. It is the only such association in Ghana and was formed with technical assistance from the French Government. Previous experience in Ghana had been that representation of commodity industries by different associations representing different stages of the value chain was ineffective. At the beginning of 2007, the French Government was meeting 85 percent of the Board's costs. Plans for sustainability are under development and include acquiring warehouses to be used for rice and charging for their use.

Membership of GRIB is made up of 20 farmer organizations, 11 groups of rice millers, five female rice processor groups and 15 rice brokers or traders. While brokers and traders can join individually it is not possible for individual farmers to join. The Body holds an Annual General Meeting, at which around 80 percent of members are usually represented. There are also three annual Executive Committee meetings; these are attended by elected "zonal" representatives. It is registered as a company limited by guarantee. The eventual aim is to decentralize GRIB rather than having all activities based in the capital, Accra.

One of the major problems in the Ghanaian rice industry has been lack of cash flow. Farmers have had to accept delayed payment from traders and had no funds for new planting. GRIB has addressed this by facilitating loan transactions between a commercial bank and individual brokers, at competitive rates. GRIB also plays an important advocacy role and the Minister of Agriculture relies on it for information and advice on the rice industry. One of its objectives has been to ensure both policy formulation and implementation of that policy. GRIB was instrumental in persuading the Government to establish a rice development fund which is funded by a 5 percent levy on imported rice.

Formal regulation of the industry has so far not been seen as necessary but the Government has indicated that it would prefer regulation to be carried out by GRIB. For each producing area GRIB brings together farmers, banks and brokers and carries out a form of gross margin analysis. A margin is added to the estimated cost of production to arrive at an agreed price. The Board also "fixes" the milled rice selling price. However, it is not intended that such arrangements should last for long and the plan for 2007 was to carry out training for all stakeholders in price negotiation. Ghanaian rice receives strong competition from imports. GRIB believes that it must compete with imports on the basis of quality rather than through Government protection. It has an active programme of quality training, in association with technical assistance from the Japanese Government.

GRIB plays an arbitration role. Much trading is carried out on the basis of both trust and credit but there are often misunderstandings; for example regarding whether the applicable price is that when agreement is reached or that prevailing when delivery actually takes place. It also carries out promotion campaigns. It has worked with a chain of petrol stations in Accra to promote domestic rice and have it on sale at the stations. GRIB also produces a monthly newsletter and there are plans for a web site.

Source: Authors

## **Spices and Allied Products Producers' and Traders' Association, Sri Lanka (SAPPTA)**

SAPPTA was formed in 1984. At the end of 2008 it had 111 members, of whom 23 are on the Executive Committee and attend monthly committee meetings. Half the members are exporters, with the others representing producers, dealers, processors, service providers and brokers. Former chairmen can also be elected to the committee and there is provision to appoint one expert to the committee. SAPPTA covers all spices produced commercially in Sri Lanka, as well as cocoa, coffee, cashew, areca nuts and essential oils. The Executive Committee appoints ten sub-committees to cover each product and four sub-committees to cover media matters, the plantation sector, legal issues and meeting organization.

SAPPTA membership fees are low, at around US\$44 a year. Fees fund one employee of the Ceylon Chamber of Commerce, who works full-time on SAPPTA matters. There are no other paid employees. For other activities and short-term projects, such as seminars, trade fairs and technical assistance projects, the association and its members find funds from outside sources. SAPPTA carries out weekly produce auctions, issues weekly price lists and monthly Customs statistics, issues newsletters and conducts seminars and workshops. These activities are, in the main, done in SAPPTA's name rather than by the association. The association also works with the Export Development Board in promoting Sri Lankan products at international seminars.

There is no government representation in SAPPTA. An advantage of this is that decisions are taken faster, but the disadvantage is that the Government does not follow up the decisions quickly enough. Because Government does not sit in the committee, any policy decision recommended by the association must be conveyed by letter to the Government before there can be any official approval. Recently SAPPTA has looked at ways of increasing sales to India to take advantage of lower tariffs and has successfully fought a cap on pepper imports by India and a proposed increase in India's duty on cloves. A domestic issue successfully addressed has been the slow speed of Value Added Tax reimbursement. Work is also underway on quality improvement and pest control issues.

Source: Christopher Fernando and authors (unpublished)

## Value Chain Roundtables in Canada

Value Chain Roundtables were established in early 2003 to build and implement shared strategic visions for the agriculture and the agri-food industry to improve Canada's overall competitive position. They represent individual sub-sectors of the food and agriculture industry. There are roundtables for beef, cereal grains, horticulture, oilseeds, pork, seafood, special crops and the organic sector.

The industry leads the roundtable process and sets the agenda. Agriculture and Agri-Food Canada (AAFC), the Canadian Ministry of Agriculture, facilitates the process. The roundtables bring together industry leaders from across Canada and from all stages of the value chains: producers, processors, retailers and others. They are supported by analytical research by AAFC, which also organizes the meetings and provides expertise and financial support to help roundtables develop and implement their action plans. Federal officials also ensure that roundtable priorities on policy and programs help to drive planning and decision making.

While each of the eight roundtables is different and has set its own priorities, there are a number of cross-cutting issues affecting all. The roundtables have worked to identify where the gaps are in meeting consumer demands and buyer expectations. These may include deficiencies in current systems and infrastructure, systems that are being established but haven't matured, opportunities not being realized, or competitive advantages being gained by rivals in other countries.

Other common areas of interest include development of brand strategies; the health agenda (health claims regulation; functional foods); emergency management planning; traceability; transportation issues; research and innovation; and the impact of the regulatory environment on innovation and competitiveness.

Source: AAFC, 2007.

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## Commodity associations: a tool for supply chain development?

Commodity associations are here defined as organizations that bring together a wide spectrum of interest groups related to a particular commodity or sector (such as horticulture) in a particular country, whether the commodity is for export, for the domestic market or for both. Such associations can draw membership from individual farmers or their associations, from crop buyers, processors, distributors and exporters, as well as from suppliers of support services. Sometimes government agencies are also members.

Drawing on a literature review and case studies of relevant associations in Africa, Asia and Latin America, the paper explores the role of commodity associations in improving supply chain performance. Particular attention is paid to “inter-professional” associations, a concept first developed in France. These draw their membership from associations representing each activity, or “profession”, of the chain. Commodity associations can play an important role as a focal point for policy dialogue with government but they also have many other functions, including arbitration and regulation, setting or advising on grades and standards, promotion of trademarks or quality signs, support to research, export and domestic market promotion, and provision of information and statistics. The paper also touches on the concept of “value chain roundtables”, which may be considered a first step towards full chain association development.

The paper should be of interest to associations representing individual stages of a commodity chain that see merit in promoting associations with wider chain representation. Policy-makers interested in creating an appropriate enabling environment for such associations to flourish should also find the paper to be of value, as should chambers of commerce. There have been significant donor efforts to promote commodity associations recently and donor organizations may therefore also find the paper to be of use.

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