An Introduction to Collective Marketing by Smallholder Farmers

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Structure of the Session:

- Background discussion
- Model 1: The SACRED Model (public-driven)
- Model 2: The KPMC Model (private-driven)
- Plenary discussion
Creating opportunities for smallholder farmers to get “in on the action” …

**Model 1: Traditional Surplus Sales**
- Market
- Collector
- Collector

**Model 2: Collective Value Chain Sales**
- Market
- Marketing Organization
  - Coop/assoc
  - Marketing firm
  - Cereal bank
  - WRS
  - Auctions
  - aggregation
  - storage
  - transport
  - quality standards
  - finance/credit
  - accounting
  - marketing
  - sales/pricing
  - processing

Issues: power, scale economies, transaction costs, value creation, competitiveness, exclusion, leverage
Successful cooperation among smallholders requires…

1. a strong business rationale and relationships with the private sector – costs vs. benefits, there is a profit in it!

2. that the demands placed on farmer groups does not exceed their current group management skills and financial capacities – delegation to an audited management body may be needed!

3. the right internal cohesion and group dynamics (small size, homogeneity, face-to-face contact, accountability among members) – takes time!

4. a supportive legal environment (legal status of the FO).

Groups have a role to play but do not provide an easy institutional response to the new pressures facing smallholders in a liberalized economy. Nor should farmer cooperation be viewed as a panacea for the development of rural areas (Stringfellow et al. 1997).
Examples

- Large players!
  - Amul – 3 million dairy farmers in India
  - Juan Valdez – 500,000 coffee farmers in Colombia

- Examples from Africa
  - Rwanda - Rice coop program Ucorirwa
  - Kenya - Githunguri Dairy Farmers Co-op Society
  - Ethiopia - Oromia Coffee Farmers’ Coop Union
  - Uganda – Farmer group maize sales to P4P/Mukwano

- FAO training materials developed a number of innovative training approaches and materials for building the capacity of FO’s to put in place transparent financial, management and marketing systems.
Results from the current survey

- What collective activity?
  - Production: 39%
  - Buying inputs: 29%
  - Marketing: 13%

- Why not act collectively?
  - Don’t know who to collaborate with: 29%
  - Difficult to agree as a group: 23%
  - Waste of time: 22%

- Maize income collaborating farmers: 60% higher
The Public Role in Collective Action Models

**Traditional Role ("push")**

- The donor (or government) drives group formation, and provides most (even 100%) of management, strategy, operational, and marketing guidance.
- Subsidies and grants play a big role.
- The donor operates via a fixed-term project (often not more than 4 years).
- The donor typically has various objectives, both social and economic.
- Private sector/agribusiness (apart from the farms themselves) has little role in the project beyond input supply and output purchasing.

*Philosophy:* use public resources to show farmers the value of the collective model and they will adopt it.

**Alternate Role ("pull")**

- The donor (or government) has a smaller role primarily as a facilitator between producers and agribusiness, who are jointly in the driving seat.
- Equity investments play a big role.
- The donor provides basic services, such as training, on an on-going/permanent basis.
- Commercial viability is the core joint objective of agribusiness and farmers group.
- Donor services are provided according to the evolving needs of the farmer-agribusiness relationship and other changes in the staple market.

*Philosophy:* develop the collective model through farmer, private sector, public sector, civil society partnerships.

Models put forth by Neven, Woolverton and Okello, 2012

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