

# Organization development of chili farmer groups

## Background document

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## Preface

Chili farmer groups all over Kenya's Coastal Province are doing business with Equator Kenya Ltd.. The farmer groups are community-based organizations (CBO's) registered by the Ministry of Gender, Sports, Culture and Social Services. Equator Kenya is a registered Kenyan exporter of processed fruits and vegetables. Thousands of small farmers and hundreds of farmer groups currently deliver African Bird Eye chilies to the company, which dries and markets them internationally. The business relation is guided by agreements stipulating the rights and obligations of farmers, farmer groups and the company.

Organization development of chili farmer groups is essential for communicating with the company, improving production and productivity, training of farmers on good agricultural practices and conducting FFS trials, procuring inputs, accessing credits, selling produce collectively, keeping records and managing financial flows. Improving the performance of chili farmer groups is therefore of great importance, both for improving farmer income and livelihoods and for establishing a competitive ABE chili value chain. This is the justification for elaborating training modules on organizational development.

Training on organization development is complementary to technical training. The organization development training material is composed of seven modules :

1. The first module '*Establishing a farmer group*' targets new production areas where farmers are not yet organized as chili farmer groups. When farmer groups face fundamental problems, this module can be used to go back to the basics of farmer organization.
2. The second module '*Laying the foundation of a farmer group*' discusses the constitution and by-laws and the fundamentals of membership participation. This module is relevant for all farmer groups. Recently established farmer groups or farmer groups that have internal problems may be prioritized.
3. The third module '*Putting structures in place and defining roles*' discusses the organizational structure, office bearers and internal division of tasks and responsibilities. It is relevant for all farmer groups and allows to address recurrent operational problems that are often observed in farmer groups.
4. The fourth module '*Ensuring good governance*' is prepared for discussing best practices for leadership, communication and conflict management. It is of high actual relevance.
5. The fifth module is about '*Keeping records properly*'. It discusses organizational, financial and business record keeping, which are essential for internal transparency, external credibility and for the contract relation farmer groups have with Equator. It is also of high actual relevance.
6. The sixth module '*Developing business with partners*' focuses on the external relations of farmer groups have – or may develop - with other economic actors such as buying companies and traders, input suppliers and financial institutions. This module targets mature farmer groups that have a good internal organization, allowing them to be credible business partners.
7. The seventh module '*Participating in business environment improvement*' is envisaged for discussing lobby and advocacy activities. It is also intended for more experienced farmer groups and their higher tiers.

The different modules are geared to the training capacity of Equator Kenya. It is expected that Equator staff will facilitate participatory learning sessions of 2-4 hours, which take place at the level of farmer groups or collection centers. Since Equator staff regularly interacts with farmer groups, follow-up advice can be provided. The basic philosophy of the farmer group training is that the members are in charge of initiating and continuing processes of organisational change. External trainers and facilitators can only support and enhance these processes. The training sessions aim at arriving at concrete action plans defined by the members of the farmer groups. That's why the module titles are phrased in the active tense.

The training material on organization development of chili farmer groups is organized in three documents: (i) Background document; (ii) Trainer's guide and (iii) Facilitating farmer group learning. The latter elaborates on principles and tools for organizing and facilitating participatory training sessions. It provides advice that is of cross-cutting relevance for all training activities.

The purpose of the background document is to provide basic information on organization development of farmer groups. It provides general information that can be used to train primary farmer groups or higher tiers. It can also be used for training specific categories of farmer group members, e.g. office bearers such as chairpersons, secretaries or treasurers or specific functions that are of importance for chilli farmer groups. The background document consists of 7 chapters, which correspond with the seven modules. Each chapter provides input for the preparation of interactive training sessions. The background document is meant to be used alongside with the trainers guide and the note on participatory training and learning.

The trainers' guide suggests training plans and participatory tools for adult training. Training methods and exercises are tailored to the specific context of chilli value chain in coastal Kenya : existing agribusiness relations between farmer groups and Equator, available time and training capacity of Equator staff and the capacities and training needs of chilli farmer groups.

### **Acknowledgements**

*The training material on 'organization development of chili farmer groups' has been developed in the context of a project supporting improved and sustainable access of smallholder producers to export markets of processed horticultural products. This project was an initiative of the agricultural attaché of the Embassy of the Kingdom of the Netherlands in Kenya to support the emerging Equator business model. The support for the project 'Development of smallholders' production and supply chains in Kenya' of the Netherlands Ministry of Agriculture, Nature and Food Safety (LNV) is sincerely acknowledged. The component on farmer group organization development has been implemented by the Centre for Development Innovation (CDI) of Wageningen University and Research Centre (WUR), in collaboration with ETC East Africa and KENFAP. Field work concerned self-assessment of organizational capacities training needs assessment and testing of modules. All activities were conducted in close collaboration with the management and staff of Equator Kenya and many chili farmer groups. The fruitful collaboration with Equator and the active participation of chili farmers has been very useful and is highly appreciated.*

## CHAPTER ONE

*Three-quarters of the world's 1.2 billion poor people live in rural areas. Most rural people are farmers who largely depend on agriculture and natural resources for their livelihoods. The large majority of farms are small scale, both in the 'North' and the 'South'. 85% of the 460 million farms in the world have less than 2 hectares. In most countries, farms are organized as family farms, with limited use of hired labour. Family farms are generally small and have limited power.*

*'Small producers' in all agricultural sectors (crops, livestock, fisheries and forestry) are increasingly organized. There is a long history of farmers organizing themselves. By working together, farmers can join efforts and pool resources (human and financial resources, knowledge and experience, ...), in order to make their individual livelihood strategies more successful. Together small farmers can realize things they can't do individually. It is therefore often stated that organizations can enable ordinary people to realize extra-ordinary things !*

*This chapter discusses some concepts and issues related to establishing farmer groups.*

### 1. ESTABLISHING A FARMER GROUP

#### 1.1. Rural groups

*What is a group?*

A group is the coming together of two or more people that have a common vision, purpose or interest. Members of a group choose to work together to solve problems or to reach goals they cannot individually solve or achieve. Groups address common needs, problems and challenges with the aim to find solutions. These solutions are then transformed into services to members. Groups thus provide services to members, which the latter cannot get by operating alone.

*Formal and informal groups*

A group can be formal or informal. Formal groups are officially registered, have a constitution and by-laws, have a defined organizational structure and elected office bearers. Informal groups are not registered and more loosely structured, e.g. wedding, burial groups and others. Formal recognition and structures are important for engaging in official relations such as agribusiness (collective procurement and marketing, contract farming), financial transactions (payments, bank loans) and also for receiving government and donor support.

*Community based organizations*

In rural communities, there are many groups. These are called Community Based Organizations (CBO's). Examples of community groups are: women groups, youth groups, wedding groups, burial groups, faith-based groups, self-help groups, primary cooperatives, saving and credit groups (for instance merry go round), etc. CBO's are based on voluntary membership of people in the community. They are generally open to

all persons who are able to use the services and willing to accept the responsibilities. All members contribute to the funds and the activities of the group.

Farmer groups fall under the broad category of CBO's. In Kenya, they are most often registered under the Ministry of Gender, Sports, Culture and Social Services. This depicts the social character of farmer groups. Some farmer groups register as cooperatives. The cooperative model is however not very popular because of (negative) experiences in the past. This has led to a situation that many farmer groups undertake 'cooperative-type' activities without calling themselves cooperatives.

### *Distinguishing community-based and commodity-based groups*

Depending on the type of benefits members seek, a distinction can be made between community-based groups and commodity-based groups.

- Community-based groups often take up different kinds of activities and pursue several economic and social goals. These organizations are often quite opportunistic. Many community groups are created to be visible for external government or donor support.
- Commodity-based groups generally concentrate on a specific economic activities. They are formed for realizing specific economic benefits. They may specialize in a single commodity and undertake value addition activities with the aim to be more successful on the market(s) of their produce (for instance chili producer groups, mango processing and marketing groups and others). Value addition could be achieved through better agricultural practices leading to higher production and better quality, storage and conservation of produce leading to reduced post-harvest losses and higher prices, collective procurement and collective marketing leading to lower costs for inputs and higher prices for outputs etc.

Community-based groups generally corresponding with geographical units and diversified in terms of the activities they undertake. They generally do not establish higher tiers. Commodity-based groups are generally specialized; they may go well beyond geographical units. Commodity-based groups often establish higher tiers: think of zones or networks of farmer groups or of cooperative unions and federations. In case of commodity value chains, first tiers generally specialize in production and storage; higher tiers might take up processing and marketing functions.

## **1.2. Why forming a farmer group ?**

### *Perceived benefits*

For farmers joining a farmer group, the bottom-line is that the time and money spent on group activities is worth the effort: it should be beneficial to the members.

Benefits should be understood in terms of livelihood improvement. This goes well beyond higher income only. Other objectives are for instance also security of land rights, natural resource management (forest protection, soil and water conservation, ...), water and sanitation, road improvement, internal resource mobilization (saving and credit groups), mutual aid in case of problems, access to information, training and education, social events and – often very important - acquisition of external support. Perceived benefits can thus be very diverse.

It should be noted that the cost of farmers to be a member of a group is generally quite low. That's why rural people are often member of many groups. Affiliation to groups is part of livelihood strategies of rural households. Many groups are often quite dormant,

waiting for external partners to show interest to work with them. These are not really self-help organizations.

### *Motivations*

Constraints and/or opportunities trigger farmers to establish their own organizations. Three major objectives for establishing farmer groups can be distinguished:

- *Economic motivation (utility)*. Through collective action, it is possible for individual farmers to do things that are individually impossible. Examples are collective procurement and marketing. From a utilitarian point of view, the economic benefits of membership should exceed the costs of membership.
- *Socio-cultural motivation (identity, mutual aid)*. Members generally share a lifestyle, culture, vision and/or geographical area. The social importance of farmers' organizations for maintaining and creating identity and for mutual aid is often very important.
- *Political motivation (conformity and opportunism)*. The policy environment may 'push' or 'oblige' farmers to establish groups, associations or cooperatives. Farmers often do so to be in conformity with national laws and policies. They also have opportunistic reasons: as a group they are more visible, which may help to get government or donor support.

The relative importance of the economic, socio-cultural, and political motivation varies from one (type of) farmer organization to another. Most farmers' organizations are quite hybrid, combining economic, socio-cultural and political motivations.

The prevalence of social and political motivation may affect professional and economic management. Groups that are for instance opportunistically established to attract external funding are not likely to be economically viable groups. Instead of looking for solutions themselves and reasoning from the internal (human and financial) resources at hand, they wait for solutions in form of external advice and funding.

### *Farmer group service provision to their members*

The main objective of a group is to effectively provide services to its members. Some typical services that could be offered by farmer groups to their members include but are not limited to the following :

- Drawing on each group member's knowledge and perspectives
- Facilitation of training of members, collaboration with research and extension and other service providers, collection of useful information on markets, technologies, regulations, etc.
- Collective procurement and marketing through joint negotiations with input dealers, traders, processors and other suppliers and buyers;
- Facilitating access to bank loans and external support;
- Defence of interests of members at the level of public institutions;
- ....

The box below elaborates a bit further on economic services that farmer groups can provide to their members.

## **Services of farmer groups to members**

### *Collective procurement*

By identifying the input needs of their members, farmer groups can engage in bulk input purchases. With larger quantities to buy, farmer groups can negotiate lower prices and farmers can save on the costs of inputs. In collective procurement, farmer groups can ask several suppliers to make a bid. The best offer in terms of price and quality is chosen. Transport of the inputs to the production area may be part of the tender/offer. Input provision is a key service to members of a farmer group. It can generate savings for the members. Members of farmer groups involved in collective procurement may decide that a part of the realized cost reduction is for the benefit of the group account.

### *Joint transport of produce*

When farmers have to deliver produce to the market, farmer groups may deal with transport companies on behalf of their members. With larger volumes, farmer groups are able to bargain lower prices per unit (kg, bag, animal). Improved transport conditions help to improve control over the delivery and safety of the produce. Like in the case of collective procurement, farmer groups can save around through lower transport prices.

### *Joint marketing of produce*

By pooling members' produce, farmer groups may negotiate for better and/or more stable prices, which often are not accessible for an individual farmer. Registered farmer group that have significant quantities to offer, are able to build long term business relations and access new markets and marketing channels.

### *Joint investment*

Groups are able to develop the culture of saving and credit, which may not exist at individual member level. By joint saving a farmer group can get additional loans for joint investments of the group, for instance for storage facilities, collection centres, processing, transport, farm supplies or other joint business activities.

### *Collection and dissemination of information and training services*

It is often very difficult or even impossible for an individual farmer to get information and training on new products, production methods, markets, prices, laws and regulations. Groups can establish contacts with relevant public and private organizations and access training and information services for their members. These services may be subsidized or even for free (case of projects). Within farmer groups, trained members may inform and train other members, thus ensuring an internal flow of information and professionalizing all members of the group. Farmer groups can organize exchange visits to other farmers or farmer groups that undertake similar economic activities. Exchange visits are services that serve both as a training and a motivation for the group members.

### *Lobby & advocacy*

By identifying key problems that negatively affect the members' farming activities, farmer groups can approach the public institutions and business partners and negotiate for the improvement of the business environment.

## **1.2. Participation in groups: may have advantages, but is not easy !**

..... *Participating in groups may have advantages ....*

While some people may prefer to carry out income generating activities individually and may be well suited to doing so on their own, there are a number of advantages in working together as a group. These advantages include:

- *Sharing of members' skills, time and resources.* Groups provide members with the opportunity to share skills and knowledge. Some members could be good at figures, while other are good working with their hands. Some people are very quick in learning technical things, while others are gifted in handling people. Everyone is good at something; by working together, the group can take advantage of this. Members of a group benefit from this; they may acquire new skills and knowledge.
- *Division of work.* Dividing roles, responsibilities and tasks amongst the group members allows to make the best of the time everybody has available.
- *Motivation and confidence.* Even the hardest or most tedious jobs are less unpleasant when people work together. Collective activities (procurement, marketing, group bank loans, ...) makes the accomplishment of tasks easier. They can continue even if an individual member is sick or not available. Groups are great for motivation: members can encourage each other. Groups give members, especially the vulnerable, more self confidence and recognition. People are usually more willing to try something new if they are not alone, or can at least ask others what they think.
- *Mobilizing external assistance.* It is easier for groups, rather than for individuals, to get assistance from the outside (training, loans, advice from rural development agencies etc.). It is difficult for rural development agencies to reach individuals because it would be too expensive, inefficient and possibly impractical. However, when people work together in groups, they can be reached more easily.
- *Decision-making.* Decisions taken in a group are often better and more realistic than those made by individuals. People tend to relate ideas to their own experiences. Group decisions are made based on many experiences from the members and they are more likely to be realistic. If other people are willing to risk their resources, time, skills and money, this would suggest that the idea is probably less risky.

..... *but participating in groups is not easy.....*

Working in groups is not easy. Some difficulties that are generally encountered are the following:

- The main purpose to create a farmer group is to help the farmer to run his farm as a business more successfully. Farmer groups can't survive if farmers have unreasonable expectations about what the group can do for them and what obligations they have.
- Payment of membership dues. Participation in a group also adds additional costs to the farmer for maintaining the group. Farmers have to pay for joining the farmer group and for weekly, monthly or annual contributions. In case of joint marketing, they may have to pay a certain percentage of the quantity that is collectively sold. Most farmers are reluctant to pay these contributions.
- The farmer has to adhere to a code of conduct. He/she has rights and obligations and has to abide to the rules and regulations that are stipulated in the constitution and by-laws. Insufficient respect of the 'rules of the game' is a widely spread problem of farmer groups.
- The farmer has to participate in joint activities according to group decisions. These activities do often not come at a convenient time. Long group interactions may give a member the idea that he is losing time, that he/she could have spent on other

activities. Not everyone in the group will be committed to the same level in carrying out group tasks. This may give rise to frustrations.

- Group decision making takes longer than individual decision-making. Groups often take long before reaching a consensus.
- Frustrations, disagreement and conflicts often arise in groups.

### 1.3. Group formation process

#### *How farmers' organizations evolve*

Organization development is defined as a process leading to improved functioning and performance of an organisation by changing/strengthening structures, work processes and procedures, behaviour and attitudes.

The box below presents an example from the Netherlands. It shows that farmer groups move forward by taking small steps at the time. First results create new conditions, new market opportunities and new possibilities for collaboration.

#### *Farmers' organizations in the Netherlands*

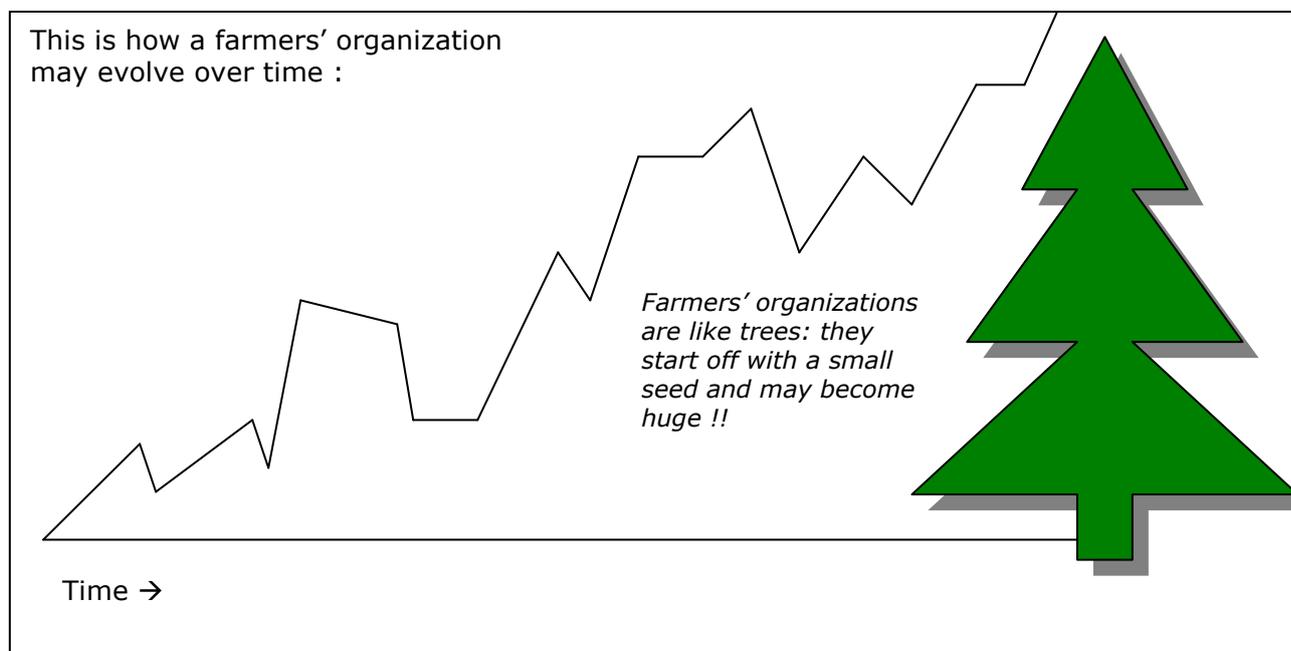
In the Netherlands, farmers started 'modern' farmer groups in the 19<sup>th</sup> century (more than 150 years ago). The first 50 years of a farmer organization in the North-East of the country, which is an important potato production area, may serve as an example:

- *How did they start ?* Very small, it were just some few farmers that start off, under the guidance of local elite (priests, doctors, teachers, lawyers, ...).
- *What were the conditions?* Farmers were very poor, illiterate, food insecure and living in miserable conditions.
- *What kind of activities did they start with ?* Very practical things: literacy training, small study groups (like FFS), exchange of experiences, trying out new cultivation methods.
- *What were the next steps?* After building confidence and trust in each other, the farmer groups engaged in collective purchase of simple ploughs, to be pulled by horses. This allowed the extension of cultivated areas, which led to higher production and satisfaction of home consumption needs. More and more there was a marketable surplus.
- *What came next ?* Blacksmiths for repairing the ploughs, joint raising of male horses to improve the quality of draught-horses, installation of processing units for the production of potato starch (etc.). This led to increased professionalization and increased income. By having a more secured income, farmers became eligible for credits of banks, which, at first, were very reluctant to take the risk of investing in the agricultural sector.



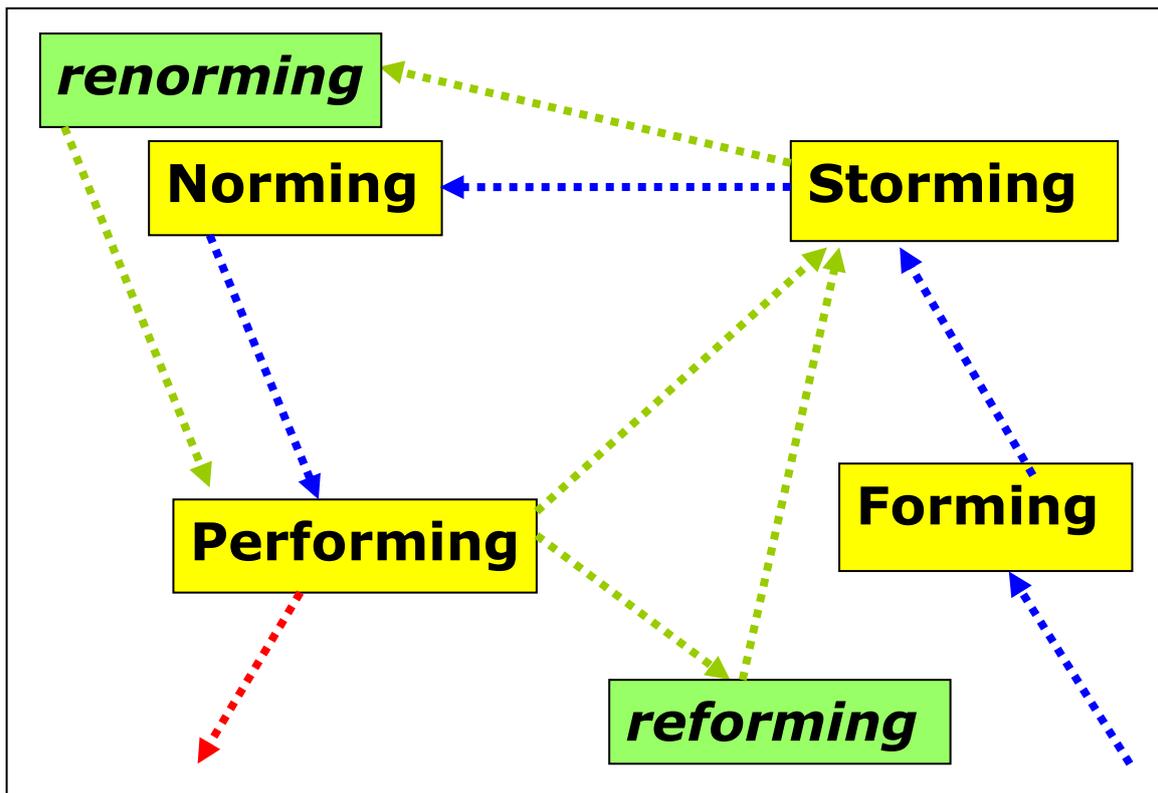
Also Kenya has a history of farmers' organizations. Taking national independence as a starting point, Kenya has some 50 years of experience with farmers' organizations. After independence, the government promoted cooperatives, which, unfortunately were often mismanaged. Many cooperatives collapsed, but quite some cooperatives survived and are a reference for cooperative movements in other African countries. All over Kenya, farmers have created (and are creating) all kinds of CBO's and self-help groups. At intermediate level (Districts, Provinces) there are many farmer networks and unions (second tiers). At national level, there are farmer federations and platforms (third tiers).

In a book called "Cooperating out of poverty", there is a chapter on the qualitative and quantitative growth of the cooperative movement in Kenya. A lot of problems are mentioned: financial mismanagement, theft, government interference, officials and local elite dominating the organizations, exclusion of ordinary farmer members, donor dependency, internal litigations, failure to hold general assemblies and elections (etc.). These problems are not typical for Kenya. They exist in farmers' organizations around the world. Also the history of the farmers' movement in the Netherlands is marked by tensions. Periods of growth and extension are followed by conflict and demise. Viable organizations can relate with these risks and can flourish afterwards, maybe after a period of consolidation.



#### *Different phases*

Group establishment generally goes through different phases. In literature on organization development, the following four phases are generally distinguished: forming, storming, norming and performing. These phases do not necessarily have to follow each other. In some cases, groups may skip a phase. In other cases, they may 'fall back' from one phase to another. The desired outcome of a group formation process is however to operate as a team that achieves common goals. A group formation process is thus cyclic in nature as outlined below:



Forming is the first stage in group formation when individuals come together for a common task or solve a common challenge, for instance collectively selling chilies to Equator Kenya. In the forming stage, personal relations are characterized by uncertainty. Groups rely on safe, patterned behavior. Members often look up to the initiator /group leader for guidance and direction. Group members need to know that the group is safe and promising. At first, members gather impressions and data about the similarities and differences among them and they develop preferences for future sub grouping. Rules of behavior are important to keep things simple and to avoid controversy. In this stage there are not yet structures in place. Each person may have ideas on how things should be done but may shy away since they don't want to be controversial in the beginning and also want to be accepted by other members.

Storming is a stage where the members are familiar with one another and start showing their true 'colors'. This stage is characterized by competition and conflict in the personal relations dimension. Members show some level of independence by the way they express their approval or disapproval. As the group members attempt to organize for the task, conflict inevitably affects interpersonal relations. Although conflicts may erupt, they do at least exist under the surface. The members at this stage question on various issues e.g. who is going to be responsible for what? What are the rules and how are they going to be applied? ; How are benefits going to be used and by whom ? With these questions, conflicts over leadership, structure, power, and authority may arise. The storming phase is the stage where groups 'make' or 'break'. Young groups have the need to put a clear constitution and guiding by-laws in laws. Existing groups that 'fall back' in a storming period may need to fundamentally revisit the constitution and by-laws and especially discuss how rules and regulations are implemented and adhered to.

In the norming stage, interpersonal relations are characterized by cohesion and there is rule of law. Group members pay their dues and are engaged in joint activities (for instance building a chili collection centre or attending the chief's baraza on behalf of the group). At this stage, members accept each other and recognize each other's efforts. It is during this stage of development that people begin to experience a sense of group belonging and a feeling of relief as a result of resolving interpersonal conflicts.

Some characteristics of this stage are: information sharing between group members; sharing of feelings and ideas; giving feedback to one another; exploring actions related to the tasks at hand; soliciting for funding, collaboration and partnerships. Creativity is high. Interactions are characterized by openness and sharing of information on both a personal and task level. Members feel good about being part of an effective group. During the norming stage, leading to group performance, some members may resist changes that result from creative and intensive interaction. These members may consider leaving the group. From the norming stage, a group can thus either 'fall back' to a storming phase or continue to the performing stage.

The performing stage is not necessarily reached by all groups. If group members are able to evolve to this fourth stage four, they really start to be a team with a good division of responsibilities and tasks. Members are both highly task oriented and people oriented. Personal relations are characterized by interdependence and trust. Leaders and members adjust to the changing needs of the group and individuals. There is unity: group identity is clearly established, group morale and loyalty are high. Since the overall goal of group formation is productivity through problem solving and team work, groups that reach this stage perform at peak.

#### *Team work*

In the performing stage, members can work independently, in subgroups, or as an entire group. They can operate as a team and mobilize individual capacities of members. Like in soccer, a team is a group of people with a clear objective or goal (winning the game) that is shared by all team members. The team members depend on each other (are interdependent). Some members are goal keepers, others are strikers, while others are midfielders and defenders. A farmer group that operates as a team maximizes on its financial and human resources and jumps on opportunities when they occur. In that manner, they provide the maximum services to their members, who consequently are highly motivated.

Farmer groups to operate as a team should :

- pursue a clear goal that is shared by all members;
- have members that are committed to work together to achieve this objective;
- spread roles among members so as to best employ available knowledge and skills necessary for completing team tasks and avoiding that some individual members are overburdened while others hardly contribute.

## 1.4. Different types of farmer groups

Farmers' organizations are established, governed and controlled by farmers, in view of realizing joint activities for the benefit of associated members. Key words are farmer ownership, farmer control and – as we saw before – service provision to farmer-members. Service provision is typically not commercial; services are provided on a non-profit or cost basis.

Farmer groups can be classified according to different criteria: origin, legal status, membership base, purpose, type of services to members, scale and level of operations, level of autonomy and others. Combining the type of services provided to the intervention level gives the following overview:

	<b>Political services</b>	<b>Economic services</b>	<b>Financial services</b>	<b>Innovation, information &amp; training services</b>	<b>Social services</b>	<b>Special services for women</b>
<b>Local level (first tier)</b>		Cooperatives / farmer groups (commodity-based)	Saving and credit cooperatives	Study clubs, FFS, FRG, farmer radios	Associations	Women groups
<b>Intermediate level (2<sup>nd</sup> tier)</b>	District or Provincial platform	Union of cooperatives	Union of SACCO's	District or provincial network		Provincial forum of women organizations
<b>National level (3<sup>rd</sup> tier)</b>	National farmers' platform	National federation of cooperatives	National federation of SACCO's	National network		National women league
<b>MAIN FOCUS</b>	<i>Representation, defense of interests, policy development, Lobby and advocacy</i>	<i>Economic service delivery, input supply, production, marketing, processing</i>	<i>Provision of financial services (savings, credit, insurance)</i>	<i>Information, learning and training</i>	<i>Mutual assistance, visibility to outside world</i>	<i>Services to women</i>

The farmer groups at the Kenyan coast cannot be exclusively classified under a particular type of local level farmer organizations. FFS groups are presumably more focused on training and innovation. New chili farmer groups may have a predominant economic orientation. In reality, most farmer groups are likely to be multi-purpose; providing social, economic, training and political services.

When looking at the membership base, there may be women groups, male groups and mixed groups. Women groups, like all farmer groups, may provide different types of services.

### *Organized farmers as value chain actors*

Farms are small enterprises and farmers are small entrepreneurs. In the remainder of the document we will focus on the fact that farms are small enterprises and that farmers as small entrepreneurs. We will primarily consider farmer groups as 'joint enterprises'

that undertake collective action. This requires competent management of both member-related and enterprise-related aspects so that farmer groups are autonomous and independent democratic organisations that undertake economically viable activities on behalf of their members.

As of recent, value chain actors (processors, exporters, supermarkets, ...) are more and more interested to do business with organized farmers. Corporate social responsibility, high demand for agrifood products, quality standards, traceability and certification requirements are important push factors. Organized farmers are increasingly perceived as partners in agribusiness. In the cocoa sector, large companies ask for instance the following questions:

- How do we accelerate the formation of effective producer groups ? Sub-questions are: What are the characteristics of effective producer groups ? What can be done to accelerate the formation of effective producer groups ?
- How do we rapidly build local capacity to get producer groups qualified for certification? Sub-questions are: What local capacity is needed to help producer groups qualify for certification ? What can be done to rapidly build this local capacity ?

These questions are also highly relevant for building a competitive international ABE chili value chain !

## CHAPTER TWO

### 2. LAYING THE FOUNDATION OF A FARMER GROUP

*This chapter first discusses the basic functioning of a farmer group. It then underlines the importance of the members as the social capital of the group and the constitution as the guiding document for all management procedures and joint activities of the group.*

#### 2.1. The basic functioning of a farmer group

Farmer groups are membership-based organizations. Key words of a functional farmers' organization that works for the interest of its members are ownership, self-help, transparency, openness and accountability. The basic functioning of a farmers' organization can be described as follows:

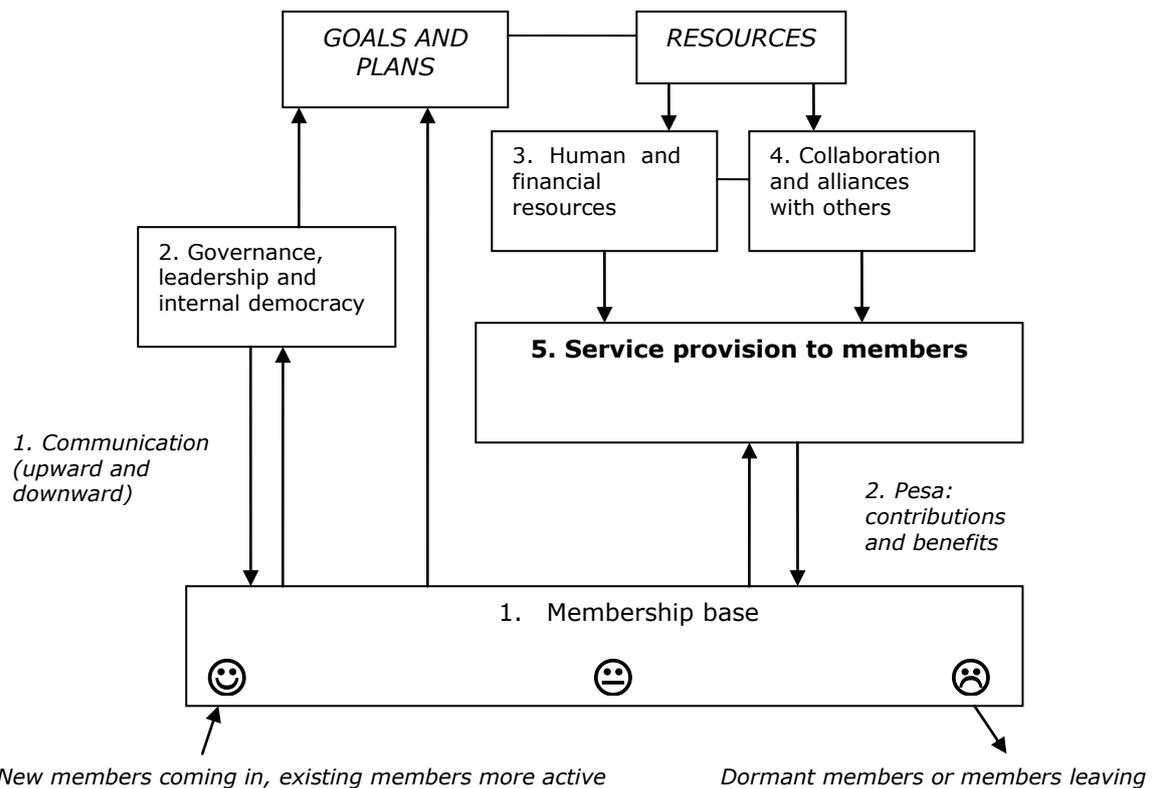
1. Farmers' organizations are established, governed and controlled by farmers, in view of realizing joint activities for the benefit of associated members.
2. Among themselves, members elect the committee or board members. These elected farmers occupy the functions of chairperson, secretary, treasurer and other relevant functions. The elected persons are given the responsibility to govern and represent the organization according to the established internal rules and regulations. The elected persons and bodies need to account for their activities to the members.

*Together, farmers and committees define the goals and operational plans of the organization. This is why farmer groups are self-help organizations. Goals and plans relate to the results to be attained, activities to be undertaken and the use of resources.*

3. For attaining the goals and expected results, farmer groups need human and financial resources. Human resources (*watu*) refer to qualified people (farmer-members, committee members and staff). Financial resources (*pesa*) refer to money (internal and external). Both human and financial resources should be managed in a transparent manner.
4. In order to get the desired results, farmers and their organizations also need to collaborate with others (*ushikiriana*). Partners of farmers' organizations are for instance: banks, input dealers, trading & processing companies, local government, research, NGO's, .....
5. If these preconditions are met, farmers' organizations can provide good services to their members (training, marketing, input supply, ....).

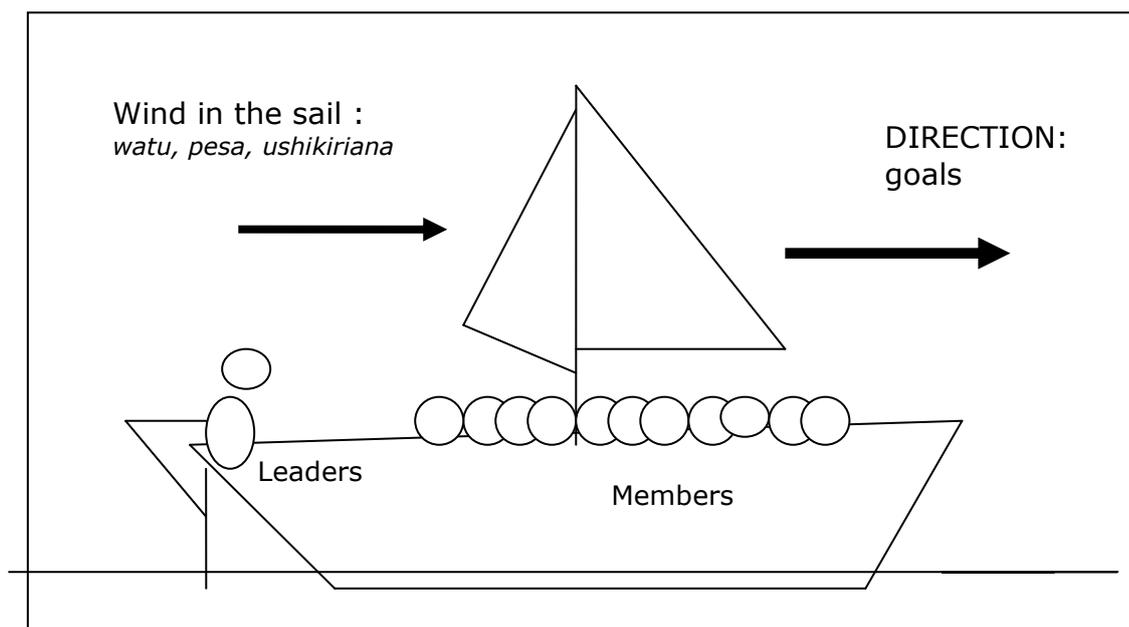
If the services and benefits are good, farmers are likely to remain members of the organization and contribute to it. If not, they may leave the organization or become 'dormant' members.

These dynamics can be visualized as follows:



*Farmers' organizations are like a boat*

Taking the elements that were discussed above, a farmers' organization can be thought of as a boat (*dhaw*). The boat symbolizes the capital of the organization, members have put some money together to undertake collective action (for instance: going to Mombasa by boat instead of swimming alone in the sea). Members are the passengers in the boat. Elected leaders steer the boat. The sail is put up and maneuvered to go in the direction defined by the members and the leaders. Three types of resources determine the power of the wind and the speed of the boat: human resources, financial resources and collaboration with other stakeholders.



*Can outsiders help developing a farmers' organization ?*

In any case, they can't do so in the place of the farmers. Farmers could possibly use external support and advise of outsiders to strengthen their organizations, but only if they are in the driver's seat. There are however some important risks:

- External organizations may determine the direction the organization is going;
- Instead of downward looking to the members, leaders of the organization look up to the donors (and may forget about the members .....).

These two situations are frequently encountered. Farmers' organizations should therefore think twice when having the opportunity to get external funding: it may bring in funding but weaken the organization.

**2.2. Membership base**

*Rights and obligations of members*

The members' role is "to make the farmer group work". The members are the owners, the users, the workers and the ones who control the organisation. In these roles they have certain rights and obligations. The most important ones are the following:

<b>A member has the right to ...</b>	<b>A member has the obligation to ...</b>
<ul style="list-style-type: none"> <li>- Elaborate, approve and/ or change the constitution</li> <li>- Elect of office bearers</li> <li>- Require office bearers to comply to the law</li> <li>- Being informed about the group activities</li> <li>- Participate in decision-making ; vote on significant actions of the group</li> <li>- Evaluate the performance of the group and its leadership</li> <li>- Get an equitable share in the use of jointly owned equipment</li> <li>- Co-sign binding contracts between the farmer group and its partners (for instance contract farming agreement with Equator Kenya)</li> </ul>	<ul style="list-style-type: none"> <li>- Participate in making group by-laws/constitution, amendments etc.</li> <li>- Elect office bearers and committee members according to group constitution and by-laws</li> <li>- Provide financial contributions in line with group's rules and regulations ;</li> <li>- Contribute to the reimbursement of group loans</li> <li>- Abide to the constitution, by-laws &amp; contracts</li> <li>- Attend the AGM and all other important meetings</li> <li>- Receive, question and ratify reports of the committee</li> <li>- Give accurate information to the group</li> <li>- Support the leader in their duties and tasks</li> <li>- Actively participate in group activities with aim to achieve group objectives</li> <li>- Execute group tasks when requested upon by committee/group members</li> <li>- Respect contractual agreements of the farmer group</li> <li>- Promote the farmer group to potential members</li> <li>- Build up and maintain the good image of the farmer group in its external environment</li> </ul>

### *Diversity of the membership base*

The members of a farmer group differ. Important criteria for distinguishing the characteristics of the membership base are the following:

- Size of holding; ownership of land, livestock
- Gender, male and female members
- Age, young and older members
- Education, literacy, level of formal education, exposure to new things
- Importance of the commodity (in case of a commodity oriented organization).
- ....

For the good functioning of the organization, e.g. the provision of appropriate services, it is important to know the characteristics of the members and to know their needs for services. Knowing the differences among members and providing tailor-made services for certain sub-groups (for instance: women, illiterate members) is also very important for involving all members

### *Managing internal human resources*

Since most of the farmer groups do not have a high regular income, they are not able to employ part-time or full-time staff who can do the daily work of providing the services and keeping the records of the group. Members therefore must be ready to do volunteer work for their group. Apart from serving the group as an office bearer (chairperson, secretary, treasurer), members are needed to act as coordinators for the different services offered by the group such as input supply, production and agricultural practices, collective marketing, management of collection centre, grading, etc.

It is important that a farmer group consider gender and age (how to actively incorporate women and youth in the activities and management of the group) and – when relevant – how to deal with HIV/AIDS affected members. When it comes to elections of office bearers, both genders should have the same rights. Especially for the typical activities done by the secretary and the treasurer, women often have good qualifications and personal skills like accuracy and social responsibility. People who are HIV/AIDS positive, can no longer work hard in the fields. A group could invite them to coordinate certain services. As many of them are happy to be integrated into the community and to be of use for the group, they could prove to be reliable and dedicated volunteers. A group should also consider incorporating young people into group activities. They often have a good education, are interested and ready for change. Involvement in group activities prepares them for leadership functions. It also may contribute to reduced departure from the countryside to cities (where an often uncertain future awaits them ...).

For making the best use of the human resources of the farmer group, it is an option to invite/encourage people with a relatively higher level of formal education to take up roles that capitalize on their level of training and professional experience. Retired civil servants that have returned to the rural areas and are member of the farmer group could for instance be an asset for proper record keeping. People with an agronomic background could be resource persons for training within the group. A farmer group should however not transfer the entire responsibility of farm group management to them. Higher educated people could however be incorporated in the group of office bearers. In case of chilli production groups, it is important that they grow chillies themselves !

The job descriptions of statutory office bearers and the issue of functional positions in the farmer group are developed in chapter 3.

## **2.3. Constitution**

### *Constitution and by-laws*

A Constitution making is a written document that establishes the fundamental goals, principles, rules and regulations of the organization. A constitution is the most important group document. It is a pre-requisite for registration of groups with relevant government authorities. And more importantly, it is the reference document for the internal management and the joint activities of the organization.

When need arises, a constitution could be reviewed, but this is rather difficult. Changes require a minimum quorum, normally two-thirds of the members present at the annual general meeting (or general assembly). In addition, a new constitution has to be presented to the registration body. Many groups and associations therefore have separate by-laws, such as "Management Policies", "Procedures Manual" or "Internal Regulations".

### *The purpose of a constitution*

A constitution gives the group and its members purpose, direction and guidance. A group without a good constitution lacks operating procedures, hence a large potential for mismanagement and lack of transparency, which may result in conflicts among members.

There are numerous situations when a constitution is specifically needed:

- If somebody wants to become a member (eligibility criteria)
- If a chairman has to be elected or dismissed (election procedures)
- If a member is never attending the meetings (roles and obligations)
- If profits or losses have to be distributed to members (utilisation of profits)
- If a member is not fulfilling duties or paying his membership fees (sanctions)

### *Elaborating a constitution*

Making a constitution is essential any young organization. In principle, each group is free to set up its own constitution. However, it is usually more efficient to take a sample or specimen constitution and adapt it to the specific needs and circumstances of the group. Templates for associations, non-governmental organisations and smallholder farmer groups are available; an example is provided below.

### *Making members to understand the contents of the constitution*

The process leading to a constitution is as important as the actual contents of a constitution. In fact, every member of the group should understand the contents of the constitution and know how group decisions should be taken, how long leadership positions can be held, how internal communication should be organized and what are the consequences of not respecting the internal rules and regulations. Considering the differences between members is important in this respect. In many farmer groups, it is likely that the majority of the 'ordinary members' do not know and understand the constitution.

## TEMPLATE OF A CONSTITUTION

A constitution should include the following components :

1. Name, location, address of the association
  2. Goals and objectives of the association
  3. Rules on membership (eligibility, entrance, expulsion)
  4. Entrance and subscription fees
  5. Organizational structure (statutory and functional office bearers)
  6. Duties of office bearers and their terms of office
  7. Responsibilities of the executive committee
  8. Annual General Meetings and Special General Meetings
  9. Procedures at meetings
  10. Financial management (purposes for which funds may be used)
  11. Inspection of accounts, internal and external audits
  12. Creation of branches
  13. Procedures to revise/amend the constitution
  14. Conflict management procedures
  15. Dissolution of the association
- List of members*

### *Democratic control*

According to the constitution, each member has the right to exercise democratic control on decisions and activities of the farmer group. This democratic control should be exercised according to stipulated rules and regulations. The constitution should give a clear description of the functioning of the organs of the farmer group (Annual General Meeting or General Assembly, mandate of Executive Committee, regular group meetings, ...).

The constitution should foresee internal audits by some members (generally 2-3) who are appointed by the AGM to do internal audits of the bookkeeping and the financial assets of the group. The appointment of external auditors could also be foreseen in special circumstances or at regular intervals, for example at the end of the year or when office bearers come to an end of their term of office. The basic philosophy of internal and external audits should be "Trust does not exclude control". The benefits of accountability and transparency may be much higher than the costs of internal and external control.

In case of a serious breach of rules, members have the right to call for an Extraordinary Membership Meeting at any time. In the Extraordinary Membership Meeting the members can call for a vote to replace office bearers who have committed the breach of rules. Should this vote not get the necessary majority of two-thirds of the members present at the meeting, the member still has the option to conclude his membership or to take the case to a court.

The constitution may provide for the nomination of a well-respected external person (District Officer, priest, traditional leader, patron of the group) to act as an arbitrator in case conflicts arise among members in the farmer group.



## CHAPTER THREE

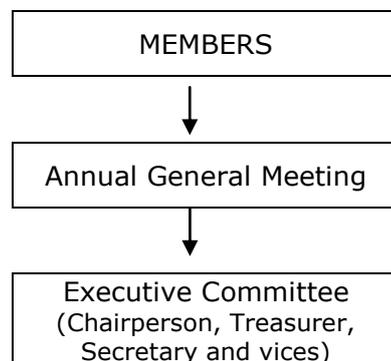
*This chapter builds further on the first two chapters. It elaborates on the basic organizational structure of a farmer group and the roles of statutory office bearers. The chapter further indicates that farmer groups may adapt the organizational structure to their needs and may decide to have specific functional positions within the group.*

### 3. PUTTING STRUCTURES IN PLACE AND DEFINING ROLES

#### 3.1. Basic organizational structure

The key organs of a farmer group are the Annual General Meeting (AGM) or General Assembly (GA) and the Executive Committee (sometimes also called the Board). The AGM or GA is like the parliament: the highest decision-making body. The executive committee is like the government: implementing the plans and following the orientations of the farmer group.

The organisational structure of a farmer group should be kept as simple as possible. The more organs the farmer group has, the more meetings have to be organised. And when members have to attend too many meetings, there is a risk that they are discouraged, especially if practical action is not following. Organs should therefore only be formed if they have a real job to do. The organisational structure of a small farmer group could look like this:



#### *Annual General Meeting or General Assembly*

The typical roles of the Annual General Meeting (AGM) or General Assembly (GA) are the following:

- Confirmation of the minutes of the previous AGM/GA
- Review and approve activity reports and financial reports
- Elect/reconfirm or suspend/remove office bearers
- Appoint internal financial controllers/auditors
- Discuss and agree on the activity plans and strategies of the group
- Discuss and agree on the budgets and finances of the group
- Exclude members from the group

### *Executive committee*

The executive committee is minimally composed of the chairperson, secretary and treasurer (cf. next paragraph). The typical roles of the Executive Committee are the following:

- Identify members' needs and set up activity plans and strategies
- Ensure that resolutions of the AGM/the Executive Committee are implemented
- Enter into contracts on behalf of the group
- Borrow money on behalf of the group not exceeding the amount fixed by the AGM
- Admit new members to the group
- Delegate tasks to the members of the group
- Maintain true and accurate records of all business transactions of the group
- Ensure safe custody of the groups' property and records
- To convene the AGM and the members' meetings

### **3.2. Statutory office bearers**

In any association/organization, the statutory positions are chairperson, secretary and treasurer. Together, these core Committee members, which we may call statutory office bearers, are responsible for the day-to-day management of the group :

- Implementation of group plans
- Supervision of group activities
- Representation of group in meetings and events
- Resource mobilization
- Developing relations with partners and possible collaborators
- Identifying / developing markets for group produce
- Interviewing new members who wish to join the group
- Organizing group events (field days, exchange visits)
- Arbitration in case of conflicts between members.

The box below present some more specific roles of these leadership positions.

#### *Chairperson*

- Organize meetings and review sessions
- Chair meetings and summarize discussions and results
- Represent the group at meetings with others
- Ensure that the group constitution is respected; follow strategic orientations and activity plans
- Instil and maintain group discipline (payment of member contributions, proper functioning of Secretary and Treasurer and other committee members)
- Maintain harmony in the group and to develop trust ;
- Encourage participation by all members in discussion, decision and work; Delegate work and assignments to members

#### *Secretary*

- Deal with letters to and from the group
- Maintain all group records in an orderly fashion
- Prepare meetings and invite members by using different channels
- Make minutes of meetings and keep a record of attendance at meetings
- Read aloud the minutes of meetings and sign them together with the chairperson
- Keep members informed about the groups' objectives and activities

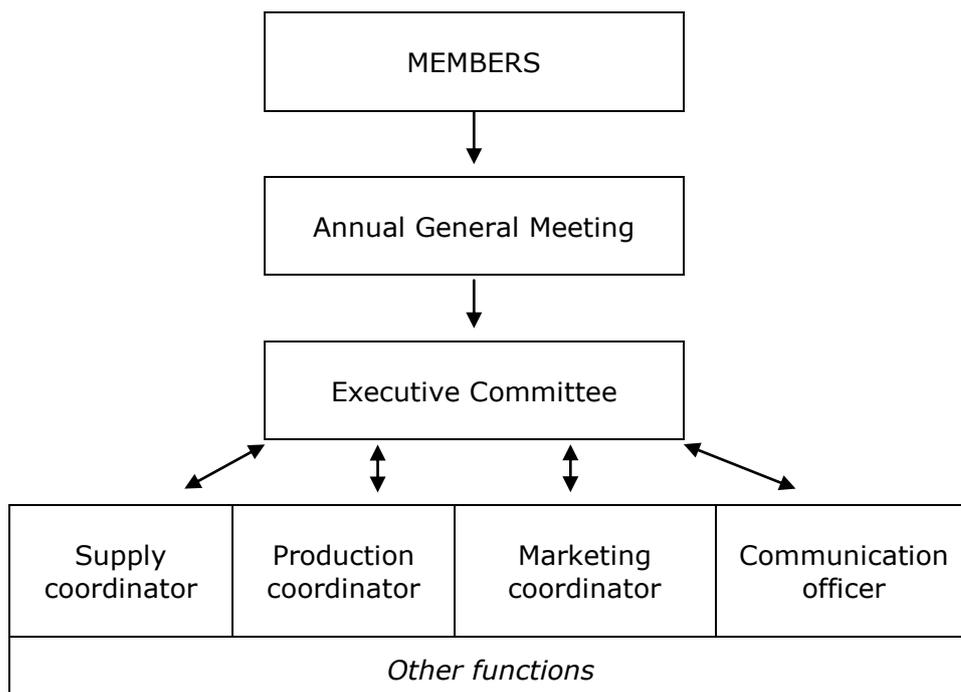
*Treasurer*

- Maintain and safeguard all financial records and accounts of the group
- Keep and safeguard the petty cash
- Adhere to bookkeeping rules: record all financial transactions in the appropriate books backed up by appropriate receipts)
- Record members' contributions; collect fines according to group's rules and regulation (for instance in case of absence without excuse at meetings)
- Issue receipts for money received
- Make payments in time
- Ensure that the groups' assets are used for the intended purpose
- Prepare simple balance sheets, profit & loss accounts and cash flow calculations to monitor the business
- Report members about expenditures and receipts; communicate balance available (cash and bank account) ; answer any question concerning the groups' finance
- Cooperate with the internal financial controllers/auditors, and external auditors when they audit the books
- Alert members in time about any unfavourable financial development

Statutory office bearers should have the resources that are needed to implement the activities assigned to them. They are accountable to the executive committee and the AGM/GA. All the files, documents and any other information belong to the group (cf. chapter 5 on record keeping). At the end of their term of office, chairpersons, secretaries and treasures should hand over duties and all the records to the newly office bearers

**3.3. Functional positions to fulfill specific roles**

Once the farmer group gets larger, has gained experience in managing the group activities and become more professional, it could develop additional structures. The main purpose of organizational development and adaptation of organizational structures is not to create nice positions, but to manage the activities of the group more effectively and to ensure an equal distribution of the work-load among the members. The organisational structure of a larger and more developed farmer group could look like this:



The figure shows that in addition to the statutory positions, which are needed for the daily functioning of any association, a group may decide to create functional positions. These functions may be informal or formal.

When they are informal, members of the executive committee may ask certain members to take up a role (incidentally or regularly). For certain activities, the executive committee can decide to temporarily create a 'task force', for instance for repairing a dike, for making grading tables at the collection centre or for preparing participation in an agricultural show or any other specific task that is important for the group.

When a role is structurally important for the implementation of group activities, organizations may decide to establish formal positions within the committee. Members can then present themselves for election for the position of a functional office bearer. When elected, the functional office bearers join the statutory office bearers in the (executive) Committee. The positions of supply, production and marketing coordinator could for instance be permanent functions in chilli farmer groups or other commodity oriented farmers' organizations. Many organizations have a communication officer.

The box below gives examples of optional functional positions in farmer groups.

#### **Examples of functional positions**

##### *Supply Coordinator*

To make sure that all inputs needed for the coming growing season are available on time and at the best price possible by:

- Identifying reliable suppliers
- Checking the quality of supplies
- Going to the suppliers to bargain and actually buy the materials
- Organising the transport of supplies if necessary
- Arranging for any storage of supplies in a safe place when needed
- Organising the timely distribution of supplies to members

##### *Production Coordinator*

To make sure that the commodity is produced:

- At the right time (e.g. land preparation, planting, etc.)
- In the right manner (timely weeding, fertiliser application, correct harvest, and storage, etc.)
- In the right quantities (in order to meet the customer demand and/or fulfil contracts)
- In consistent standard and quality (right varieties and seeds, etc. according to demand)

##### *Marketing Coordinator or transaction agent*

To make sure that the group's produce is sold at the best possible price by:

- Identifying possible customers and market opportunities
- Identifying customers' needs and requirements
- Organising the collection, storage and/or delivery of the group's produce
- Agree with buyers and transporters on the time and place of delivery and loading and inform the members to supply the produce to the place in time
- Checking what competitors and other groups are doing
- Promoting the group's products and services

The functional office bearers may play an important role in the training of fellow farmers.

## CHAPTER FOUR

*Having the formal documents and organizational structure in place is one thing. Ensuring proper day-to-day functioning of a farmer group is another thing. Many problems in farmer groups have to do with governance problems. This chapter discusses three key subjects: leadership, communication and conflict management.*

### 4. ENSURING GOOD GOVERNANCE

#### 4.1. Characteristics of successful groups

A successful group exhibits the following characteristics :

- Well developed vision, goals and objectives
- Goal-oriented constitution that is understood by all members
- Clear definition of responsibilities, both for leaders and members
- Elections of group officials as per constitution
- Democratic and transparent leadership
- Set rules and procedures to control decision making
- Strategic planning
- Open two-way communication and feedback mechanisms
- Regular meetings
- Proper record keeping and accountability procedures
- Effective conflict management procedures and capacities

Shared goals, trust and collective action are key words :

- Groups with a shared vision and goals tend to move into the same direction. Human and financial resources and collaborative relationships are developed to reach desired results. Setting clear expectations at group formation is extremely important.
- Group members collaborate when there is trust among members and leaders. Trust building between people takes time, but losing it can be a matter of some days. One incident may be enough. And when trust is lost, it is very difficult to re-establish. Trust implies many things: honouring obligations (leaders and all members), open discussions (lack of fear to express oneself), transparent decision-making and financial management, possibilities for group members to take corrective action in time, etc.
- Groups bond well if there are common Income Generating Activities (IGAs). When registering, farmer groups are required to state their core activities. IGA's may be chilli production, brick making, collective purchases, collective marketing, table banking, organization of merry go rounds (...).

## **4.2. Leadership**

### *About leadership*

Each farmer groups needs to have a strong and effective leadership that supervises and coordinates the group activities so that the group can grow and achieve its objectives. Effective leadership is essential for becoming and maintaining a successful group.

Leadership is essentially about skills and attitude. It is first of all the skill mobilize people to direct their efforts towards achieving certain goals (in the case of farmer groups: the group goals as laid down in the constitution). Good leaders inspire and influence change in the thinking, attitudes and behavior of others.

The main responsibilities of group leaders are to:

- monitor group progress and achievement of objectives
- ensure that group's constitution is obeyed
- encourage participation by all members in discussions, decision making and group activities
- introduce new ideas into the group, and encourage members to do the same
- report about the work of individual members and the group as a whole
- represent the group to other parties and on special occasions

Leadership tasks are carried out by a few people who are recognised and accepted by all members (elections!). Usually, the term "leader" refers to the chairperson of a group, but it may also refer to the executive Committee, consisting of chairperson, secretary and treasurer (statutory office bearers) and eventually functional office bearers.

### *Elections*

Leaders act upon a mandate given by the members. Election of leaders should regularly take place according to the stipulations of the constitution. Leaders may be re-elected. The number of terms also have to indicated in the constitution. Every group has to strike a balance between maintaining leaders (important for continuity) and changing/rotating leaders (important for democratic governance, but may be unsettling when new leaders are not yet experienced). To strengthen the group, the available skills of individual members should be harnessed as much as possible. Gradual rotation of leadership positions among all members can help to exploit these abilities.

Every member of a farmer group is in principle eligible to be elected for a statutory or functional position, provided s/he has the minimum qualities that are required. Members should be encouraged to stand for different leadership positions.

How are leaders found? Some people are "natural" leaders. In most groups, the most outspoken or out-going members are often chosen as chairperson or secretary. However, other members may have hidden or unrecognised abilities. In order to develop a good team of leaders, the members should therefore discuss the qualities, duties and minimum skills of office bearers. If these are clearly defined, elections can be more transparent.

### *Qualities of group leaders*

Some desirable qualities of group leaders are the following:

- High level of motivation
- Living up to accepted social values (honesty, patience, ...), respect of constitution, able to keep group secrets

- Active and energetic, respectful but not shy
- Good understanding of the group members, good at motivating others
- Confidence in group activities; able to work and communicate with others
- Clean criminal record, not a drunkard and not a gossip

#### *Minimum skills of office bearers*

Farmer groups may find it useful to define minimum skills of office bearers. It could for instance be indicated that :

- A chairperson should be a binding person, who listens well and can represent the group.
- A treasurer should for instance have basic accounting skills and a good reputation.
- A secretary must know how to read and write.
- A production officer should be a good producer her/himself.

It must be stressed that leadership skills may be enhanced through training or by "learning-by-doing". It is also the responsibility of the members to encourage and support their leaders.

#### *Increasing leadership requirements*

When a farmers' organization develops, the requirements may evolve as well:

- Due to an increasing business orientation of farmer groups, leaders must be literate. They should also have or at least be ready to develop skills in planning, managing and basic record-keeping. They should be eager to learn and develop new skills in line with the group's business activities.
- When financial transactions become more important, persons that want to stand for election as an office bearer may be asked to provide a certificate of clean criminal record from the police (CID).
- When elected, leaders may also be asked to sign an affidavit indicating s/he takes full responsibility if they made a mayor mistake, and to step down from their office even if their term of office has not yet ended. Sanctions in case of embezzlement of funds or any other fraudulent acts may be indicated.

#### *Participatory leadership and leadership styles*

Farmer group leaders are more effective if they adhere to the principle of participatory leadership. This means that leaders should give members the opportunity to participate and contribute to group decisions. It is also important that leaders delegate tasks and responsibilities. Rotation of duties gives all members a chance to develop leadership skills, which makes a group more resilient. Also, participatory leadership encourages all members to be fully involved in group affairs by keeping them informed, by delegating tasks and by having open discussions.

Whether participatory leadership can be effectively realized depends a lot on the leadership style, which depends on :

- The status of the leader: how did he/she become a leader ? Official election, informal process, natural leader, member of influential family ?
- Orientation. Is the leader oriented at relations and networks or on tasks that need to be done ?
- Decision-making style. Is the leader autocratic, consultative, democratic, looking for consensus ?

### **4.3. Effective communication**

#### *What is communication?*

Communication is the exchange of information, ideas and feelings between persons or groups. At one end, a sender intends to transmit a message. At the other end, the receiver decodes the message from the sender. The receiver then provides feedback to the sender. This two-way process may go on for some time (cf. conversations between people, telephone calls, meetings, responding to a letter, ...). As the communication evolves, the communication partners all get additional information. This is a particularity of communication. When goods are transferred from a sender to a receiver (seller and buyer for instance), the receiver has the good whereas the sender is left without the good. In communication, the sender transfers information but he does not lose this information.

#### *Internal and external communication*

Internal communication involves the exchange of information among members of a group. External communication involves sharing of information with other groups or other institutions/organizations.

#### *Avoiding miscommunication*

Effective communication occurs only if the receiver understands the information or idea that the sender intends to transmit. The following factors influence the success of communication:

- Language: the language and choice of words in which a sender "encodes" a message influences the ability of the receiver to 'decode' the message;
- Non-verbal communication (gestures, body language, ...) influences the receiver; s/he may be positively or negatively influenced.
- Listening skills. Selective hearing (only picking up information that is convenient) and ignoring non-verbal clues may cause miscommunication and misunderstanding.
- Social cultural barriers e.g. sex, age or personality of the sender and receiver. Communication among men and women or between older and younger persons may be governed by cultural rules (for instance women not speaking out during public meetings or youngsters not questioning the information provided by the elderly). Shy people may find it difficult to interact with dominant persons.
- Assumptions and biases. A sender has a certain social position and comes from a certain family or organization. This may influence the receiver.
- Information load. Too much information ('information overload') affects the capacity of the receiver to retain the message.
- Interpersonal relations. Decoding of messages is influenced by past communication and experiences.
- Channels. The use of appropriate communication channels is important. Those who do not have a radio or television may not receive messages transmitted by mass media.

To avoid miscommunication and overcome communication barriers, it is therefore important to use a language that is familiar to all (spoken and/or written), to transmit messages timely, to structure messages clearly, adequately and accurately, to choose relevant channels for transmitting messages to the targeted audience and to provide for feedback opportunities.

### *Means of communication*

The major means of communication are the following:

- Individual communication : face to face conversation, telephone calls, individual letters and e-mails (etc)
- Group communication: meetings, demonstrations, bazaars, field days, training sessions, newsletters, group e-mails, reports, minutes (etc)
- Mass communication : radio, TV, brochures, annual reports, press releases, (etc.)

### *Importance of communication for farmer groups*

For many reasons, effective communication is of great importance for farmer groups: identification of member needs and ambitions, planning and organization of group activities, information and mobilization of members, education and training, building trust and group cohesion, conflict management, collaboration with other organizations, and networking (internal and external), resource mobilization,

Many of the problems and conflicts that occur in an organization/group are the direct result of people failing to communicate well. Ineffective communication and insufficient transparency generally go hand in hand. Leaders should aim at minimizing group conflicts by maintaining transparency through good communication. Regular meetings, keeping good records and sharing financial information with the group members is essential.

Communication breakdown in a group may manifest itself in different ways:

- Fear to speak openly; defensive communication
- Misunderstanding of roles
- Irregular meetings and general assemblies
- Delayed decision-making and/or weak follow-up on decisions
- Limited implementation of group activities
- Discontentment of members
- Rumours attacking leadership
- ....

### *Effective meetings*

Regular and effective meetings are crucial for group development and transparent management. Meetings allow leaders to inform the group members and provide a platform for internal discussion and decision-making. The constitution should spell out the type and regularity of meetings. It should especially indicate when, how and where statutory meetings should be held.

The purpose of farmer group meetings is to exchange and check information on topics mentioned in the agenda; prepare and make decisions; assign responsibilities to members; ensure that decisions are implemented and to review the implementation of decisions in the past.

There is a danger that meetings become ineffective if they are not well prepared, if the participants are not punctual, or if they turn into endless discussions without any additional information value. Meetings must come to clear group decisions and check whether planned activities are implemented. Farmer group meetings therefore also review what has been done about the decisions taken during previous meeting(s).

To have effective farmer group meetings, the following points should be considered:

- The meeting time and venue and the agenda should be determined and communicated in time, so that members can prepare themselves. Changes of time and venue should be prevented as much as possible.
- The office bearers (chairperson, secretary, and treasurer) have to plan the meeting and to set up the agenda. To remain focussed, the subjects on the agenda should be limited and specific.
- To be effective, meeting should be punctual in starting and ending. For farmer groups, meetings should not take too long (not longer than 2 hours).
- Penalties for lateness to meetings should be set and implemented to all members including the leaders. A member could be nominated to collect and record the penalties, which he hands over to the treasurer and secretary at end of the meeting.
- The secretary should record all the meeting minutes in the Minutes Book and give a summary of the key points at the end of the meeting.
- Meetings must come to clear decisions. The result of the voting must be noted in the Minutes and read out by the chairman before adjourning the meeting.
- The chairperson should clarify responsibilities and deadlines for the implementation of decisions (who is responsible ? when it should be done ?). This should also be noted in the minutes of the meeting.
- During meetings, the implementation of past decisions has to be checked. If this is not the case, the reasons should be discussed and a new approach should be found.
- After the meeting the minutes must be signed by the one who made the minutes (Secretary) and by the chairperson. They are made available to all of the members by reading them at the next meeting.
- During an AGM, members should be obliged to produce a membership card issued by the Treasurer. The membership card will only be issued if all membership fees and contributions have been paid. Only paid up members should be allowed to vote and make key group decisions.

#### **4.4. Conflict management**

##### *Conflicts, their manifestation and possible impact*

A conflict is a situation of disagreement or a state of disharmony. In a situation of close cooperation between group members, conflicts are always around the corner and are likely to come up from time to time. As indicated in the preceding paragraph on communication, many of the problems and conflicts that occur are the direct result of people failing to communicate well.

Conflict and grievances manifest themselves by communication breakdown in the group (cf. 4.2), friction and antagonism between members, lack of collaboration, internal strife for leadership positions, etc. The impact of unresolved conflicts may be serious: lowered output, poor results, disintegration or break up of the group, indifference, hatred or enmity in the community, fights, destruction of property and even life.

Considering the potential risk of group conflicts and member grievances, farmer groups need to have mechanisms to handle these. A well written and understood constitution is the major reference for conflict prevention and resolution. Internal communication and conflict resolution mechanisms should be indicated in the constitution and/or be decided upon by the Annual General Meeting.

Conflict is neither good, nor bad - it is part of the dynamics of groups, both large and small. The key consideration here is how we understand and respond to possible conflict situations.

#### *Possible causes of conflict in farmer groups*

Although conflicts and grievances cannot always be prevented, it is still true that preventing diseases is better than curing them. It is therefore important to have a good insight in the possible causes of conflict in farmer groups. The following typical - and frequently encountered - causes of conflict can be enumerated:

- Vision and commitment : lack of shared vision and values; lack of clear goals and objectives; poor strategic planning; lack of commitment by group members
- Poor leadership : non-respect of constitution and by-laws; irregular meetings; non-transparent elections; poor leadership skills ...
- Ineffective communication: monopolization of information; communication barriers; misunderstandings
- Financial management: insufficient transparency and accountability; embezzlement of groups funds; poor financial record keeping; insufficient briefing of members over financial results; insufficient internal control
- Distribution of benefits: unequal access to group resources; exclusive benefits of office bearers, favouritism of some members over others; lack of equal treatment to all members; inequitable sharing of group benefits; unfair treatment of women
- Conflict or tensions between some individual members (of which the cause may be outside the realm of group activities).

#### *Guidelines for leaders' behaviour in conflict situations*

- Never take sides; focus on the solution to the conflict and not on the persons involved
- Stay calm and be a good listener during the discussions
- Encourage dialogue: allow everyone in the conflict to present their understanding of the problem and to suggest possible solutions
- Develop a consensus that is acceptable for everyone involved
- Identify follow up activities to rectify the situation
- Involve relevant authorities/mediators when needed.

#### *Resolving conflicts in groups*

There is no one best way to deal with conflicts in groups. Every group is unique and disputes arise for different reasons. For leaders, the first step towards conflict resolution is the acknowledgement that the conflict exists. The second step is to examine whether it is a group problem or whether it is a personal conflict between people (who happen to be member of the group). When it is a group problem, the challenge is to decide on the most appropriate conflict management approach.

There are different ways of handling conflict:

- *Avoidance*. This implies ignoring a conflict situation. Leaders do not intervene. This is a most appropriate method if the conflict is a trivial one or when leaders think that those involved in the conflict can come up with a solution themselves. Avoidance bears however the risk that the conflict, when it is not successfully addressed, to become more serious over time.

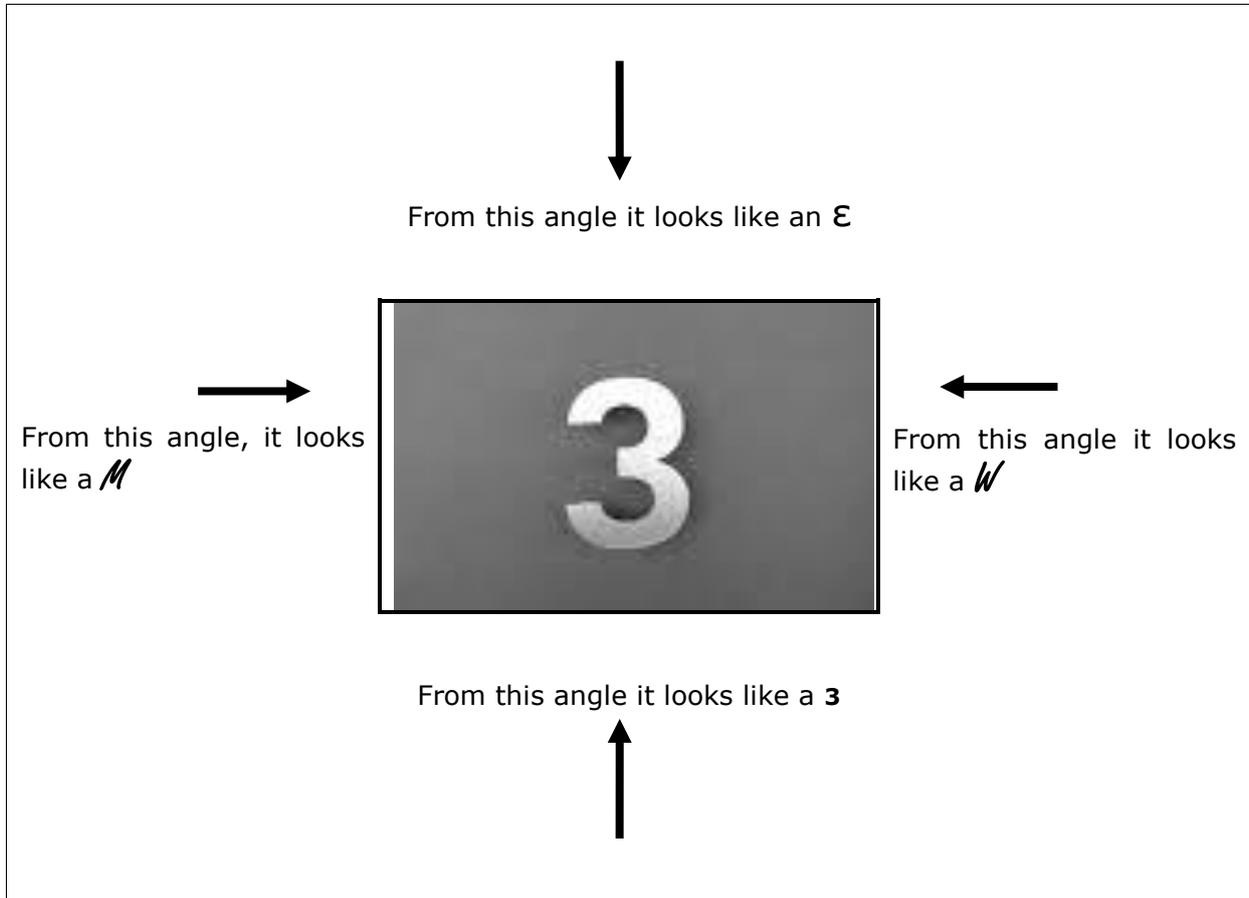
- *Enforcement of group rules.* This technique is appropriate when it is obvious that a member does not want to be a team player and refuses to work with the rest.
- *Imposing a solution.* According to this approach, the farmer group leader listens to both parties and then unilaterally decides on a solution, announces it to those involved, and makes them understand which solution has been chosen. This is a most effective strategy in urgent situations (when time is short) or in situations where the two parties cannot come to an agreement themselves.
- *Giving it back.* In this case, leaders urge the parties involved in the conflict to come up with a solution within a specified time frame. This approach gives responsibility to members and may contribute to conflict handling skills. The advantage is that the leader stays at a distance without ignoring it. The risk that the conflict is not resolved remains with this approach. It is therefore important to monitor the situation and not to assume it has been successfully resolved. 'Giving it back' is the most appropriate strategy in situations where the risks are slight and those involved in the conflict are sufficiently responsible and competent to resolve it.
- *Compromise.* In this case, all parties think over their side of the issue, and their critical needs. They then identify and accept the minimum they can live with to resolve the conflict. The primary goal here is to stop the conflict; not working through it. The advantage of compromise is that it can resolve conflicts with minimal expenditure in terms of time and energy. A major risk is the re-emergence of the conflict because the fundamental causes of disagreement were not addressed.
- *Collaboration (dialogue and negotiation).* In this approach, the conflicting parties are facilitated to find a satisfactory outcome. It is based on dialogue and negotiation. Each side listens to the other and expresses interests and concerns, with the aim to arrive at a level of mutual understanding that allows for finding a satisfactory solution. Typical questions are : What is the problem, as you perceive it?; What are the issues at stake ? What do you want or need from the other party? What are the first steps you can take to resolve the problem? The advantage of this collaborative approach is that the roots of the conflict are likely to be identified and addressed and that the conflicting parties have a high level of commitment to the found solution. Dialogue and negotiation require however a lot from those involved (constructive attitude, time for discussion, ...). The collaborative approach is possible when conflicting parties have (at least a minimum level of) commitment to find a solution. In the context of a group, this commitment may be based on the willingness not to compromise the common goals of the group.
- *Mediation:* Use of a third party (neutral) to help group members open a dialogue, discuss and reach an agreement

#### **4.5. Cross-cutting importance of empathy**

Leadership, communication and conflict management are very much related. A key word is empathy: understanding the motivations and opinions of others. Empathic leaders have the capacity to take the perspective of others. How do they look at the situation, and why ? The importance of empathy and the 'art' of taking the perspective of others can be shown by with the figure 3, which can be remembered as "EMW-3"

If you draw the symbol '3' on a flipchart and put it on the ground (or you draw it in the sand), it only when you look at from one angle that it looks like the number three. People that stand at the opposite site will probably see an 'E'. And others, having other perspectives may see a 'W' or a 'M'.

Since the drawing is the same for all, it can be easily concluded that it is the viewpoint of the observer that determines what you see.



The '3' or 'EMW-3' is an easy reminder that perspectives and interpretations differ. This is both important for :

- leadership (importance to know the views, interests and preoccupations of the members)
- communication : ensuring that the message is correctly decoded by the receiver
- conflict management : ability to understand the positions of conflicting parties and establishing dialogue.

## CHAPTER FIVE

*Many farmer groups do not have a culture of keeping up-to-date records. This hampers group processes, may affect financial transparency and frustrates deals with commercial partners and financial institutions. This chapter introduces record keeping and discusses organizational, financial and business record keeping.*

### 5. KEEPING RECORDS PROPERLY

#### 5.1. What are records and why are they important ?

'Records' refer to all written information that a group collects, produces and stores during the process of its formation, development and during its entire time of existence. Records are the 'institutional memory' or the 'book of life' of any organization. Records should therefore be well kept and preserved.

Certain members, as a minimum the secretary and the treasurer, are responsible for record keeping. Records and files are however not the personal property of the secretary treasurer or chairperson. When new office bearers are elected by the Annual General Meeting, former office bearers are obliged to orderly hand over all the files to new office bearers.

Sound information management is one of the key success factors of any organization. Keeping records is of utmost importance for farmer groups:

- they contain vital information on the group and support group meetings and activities
- they allow a group to be internally and externally transparent and accountable.
- they allow for analyzing business performance
- they support the handing over formalities between former and new office bearers

All farmer group must keep its record files in an orderly and safe form as these are at the basis of proper group functioning. The files of a farmer group are confidential information. The files of the farmer group should be separated from personal documents and papers of office bearers. An office bearer responsible for filing should be the only one in his/her family to have access to the files. Farmer group records should only be made available to external people and organizations if there is a special reason for it, for instance for registration, marketing or external support purposes.

Adhering to the principles of record keeping is more important than the level of sophistication of record keeping. Smaller groups can keep hand-written records. Larger groups can work with computers and digitally store information.

In the next paragraphs, three types of records are shortly discussed: organizational, financial and business records.

## 5.2. Organizational records

Organizational records or group management records are those documents that keep track of the development and day to day functioning of a group. Organizational records include:

- Founding and registration documents
- Constitution
- Membership register (with monitoring of payment of membership dues)
- Minutes of statutory meetings : (ordinary and extraordinary) AGM, meetings of Executive Committee
- Group asset register (also part of financial records when value of assets is recorded)
- Attendance lists for any group activity
- Progress reports , training reports
- Visitors book

## 5.3. Financial records

Financial records refer to the income, expenditures and assets of a farmer group. They indicate the financial situation of a group and trace the flow of incoming and outgoing funds. Properly held financial records allow to:

- know group sources of income
- track expenditures and know the money spent on activities
- know (internal and external) debtors and creditors
- determine the financial position of the group
- decide on group expenditures
- ascertain correct and accurate management and allow members to exercise their right to control financial management
- remain transparent and accountable

Financial records should be accurate, up-to-date, understandable to members and well stored. In small farmer groups bookkeeping is done by the treasurer. Larger organizations may afford to pay the salary of an accountant. In any case, the treasurer should regularly inform members on the financial situation. Monthly updates are a minimum. It is advisable for the group secretary to keep a copy of the treasurer's reports and records.

Financial records include;

- *Petty cash book.* A cash book traces all incoming and outgoing cash funds of a farmer group. The amount of physically available cash should correspond with the balance indicated in the cash book.
- *Ledger of member contributions.* This ledger traces the payment of membership dues and informs about eventual delays in payment of these.
- *Receipt book.* The receipt book contains duplicates of payment receipts for the payments received in favor of group funds. The receipt must contain the following: date of transaction, person who paid the amount, exact amount in numbers and writing, purpose of the payment, and signature of the treasurer confirming the receipt of the money.
- *Receipts of expenditure.* For each payment that is made on behalf of the group, a receipt must be obtained. A member making payment on behalf of the group must obtain a receipt in order to get a refund. Any other supporting documents connected with the transaction (offer, invoice) should be connected to the receipt.
- *Payment vouchers.* In case a member receives an advance payment (cash, cheque) in order to do a purchase on behalf of the group, s/he should sign a payment voucher for

money received in advance. The voucher will be returned to him/her, if s/he produces the receipt of expenditure.

- *Cheques.* Cheques are normally issued for large amounts. The payment voucher will then be attached to the bank account statement.
- *Monthly bank statements.* These are statements from the bank showing debits and credits on the bank account of the group.
- *Asset register.* The assets register contains the following information: type of asset, description, date of purchase, purchase price, expected utilization period (depreciation), date and reason for disposal of the asset.
- *Stock inventory.* The stock register contains the following information: date of entry of stock, type of stocks, date of exit stock, member receiving the stock, signature of recipient. Stocks should be regularly checked. Any losses or spoilage should be documented like an exit of stocks.

The cash book of a farmer group could look like this:

<b>CASH BOOK FOR: ..... Month..... YEAR ..... PAGE .....</b>				
<b>Date</b>	<b>Description</b>	<b>Cash Inflow</b>	<b>Cash Outflow</b>	<b>Balance</b>
<b>Total</b>				

**5.4. Business records**

*Chili sales*

Business records refer to the written information related to the group business activities.

An example is the sale of chilies :

- Farmer should in principle record the quantity of the chilies they are selling (in kgs. or in proxies like cooking oil tins (such as kimbo or kasuko);
- Farmer groups should register the weighed quantities of chili collected by Equator;
- Farmer groups should receive the delivery overview of Equator and compare it with their records;
- Farmers should check whether their delivery is correctly stated on the delivery overview of both the farmer group and the company.

### *Business information*

In addition, economically oriented farmer groups need all kinds of information for navigating their business: farm management data, technical information, market information, developments within the value chain, possibilities for getting technical and financial support etc.

In fact, a smart, business oriented farmer group seeks to be better performing all the time (higher productivity, lower price, better quality), tests new things all the time, want to know competitors and markets, is aware of laws and regulations and standards, knows agricultural development initiatives of government, donor programs and NGO projects etc.

The table below indicates some basic business information needs of entrepreneurial farmers and farmer groups.

<b>BUSINESS INFORMATION NEEDS</b>
<p><b><i>Knowing production and productivity</i></b></p> <ul style="list-style-type: none"><li>- Knowing production</li><li>- Knowing the productivity per land unit (kg/ha / kg/beehive)</li></ul>
<p><b><i>Planning production of next season</i></b></p> <ul style="list-style-type: none"><li>- Knowing what farmers need themselves and what can be sold</li><li>- Knowing what buyers want (timing, volume and quality)</li><li>- Knowing when and what to produce</li><li>- Cooperative knowing surplus of members and timely relate it to market demand</li></ul>
<p><b><i>Applying good agricultural practices and improving productivity</i></b></p> <ul style="list-style-type: none"><li>- Having up-to-date technical information</li><li>- Knowing and testing varieties</li><li>- Knowing and testing inputs</li></ul>
<p><b><i>Getting access to inputs</i></b></p> <ul style="list-style-type: none"><li>- Knowing the needs for inputs of members</li><li>- Knowing the sellers and prices of inputs</li></ul>
<p><b><i>Getting access to credit</i></b></p> <ul style="list-style-type: none"><li>- Knowing lending conditions of banks and IMF's</li><li>- Having technical and economic data for supporting loan request (need to convince banker)</li></ul>
<p><b><i>Cost-benefit analysis</i></b></p> <ul style="list-style-type: none"><li>- Knowing the cost of production</li><li>- Calculating profit</li></ul>

The list of indicators could be much more developed. In fact, entrepreneurs are constantly after information to improve their business operations, to establish relations with others, to harness opportunities and to protect themselves from threats.

## CHAPTER SIX

*This chapter builds focuses on business relations farmers have with other private sector players. The focus is on the capacity of farmer groups to collaborate with others. Doing business is compared with dancing. Four concrete issues are developed: doing business with input suppliers (collective procurement), doing business with financial institutions (access to credit), doing business with buyers (contract farming) and doing business with market players (collective marketing).*

### 6. DEVELOPING BUSINESS WITH PARTNERS

#### 6.1. Capacity to collaborate with others

Farming is business. Farmers use production factors (land, labour, capital, knowledge and skills) to produce agricultural commodities. They therefore have to deal with input suppliers, financial institutions, research and extension services. Farmers produce with the aim to sell their products and make profit. To earn income, farmers need to make transactions with other economic operators, such as traders, processors and transporters. Both at the production side and market side, farmers face serious risks. As risk-taking entrepreneurs, they can relate to public institutions to make them more resilient or to improve the business environment.

Farmer groups that are in business therefore need to cooperate with many different other actors. They should be pro-active : farmer groups should not wait until others approach them, but contact others if there is a need to do so. The following institutions are of specific importance for farmers and their groups:

- Input suppliers: agro-Vet shops & stockists, suppliers of seeds, etc.
- Commercial banks, savings and credit cooperatives (SACCO), micro-finance institutions
- Traders, processors and other companies that are buying their produce
- Transport companies, warehousing companies
- Local & district administration
- Research and extension services: KARI, Agriculture Officers
- Service providers (training institutions, consultancy companies)
- National associations directly or indirectly dealing with the products, for instance bureaus of standards
- Non-governmental organisations involved in their farm product
- Other farmer groups producing the same product or situated in the same region.

Mature farmer groups can develop the capacity to map out what organizations and/or resource persons are potentially important for them. Criteria could be the following:

- Readiness, commitment and capacity to support the farmer group
- Accessibility and affordability of services

## 6.2. Doing business is like dancing

### *Business requires trust*

Business requires trust between sellers and buyers, for instance between farmers and a company that buys their produce. The producer that is supplying the product wants to be confident that the buyer shows up, offers a decent price (at least covering production costs, but preferably above to make a profit) and pays in time. The buyer wants to be confident that the farmers will come up with the desired product in time, both in terms of quantity and quality.

### *You cannot dance alone*

Farmers of the Coast Province do not know the market for ABE chilies in Europe nor all the quality and food safety regulations. They need a company like Equator Kenya who knows. A processing company or an exporter needs the farmers to get primary products. They do not necessarily know the conditions of growing and harvesting chilies. So farmers and Equator need each other to reach the European market. Both farmers and the company cannot dance alone.

### *You need to know each other first*

You cannot just enter a room, go to a lady or a man and start dancing. You need to know each other first. That's why you present yourself, discuss some things and at a later stage, you may invite somebody for dancing.

In business, business partners do not necessarily have the same objectives. Farmers wish to have the highest possible price for their products and buyer would like to buy at the lowest possible price. Both want to make profits. So there is always some kind of competition. However, to reach markets, suppliers and buyers depend on each other. There is also need for coordination and collaboration. That what we mean with "doing business is like dancing".



dancing [www.fotosearch.com](http://www.fotosearch.com)

### *You need to coordinate the movements*

On the dance floor, the two partners must move in the same direction. If they don't, they may bump on each other, step on each other's toes or even fall. If a dance is like that, the partners are likely to stop soonest and not to dance again. In business, there are many examples of this kind of 'dances' :

- Banks and MFI not interested in providing loans that are adapted to the agricultural sector and limited farmers' repayment
- Input suppliers not catering for farmers' needs and limited reliability of farmers' demand for inputs and insecurity of payment capacities.
- Buyers not paying the farmers and farmers putting stones in the bags of cotton or maize.

### *You need to go with the rhythm of the music*

Even if the movements are somehow coordinated, both partners need to go with the rhythm of the music. If one partner goes very quickly and the other goes slowly, the dancing is not nice, nor for the quick nor for the slow one. For business relations, this means that business partners must go step by step and move forward in the same pace.

### **6.3. Collective procurement**

**(to be developed)**

### **6.4. Access to finance**

**(to be developed)**

### **6.5. Contract farming**

Contract farming refers to an agreement between producers and buyers of an agricultural product. Producers agree to sell and a processing or marketing company agrees to buy the product. The agreement generally indicates volumes, quality and delivery time and indicated prices. For companies, contract farming facilitates sustainable sourcing, whereas for smallholder farmers it ensures access to markets. Contract farming is often referred to as outgrowing.

Companies engaged in contract farming often provide services to farmers : input supply (seed, chemicals, fertilizer), extension advice and sometimes other services such as ploughing, crop spraying, provision of packaging materials. The costs of these services are recovered when the produce is sold.

Contract farming agreements must be;

- transparent and comprehensive (indicating farmers and farmer groups, area or volume contracted, period of agreement, quality requirements, grades and descriptions, input costs and repayment modalities, extension service provision,
- clear on rights and obligations of the parties involved
- understandable by farmers
- supported by good record keeping (input delivery, product delivery, ...)

Payment modalities should be as prompt as possible, preferably when the produce changes hands or shortly afterwards. Transactions should be properly recorded, indicating grades, corresponding weights and prices, total value of the delivery, and any deductions for inputs or, if applicable, other services provided.

#### *Opportunities and limitations of contract farming*

Contract farming can connect farmers to value chains and markets and improve supply chain management of buying companies. The service provision can support the production capacity of farmers.

The potential of contract farming is threatened by contract default. A company may break a contract with farmers, for example by failing to deliver inputs and services at the correct time, refusing to receive produce or arbitrarily raising quality standards. A key challenge for agribusiness companies is how to overcome the threat of farmers defaulting on contracts. Farmers' default can occur because of production failure or simply because farmers have sold the produce to competing buyers, partly to avoid repaying credits.

The absence of a strong legal system, the lack of collateral held by smallholder farmers, and weak insurance services create considerable risk for companies entering into contract with smallholder farmers.

## 6.6. Collective marketing

At a market sellers and buyers meet. What makes the market so complicated is that supply and demand are changing on a daily basis. As a result, the prices also change: if the supply is high, the buyers can reduce the price but if there is a high demand, the prices will go up. In addition, the expectations of the buyers in regard to quality can also change quickly. It is therefore necessary for farmers to understand the market as much as possible in order to benefit from it. This is one of the elements of marketing (doing a market study).

Marketing is the orientation of all parts of the business towards the sales objective and the improvement of sales opportunities. It is more than studying the behaviour of buyers and competitors, understanding the market and learning what the customer needs. Marketing starts with buying the seeds/plants/breeds that enable the farmer to produce the products demanded or needed by the buyer. It continues with planting, production and harvesting according to the demands of the buyer. Other steps in marketing are to set a price that corresponds to current demand and supply, to promote the produce in the market and, finally to bring it to the market place.

The necessary steps of successful marketing are indicated in the Marketing Mix Model (also known as the 4 P's and 2 C's of marketing). It is a tool to understand the marketing activity and to define the best mix of activities, in order to increase sales and profits. In implementing the Marketing Mix Model, farmers and farmer groups have to do the following:

- *Product.* To buy the seeds / plants / breeds that enable the farmer to produce the product needed by the buyer and to plant, produce and harvest according to the demands / needs of the buyer
- *Price.* To offer the produce at a price that is according to current demand and supply on the market and that is acceptable for the buyer and (if possible) higher than production costs (see below)
- *Promotion.* To promote the product in the market by using various promotional methods (e.g. market stands, signboards, posters, written offer, sales skills, etc.) and to negotiate with the buyers on price, quantities, packaging, delivery time, delivery place, who is in charge of transport, and payment conditions
- *Place.* To bring the produce to the market in good condition. The market could be at the farm gate, at the collection point, on the local or district market, at the processing plant, the exporters' warehouse, etc.
- *Cost.* To be able to produce the product at a price that is acceptable for the customer under consideration of input costs, production costs, work inputs, packaging, costs to bring the product to the market, etc. and to calculate the exact production costs per unit
- *Customer.* To study the behaviour of competitors and customers (= buyers) and their needs, the market and its changes (price, quantity, packaging, etc.)

## CHAPTER SEVEN

*As soon as farmer groups are well established and mature, they are likely to observe their external environment more intensively and to observe how it affects their activities and business. They will be interested to position themselves and to influence the institutional context and business environment. This chapter introduces lobby and advocacy activities farmer groups may undertake to influence the external policy and business environment.*

### 7. PARTICIPATING IN BUSINESS ENVIRONMENT IMPROVEMENT

#### 7.1. Representative role of farmers' organizations

##### *Citizen rights*

In any constitutional democracy, each citizen has the right voice his/her interests to public authorities. And citizens have the right to form groups to jointly express and represent their interests. Many people are not aware of these constitutional rights and the power they may have as (organized) citizens. In principle, government institutions know that they are elected by the people and that their salaries are paid through public funds and taxes. Although funds are often limited and there are many barriers hampering implementation of policies and programmes, public administration and government representatives are often ready to do something if an interest group is not just complaining but also offers solutions. They quickly realise that if these solutions are implemented, it can contribute to a (more) positive image of politicians and

##### *Importance of institutional context and business environment*

Public authorities and administration, both at local and national levels, have the responsibility to create an enabling institutional environment and a favourable business climate. They have an important influence on the framework conditions for farming and agribusiness relations. Typical examples are the following:

- Public infrastructures : roads, electricity and water, telephone, ICT, ...
- Public services : research, extension, bureau of standards, ...
- Security and law enforcement : policy, border control, functioning of juridical institutions
- Legal framework : land law, conditions for starting an enterprise, ...
- Sector policies, for instance in the areas of agriculture, livestock keeping, fisheries and forestry.
- Taxes, levies, exemption and subsidies.
- ...

As soon as farmer groups are well established and mature, they are likely to observe their external environment more intensively and to observe how it affects their activities and business. They will be interested to position themselves and to influence the institutional context and business environment. For instance, farmers' organizations and their higher tiers can seek to :

- Influence road construction and maintenance activities (for instance feeder roads from production areas to local markets)
- Reorient public services to make them more responsive to farmer needs (for instance setting the research agenda)

- Complain about long procedures for setting up a business or exporting agricultural produce.
- Change agricultural sector policies (for instance putting guarantee funds in place to reduce the risks of agricultural credit or pleading for subsidies on fertilizers)
- Etc.

#### *What is lobby and advocacy ?*

Influencing the external policy and business environment can be done by lobbying and advocacy activities. Advocacy is the representation of group interests to relevant authorities (like local and district authorities or central government), to public agencies (like research institutes or bureaus of standards) and to private sector actors (traders' organisations, input dealer networks, ...). Lobbying is nearly the same, but is more focused on influencing upcoming decisions in parliament, district councils, research institutes, companies or others. Lobbying means: being in the lobby or corridors of meeting rooms where deliberations for decision-making take place.

Paying bribes for getting special benefit or preferential treatment is a strategy that is often employed. Since it is often the only way to get things done, it may be considered as part of an influencing strategy. We do however put emphasis on professional lobby and advocacy: bringing up convincing factual arguments to influence others to take farmers' views and interests into account. Professional lobby and advocacy is based on a data collection and communication, aiming to collect facts and data on the selected subject or topic and to communicate the views and interests of the group. It thus goes beyond just a nice chat with the DAO (although this can help too!). The promotion of farmers' products in the market is not really a lobby and advocacy activity; it is part of marketing strategies and activities.

#### *Larger farmer organizations can address larger issues*

It must be observed that lobby and advocacy can be most effectively and professionally undertaken when farmer groups are federated in higher tiers. Larger organizations, such as national federations and platforms or large provincial unions, may address generic policy issues or constraints in the business environment. Larger organizations may have professional staff members, which are often needed for well preparing and accompanying a lobby and advocacy trajectory. Local farmer groups could however take up local issues with local authorities. The message is clear: the lobby and advocacy action should be commensurate with the importance and capacities of the farmers' organization.

## **7.2. Undertaking lobby and advocacy actions**

#### *Identification of priority topics*

Mature farmer groups can analyse in which areas there is a need to lobby or advocate for business environment improvement. This analysis can go through the following steps:

- Identification of issues in the external environment that are critical for the group's activities (think of analysis of opportunities and threats, e.g. the OT part of SWOT analysis). Member consultation is essential at this stage.
- Discussion within the group about possible topics for lobby or advocacy action.
- Priority setting: decide on a lobby and advocacy action, for which the likelihood of success seems promising.

*'Homework': collect facts and figures and develop alternatives*

Farmer groups and associations often make mistakes when they present their problems to public authorities. Often, the problem and its effects are not properly analysed. Farmer groups should therefore describe the problems and its effects in detail and support their analysis with empirical evidence (facts, figures, case studies, photos, witnesses). They should also think about possible realistic solutions that can be implemented.

Doing lobbying is not just complaining to the District Officer for Agriculture or other service providers. Successful lobby and advocacy requires the collection of information on the selected subject and the identification of positive and negative effects of (existing or proposed) policies and actions (or non-action) of public institutions. This will often require collaboration with resource persons or research institutes. To be a credible partner in dialogue, it is essential that farmers' organization show that they know the subject.

Lobbying and advocacy thus have to do with facts and alternatives. Farmers and their group leaders are often closer to the real world than public administrators and politicians. Every day, they are confronted with the effects of public policies and conditions for doing business. If they collect these facts and start thinking about alternative solutions, they can effectively help administration to solve problems they might not even be aware of.

For lobby and advocacy to be most effective, it also requires the development of proposals for policy change. Farmers that propose alternatives are more likely to be taken seriously by public authorities. Farmers should therefore not only criticise the public authorities but also present good proposals and solutions to improve the situation.

*Checklist for L&A action*

The checklist on the next page could help to prepare a lobby and advocacy action. It allows for asking the right questions and collecting important information. A good preparation allows to bring the right arguments and solutions forward at the right moment, to the right target groups, using the appropriate communication channels.

Check list for lobby and advocacy action

<b>SUBJECT :</b>	<b>Target group :</b>
Name of Farmer Group:	Person in charge:
Begin of lobbying action:	Planned end of lobbying action:
1. FOCUS. Describe in short sentences the problem on which you want to start a lobbying action	
2. GOAL. What are the objectives of the L&A action? What are indicators for success (what do you want to achieve) ?	
3. PROBLEM STATEMENT. Which members are concerned by the problems? How are their interests affected ? What are the costs or lost income ?	
4. EVIDENCE. State all the information, statistics, studies (etc.) that underscore your position and the sources where the information can be located	
5. PROPOSAL(S). State one or several proposals how to solve or at least mitigate the problems. How can the improvements or solutions be put in place? What are the positive and negative effects of the proposed solutions ?	
6. ARGUMENTS. State all the arguments supporting your lobbying proposal (for instance positive effects on the sector, business turnover, employment, related sectors, ...). What are the arguments against your position that are likely to be brought forward by 'opponents'?	
7. COMMUNICATION WITH TARGET OF LOBBY-ADVOCACY ACTION. State the authorities & institutions that have to be contacted when implementing the L&A action. Which persons have to be contacted (including address and phone number)? What are their views on the subject ?	
8. ARENA ANALYSIS, PARTNERS AND ADVERSARIES. Which organizations and persons are likely to support or oppose your position? Are there any common interests ? Where do interests differ? Why? Which of the supporters could be ready for joint action? Which conflict of interests could come up?	
9. COMMUNICATION CHANNELS. Indicate the communication channels that will be used to present the farmers' position and proposals effectively : <ul style="list-style-type: none"> <li>- Meetings with parties concerned</li> <li>- Press releases</li> <li>- Interviews (radio, television, newspapers)</li> <li>- Describe problems/solutions in a letter</li> <li>- Present the case in a public event</li> </ul>	
10. FOLLOW UP AND EVALUATION. What has been successful in the L&A action ? Which action failed and why? What the goal achieved ? If yes, what were the success factors ? If not, why ? Is there a need to correct the analysis, proposals, arguments, communication strategy ?	

## 8. ANNEXES

### 8.1. Training evaluation

Training subject:	Date: ..... 20....
1. Are your training expectations fulfilled? <input type="checkbox"/> Yes <input type="checkbox"/> No	
2. The training workshop will contribute to improving my performance in the following areas:	
<input type="checkbox"/> Performance of the farmer group, especially: ..... <input type="checkbox"/> Performance of my own farming activities, especially: ..... <input type="checkbox"/> Mentality and behaviour (e.g. within the farmer group), especially: .....	
3. The following topics were of special importance for me (please mention three):	
<input type="checkbox"/> ..... <input type="checkbox"/> ..... <input type="checkbox"/> .....	
4. Did you extend your existing knowledge or skills? (please tick)	
1 = very good      2 = good      3 = average      4 = bad      5 = very bad	
5. How did you appreciate the training methodology? (please tick)	
1 = very good      2 = good      3 = average      4 = bad      5 = very bad	
6. How do you appreciate the used training materials? (please tick)	
1 = very good      2 = good      3 = average      4 = bad      5 = very bad	
7. What do you think about the trainers' capacities (please tick)?	
1 = very good      2 = good      3 = average      4 = bad      5 = very bad	
8. How do you evaluate the training location? (please tick)	
1 = very good      2 = good      3 = average      4 = bad      5 = very bad	
9. How do you evaluate the length of the training activity? (please tick)	
1 = very good      2 = good      3 = average      4 = bad      5 = very bad	
10. What did you appreciate most in the training?	
11. What did you appreciate less in the training?	
12. What do you suggest to improve the training?	
Additional topics to be included:	
Topics to be excluded:	
Thank you very much for your cooperation in filling in this evaluation sheet! <i>Your training team</i>	

**8.2. Action commitment form**

The participants could be asked to fill the following "Action Commitment Form" allowing the group to indicate follow-up steps:

Name of farmer group
Training activity:
Our group agrees <b><u>to solve the following problem(s)</u></b> in the next six months: a) b) c) d)
Our group agrees to <b><u>undertake the following activities</u></b> in the next six months: a) b) c) d)
Date and signatures of group representatives: