

## We don't sell; they buy!

By Moses Gichuru<sup>1</sup>

This story shows the challenges that the Upendo farmers are experiencing when marketing their potatoes. Exploited by brokers and unable to link directly with a buyer they are forced to accept low prices. Moses Gichuru explains how he brought a buyer and sellers together to explore a better way for both parties to market.

### Solving Issues in a Marketing Chain



Moses Gichuru speaks to the meeting and introduces the group to Simon Kagiri (sitting on his left)

Our Transaction Security Service (TSS) believes in solving issues between buyers and sellers. So we brought a buyer, Simon Kagiri, and sellers, the Upendo farmers, together in order to find a better way to do business. Simon is a wholesaler; he buys for markets in Nairobi and Nakuru. We invited him to meet with some potato growers in Nyandarua County in order to iron out some issues between the buyers and farmers. Sometimes we find that the conflict between buyers and sellers is non-existent, it is only an issue of misunderstanding.

### Playing in the Same Team

With TSS, we try to develop trust between the buyer and sellers and so instead of working on different sides they can then play in the same team; and that kind of trust brings a lot of goodwill among the people in the chain. This is a unique way of doing business because others (the middlemen) do not want the sellers to know

who the buyers are or the buyers to know who the sellers are.

### Understanding the Buyer



Simon Kagiri explains his challenges

At present the farmers don't know their buyers and therefore can't communicate with them, but they want to have a relationship to avoid exploitation. I want to bring in a buyer and, through TSS, try to improve the incomes in the value chain. We need more interaction between farmer and buyer and we want to give a better price to the farmers without using brokers.

At the meeting Simon explained some of his challenges. As a buyer he does not know the sellers and relies on brokers who he must pay to connect him to the farmers. Marketing can be a risky business for him due to the price dynamics of supply and demand; when there are lots of potatoes the price goes down and it is difficult to determine in advance when this will happen. In addition to this risk, Simon uses his own capital to buy potatoes, and he sells on credit, so it is easy for him to get his fingers burned. Simon explained all of his costs and how he calculates his prices.

### Upendo Farmers' Group

Wilson Kiguta, TSS agent, talks to the farmers



The TSS agent for the Upendo farmers is Wilson Kiguta. He was elected by his group and trained by me on TSS. The farmers live in a hillside region above Nakuru. They grow potatoes (the Changi variety), carrots and

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some fruit (apples, pears and plums). The farmers have various challenges, including low yield, access to price information and confusion over packaging sizes; but their main issue is that their cost of production is higher than the price that they receive for their crop from the brokers.

### Brokers Set the Price



Brokers packing potatoes

One farmer complained, "We never sell our potatoes. They always buy from us"; and the whole group agreed. In other words the farmers can't set a price, the price is given to them. They say that this is because the brokers are better organised than the farmers. The brokers come to the farm gate and phone between each other to agree on a price and make sure that they work together. But the farmers don't work together and the reason for this is that if you have nothing in your pocket you can't argue with a broker. Even if you agree among the group members that you will sell at a certain price, there will be some who have to sell and if they don't the brokers threaten to send lorries to another area and not to buy at all; so the farmers are exploited.

The farmers gave their issues and areas of concern, and they agreed that if we can connect a buyer to the farmers directly through TSS, we can save the unnecessary brokerage fees and expenditure that affect both the farmers and buyers.

### Transparency with TSS

At our meeting we demonstrated how TSS shows all our prices, costs and commissions openly. If a bag is sold at 3,700/KES in Nairobi we must calculate the costs up to

there. These include bags and twine, packing and loading/unloading costs, transport, council taxes in the sellers' region and taxes at the market. So with middle costs of about 1,830/KES, this leaves 1870/KES available to the farmers. From this we need to take off 10% (170/KES per bag) for commission for the TSS network (agents, deal coordinator etc). So with TSS the price to the farmer per bag would be a bit more than the price the broker gives, but not a lot more (around 1,700/KES per bag through TSS instead of 1,400/KES through the broker).

### Two Plans for Better Prices with TSS

TSS promises the best price possible but if the market is flooded the best price is low. Therefore we need to have two plans to explore markets for these potatoes: one to the market through Simon and another to go to the hotels through a processor making chips. Chips get a better price than potatoes, so that we will get a better price if we pay for the processing as a middle cost and then sell the chips to hotels, processed ready for cooking. We are working with a processor in Nairobi who needs large potatoes and then we could sell the medium and small potatoes at the market. We will be exploring these markets for better prices to farmers.

*For more information see Story 203, an interview with Simon Kagiri about TSS.*

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