

REGIONAL COMMODITY ASSOCIATIONS INITIATIVE



PREAMBLE

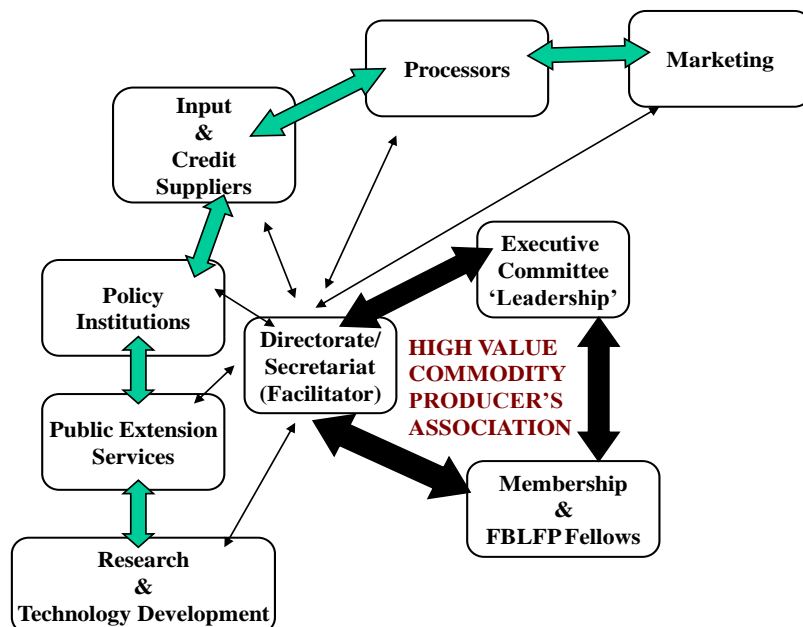
The Regional Commodity Associations run as IDEAA (Initiative for Development and Equity in African Agriculture) program sought to transform service delivery institutions (public, private and civic) to craft innovative ways of supporting rural communities in economic development programs. The program's rationale was that the supply of efficient and demand-driven services would result in improved productivity of the smallholder sector in Africa leading to an increase in household incomes.

The program was initiated in 1997. The *IDEAA-Fellowship* program was initially implemented in seven countries¹. The fellowship program developed 5 fellows and their mentors in each country. The program targeted middle management level officers as fellows and high ranking officers in agricultural institutions. The program was meant to facilitate the transformation of institutions that deal with smallholder agriculture. In 2000 the program was redesigned after a summative evaluation to focus on a market driven commercialization model (*IDEAA-Commercialization*) with a national focus².

The New Partnership for Africa's Development (NEPAD) scaled up the IDEAA-Commercialization model and applied it to its initiative for developing the cassava sector in Africa, known as the *NEPAD Pan Africa Cassava Initiative*.

PROGRAM STRATEGIES

Figure 1. Final stage of development of the Commodity Association: Relationships between IDEAA, High Value Commodity Producers Association and Commodity Chain Institutions



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Use of collective action to exploit economies of scale through the IDEAA-Commercialization program

¹ IDEAA was implemented in Botswana, Swaziland, Lesotho, Zimbabwe, South Africa, Mozambique and Malawi. In South Africa, the program was active in the three provinces of Limpopo, KwaZulu-Natal and Eastern Cape.

During the IDEAA program, producers of selected agricultural commodities were mobilised within each country into commodity associations to exploit economies of scale when procuring inputs, technology, credit, information and accessing markets. This allowed smallholder farmers, who mostly had; small landholdings (ranging on average from 0.3 – 2.4 hectares per household), limited access to essential services and produced relatively small quantities, to master a critical mass for collective action and to exploit economies of scale to reduce the costs of marketing of inputs and outputs. These associations provided a platform for smallholder farmers to engage in policy advocacy and lobbying, to improve their operational environments and increase support services from commodity chain institutions such as extension, research, input suppliers, processors, marketing and micro finance institutions. They also provided a forum for smallholder producers to share information, coordinate activities and make collective decisions and created opportunities for producers to get more involved in value addition activities. In the various countries commodities were selected and a process establishment and strengthening of commodity associations was implemented. Each commodity association was expected to capacity build the farmers in leadership and business skills to enable them to spearhead the formation/strengthening of commodity associations for producers of the respective commodities. They were expected to demonstrate that smallholder farmers could commercially produce high value commodities, through enhancing their business management and technical skills to increase productivity and access to markets.

The IDEAA program implemented a strategy for transforming smallholder agriculture into viable business enterprises by promoting the production, processing and marketing of high value commodities³ and linking producers with markets. The approach followed was an integrated farmer to market driven process along the commodity chain with the private sector intermediaries playing a key role. The IDEAA program recognized the need for simultaneous strengthening of production, processing and marketing of high value commodities.

PROGRAM IMPACTS

Improvement of Household Incomes

Household incomes were increased through the following:

- Increase in production levels and productivity: IDEAA interventions introduced technologies that increased the scale and volumes of production. Most of these interventions also improved the efficiencies of production by reducing operational costs, especially through the use of collective action.
- Production of high value commodities for targeted markets. Smallholder farmers produced engaged in the market driven production of high value commodities (horticulture, legumes, oil seeds, poultry and redmeat).

³ The farmers in Botswana and Limpopo Province of South Africa worked with tomatoes, Swaziland chose groundnuts, Malawi chose Cassava, Eastern Cape Province in South Africa identified red meat, Lesotho worked with Potatoes, Mozambique chose Sunflower, Kwazulu Natal Province in South Africa chose Chiles and Zimbabwe worked with Soyabeans.

In Mozambique, rural communities used the increased incomes to build better houses and to purchase draught animals. In Zimbabwe these incomes were used to send more children to school, while in Malawi they were used to purchase more nutritious food stuffs. The following case studies provide examples:

South Africa (Limpopo)

The IDEAA program in partnership with Agrilink (Pvt) Ltd organized commercial tomato farmers of Limpopo province to supply table tomatoes to Shoprite Supermarket chain stores that are spread through out southern Africa. During the first year of operation of this partnership, more than 50 tones of tomatoes were sold.

Mozambique

IDEAA introduced the commercial production of sunflower among smallholder farmers of Manica province. The program supported the production of the crop through the introduction of input credit and local processing of sunflower oil. The increased production of high quality sunflower attracted buyers from Beira, Quilemane and Maputo resulting in a 30% increase in prices. During the 2003 season individual sunflower growers earned an average income of \$ 500. One farmer was able to purchase a pick-up truck and the other purchased 6 additional oil pressing machines after two seasons.

Creation of Demand Driven Commodity Associations

The IDEAA model placed emphasis in the organization of smallholder farmers into commodity associations to enable them to use economies of scale to:

- Access and deliver inputs (including credit) cheaply.
- Transport and market produce more efficiently
- Reduce the costs of processing and value addition, and
- Facilitate training and provision of extension services.

The following commodity associations that were formed during the program are still functional to date:

- The *Sunflower Producer's Association of Mozambique* comprising 62 members from Susundenga, 42 from Barue, 78 from Manica and 62 from Gondola districts were originally formed to enhance access to credit from GAPPI, but eventually supplied improved seeds and fertilizer. This association is now used to facilitate the collective marketing of sunflower grain to Manica Oil (Pvt) Ltd.
- The *Zimbabwe National Soyabean Commodity Association* is an apex of more than 12 local associations representing 15 000 smallholder soyabean producers. The association provides facilities for accessing seed, fertilizer and inoculants and also facilitates the bulk supply of soyabean grain to processors and traders.

- The *Cassava Producer's Association of Malawi* is a national association that promotes the distribution of disease-free planting material and on-farm processing of cassava. The association currently has 5000 members.
- The *Eastern Cape Emerging Redmeat Producer's Association* (ECERPO) was established by integrating smallholder cattle producers groups into the already existing Eastern Cape chapter of the National Emerging Redmeat Producer's Association (NERPO). Through ECERPO, 300 smallholder farmers from the districts of Elliot, Uggie, Libode, Port St Johns, Nqeleni, Cholumna and Middledrift were able to organize the marketing of livestock and the upgrading of their herds with the indigenous Nguni breed.

In Zimbabwe, the Zimbabwe National Soyabean Commodity Association advocated for financial assistance for its farmers from the national government. The government offered the association a loan of Z\$ 200 million and has already disbursed Z\$ 70 million of this allocation.

Crafting innovative institutional arrangements: Creating agro dealer shops in Chimoio, Mozambique

The IDEAA program established 76 community based agro dealers to supply inputs for sunflower production in Chimoio province of Mozambique. Before IDEAA the major input suppliers for smallholder sunflower producers who only worked with contract farmers. These farmers were supplied with seed and bags (for packaging) at very cost, thereby cutting their profits. The IDEAA program trained 4 producers from each of the 19 sunflower groups. These were provided with a credit line and were trained in agro-dealership in conjunction with government extension services, Africare and an Austrian NGO (Austrian Cooperation). The dealer shop supplied inputs and extension services to 1 183 smallholder sunflower producers in Barue, Manica, Gondola and Sussundenga districts. Although the sunflower crop was affected by a severe drought that year (the 2002/2003 season), yield levels went up from 300 –500 tones/ha in the previous season to an average of 770 tones/ha. The majority of the beneficiaries got on average, USD122/farmer net income⁴ from the produce.

Commodity Chain Approach: The IDEAA transformation model of facilitating market driven production and processing by organized groups of smallholders is receiving wider acceptance by Ministries of Agriculture in the region. The Government of Malawi is promoting the production and processing of cassava, largely based on the experiences of IDEAA-Malawi that has successfully commercialized cassava production by smallholders. In South Africa, the Provincial Department of Agriculture for Limpopo province has adopted the IDEAA strategy for commercializing tomato, pig and beef production by smallholder farmers. The government of Lesotho and Swaziland have also adopted similar strategies for promoting the production of table potatoes and groundnuts, respectively.

⁴ These figures do not include the cost of labour

Figure 1. The Change Strategy illustrating the market driven interaction between organized producers and commodity chain institutions

