



**BRIEFING
NOTE 18
ON:**

Key Factors Underlying Successful Marketing for Small Farmers

Key Institutions to Develop

Today, many small farmers in Babati District will tell of the bad old days when middle men visited their farms and bought their rice before harvest time at very low prices. They will tell of how they were forced to sell because they needed cash to buy food, or for a sick child, or some other emergency. Two key institutions supported by AMSDP¹ have put an end to this form of exploitation: The warehouse receipt system; and the savings and credit cooperative societies. Now those small holders have joined a savings society and take their rice to a warehouse operating a receipt system. This means that they not only get a much better price for their rice when it is sold, but also can borrow cash if they have a family emergency. Being able to bulk up your crop with other farmers and sell at the right time always gives you better bargaining power in the market chain. Indeed it is often a requirement for producers to deal with bigger buyers and processors. So a third institution to develop are the alliances between farmer groups to provide the larger quantities demanded by processors. Higher level associations form in response to the challenge of negotiating better prices for small farmers.

Farmers have not developed these key institutions on their own. Farmers have not contacted wholesalers or processors and brokered new deals on their own. AMSDP has supported a small group of service providers comprising district officials for agriculture and marketing as well as a local NGO to provide market linkage services to these farmer groups. The district core groups gather market intelligence on market demands and who the key players are in the market chain from producers to consumers. Successful core groups go beyond information gathering to actually bringing the key players round the table where they help broker deals and enhance the efficiency of market linkages. Successful core groups built special business platforms to promote fair trade along the market chain.

¹ *Agricultural Marketing Systems Development Programme of the Government of Tanzania supported by IFAD*

Successful core groups developed large 'client' networks of small holder farmer groups. The key institutions to develop are: savings and loans societies, warehouse receipt systems, higher level associations for small holders, and district core groups of market service providers.

Key Behaviour Changes to Promote

The far higher prices small farmers are getting for their crops today are not because consumers are paying more. No, they are coming from the huge savings in transaction costs being made by key players along the market chain. First of all avoiding the 'middleman' saves on all the 'commissions' as crops pass from hand to hand before they arrive at the processor or wholesaler. But more importantly producing, grading, bulking and packaging a crop of the right quality generally reduces wastage and the costs of sorting later in the chain: For instance processors and wholesalers can save the money it costs to employ their own people to go through bags of grain just to remove the stones. The Kalungu fishing group in Nkazi doubled the price of their sardines by drying them on tables rather than on the sand. Consumers prefer their sardines without grains of sand. Farmers in Hai changed to the 'Tanya' variety of tomato to get a better price. Producers in Babati, Sumbawanga and Songea all sold more grain and got better prices because they could deliver in the required quality and quantities to Dodoma Transport Company. The right quality and quantity of wheat was key to Mbinga core groups successful brokering of a market chain between producers and Trader/wholesaler 'Green House Investments', and processor 'Mbinga Diocese Wheat Millers'. It is only key players that want to cooperate that can enjoy the costs savings that come from trust and transparency. Giving a fair price to producers allows key players in the chain to cut costs and add value in ways that lead to win-win situations for all. Those who maintain the behaviour of profiting by exploitation and hiding information will, if they do not change their behaviour, move on or go out of business. Cooperation that replaces cheating along the market chain is the behaviour that needs to be promoted.

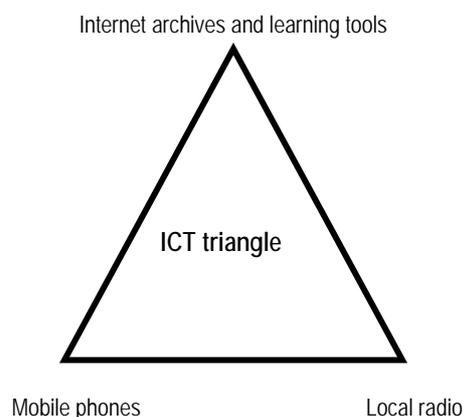
Key Development to Support

The communication environment is rapidly changing in rural Tanzania. The reach of mobile phone coverage is growing fast and has already outstripped by far the coverage of land lines and power grid. Rural people are already using mobiles in innovative ways, mainly for purposes of marketing and for saving transaction costs in their dealings with urban areas. For instance, Mufindi District has very successfully spearheaded the use of 'Wakulima Shushushus' the farmer market spy. Spies remain in close contact with their home village using mobiles to negotiating deals from far-away markets. Without mobiles, this would be impossible. The time-sensitive micromanagement to make sure that produce is at the right place at the right time in the right quantities to be picked up by the right trucks, etc., depends on fast and reliable communications over mobiles in a network that encompasses village groups and large national trading companies. For instance in Mbeya the bulking of maize for transport to Malawi is so much more efficient when the local 'Mbalizi' trader can stay in touch with farmer groups throughout the District through their mobiles and arrange for the pulling together of the produce at the right time. No wonder mobiles are showing up everywhere in rural areas, even when the signal can only be received on a hill a few kilometres from the village. This very recent phenomenon is fundamentally reconfiguring the links of the traditional market chains.

However, mobiles only allow one-on-one communication. For learning in a network of peer-exchange an archiving function needs to be established for their information, ideas and good practices. The need for such internet-based platforms is now well established as witnessed by the intensive discussions among District core groups and farmer groups on www.linkinglearners.net. Enlarging the one-to-many communication possibilities of an internet archive is also possible using local radio. Our experiences suggest that local radio could have a major impact on marketing efforts provided the information is locally relevant and always up-to-date. Using local learners in call-ins is another way to make the one-to-many connection between people living in remote areas. How to make this expansion of one-to-many communication possible is a key development to support.

Key Rethinking for Rural Telecenters

Based on the experiences so far we expect an "ICT-Triangle" to emerge for rural communication. That triangle connects mobile phones with internet archives and learning tools and learning tools with local radio.



With this triangle in mind, the established concept of "Rural Telecenter" needs to be rethought. A crucial aspect emerging from this effort is that the income increases farmers and other key players make through using ICTs for marketing suggest that the operations of these ICTs could be commercially viable. Key players such as processors and wholesalers could be approached as sponsors for helping finance ICTs in rural areas. This all suggests that market information and brokering services based on reliable ICTs will be commercially viable. So, rather than public 'telecenters' we see commercial rural knowledge management services extending the access of ICT's to small farmers.

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