

A BRIGHT FUTURE FOR SMALL FRUIT FARMERS IN SOUTHERN ETHIOPIA

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CHALLENGE

With financial assistance from the Irish embassy and the embassy of the kingdom of The Netherlands, SNV supports since 2007 fruit marketing cooperatives in Southern Ethiopia. SNV strengthens the cooperatives through facilitating business to business arrangements, business planning and improved operational management, and access to critical services. Results of the support to two fruit cooperatives with a focus on respectively mango and highland fruits are described. Both cooperatives had established business arrangements and demonstrated higher revenues. Transaction risks and related costs are expected to have been reduced due to shortening the value chain, information on alternative markets and increased control of the cooperatives over services like inputs, extension and transport. Within one year a minimum total income increases in the case of the mango cooperative is 9,200\$ and in case of the highland fruit cooperative 55,625\$ involving respectively 207 and 600 farmers. 96% of the total SNV cost (including SNV advisory cost) was being recovered in just over one year. The example shows that even with perennial crops like fruits, quick wins can be made, if the right interventions are selected. Since further improvements within the business relations and fruit quality have been made in 2009 and 2010 with limited additional SNV support, the future looks bright for the small fruit farmers in Southern Ethiopia.

Setting/ situational analysis

The focus area in the southern region of Ethiopian estimated production levels are in 25,000 and 50 metric tones for mango and apple respectively, involving thousands of small farmers. Although investments in larger private investors and state enterprises is slowly picking up, the significance for local and the regional (Djibouti and Middle-East) markets is still limited. The largest part of the present smallholder production is only partly marketed in the local fresh fruits markets and is with the exceptions of apples in the present form not competitive in the export markets. Potential in both local and export market, fresh or (semi)-processed is high, but a multitude of factors related to the supply, quality and institutional arrangements in the value chain result in high transaction risks and related costs. Only a limited number of small farmers are involved in organised marketing and hardly any institutional arrangements in the oligopsomic wholesale markets exist.

Strengthening the cooperatives is a strategy for small farmers to be empowered and engage in profitable business relationships. In this way transaction risks can decrease, providing opportunities for fast introduction of the technological requirements for improved planting material and consequently maximising further the margins for the members. This case is specifically focused on the strengthening of Lante Fruits and Vegetables Marketing Cooperative (LFVMC) in bananas and mango and Highland Fruits Marketing Cooperative (CHFMC) in highland fruits.

ORGANISATIONS INVOLVED

Chencha Highland Fruits Marketing Cooperative (CHFMC) (**client**), Kale Heywet Church, Target Business Consultants Plc., Tadex IT Solutions, Ethiopian Television Cooperation (ETC), Lante Fruits and Vegetables Marketing Cooperative (LFVMC) (**client**), Etfruit Sco, Elfora Sco, regional and Addis traders, AfricaJUICE plc, Gamo Gofa farmers union, Bafana Bafana Consultancy and Training Organisation and Arbaminch Zuria Woreda Agriculture and Rural Development Office.

METHOD / SNV INTERVENTION

Group Strengthening (GS) is one the SNV Ethiopia products, which seeks to facilitate target farmers in selected value chains to solve organizational constraints and in the case of the fruit cooperatives entailed the following:

1. Facilitate the development of business arrangements with Addis wholesalers, regional traders and processors;
2. Strengthen the cooperative's leadership capacity in the development of a clear strategy and vision on the core business, business planning, membership development and operational cooperative management.
3. Support promotional activities of the products and image;
4. Facilitation in acquiring other market services most notably the provision of quality planting material.
5. Facilitate the assessment of possible sources of finance for the cooperative and create access to it (from within or outside the business to business value chain);



By the end of 2008, total investments of the Irish embassy funds in SNV advisory days was for LFVMC 26 (15,600\$) and for CHFMC 50 (30,000\$). Investments in designated program funds was 5,300\$ for LFVMC and 16,800\$ for CHFMC. The estimated total investment was therefore 67,700\$. In 2009 and 2010 SNV continued its support at a limited scale, mainly focussed on strengthening the business relationships with traders and processors.

OUTCOME

Outcomes only after one year (2008)

Lante Fruits and Vegetables Marketing Cooperative (LFVMC)

Through their intensive participation in the business plan preparation process (internal assessment and business environment scanning), the management of



the Lante Fruits and Vegetables Marketing Cooperative (LFVMC) became more committed in running the cooperative's business in a competitive manner. During the result measurement, the management of the cooperative explained that their members also became increasingly supportive and

dedicated to improve the cooperative's business positions. As a result of the knowledge they gained in the business planning process and the training, the management of the cooperative expanded its market outlet to various towns of the country and companies (Mekele, Nazareth, Etfruit Sco. and Elfora Sco.), which was originally dominated by oligopsomic Addis Ababa wholesalers. Recognizing the significant role of transport in its business, the cooperative decided to buy its own truck to overcome transportation problems. As a result, within one year, the Lante cooperative alone sold 462 tons of mangos (on top of a substantial amount of bananas). The cooperative has increased its membership from 67 to 103 members and the financial capital base from 8,000 to more than 116,000 Birr. Relationships have also been created between the Lante and Abayamile, Chanochalaba Erze and Chanodorga Fruit and



Vegetables Marketing Cooperatives to address common problems with the marketing. Lante received mango and other products from Chanodorga as first step towards clustering. More importantly, the cooperatives' negotiation power over price setting has improved vis-à-vis Addis Ababa wholesalers by creating an extra net margin of 0.10 Birr/kg.



SNV has linked the cooperatives with an innovative way of fast technology introduction of improved mangos, implemented by the Arbaminch Zuria Woreda Agriculture and Rural Development Office and also supported by SNV. Top-working on (parts of) maturing mango trees is assumed to have less risk and will faster improve

mango fruit quality and productivity.

The Chench Highland Fruits Marketing Cooperative (CHFMC)



The Chench Highland Fruits Marketing Cooperative (CHFMC) was supported in various promotional activities, including participation in trade fairs, advertising on television and distribution of promotional materials. As a result, the cooperative's products are better known by the public, which has led to a fast direct apples' sale.

Traded volumes of grade 1 and 2 quality apple in the Addis Ababa market has increased by more than 100%, amounting to 15 tons in 2008, with a revenue value of 225.000 Birr equals 22,500\$. Membership has increased by 244 bringing the total number of members to 600.

Seedling sale is in fact the most thriving business for small farmers in the area. The price of a single apple seedling at the cooperative's gate is 43 Birr. The cooperative buys the seedlings at 40 birr. After the broadcast on Ethiopian Television showing

Chench to be a dependable source of highland fruit seedlings (apple, pear and plum), cooperative revenues from seedling sales alone reached a record increase from 3 million to 5 million Birr in 2008.



What happened in 2009 and 2010?

Lante Fruits and Vegetables Marketing Cooperative (LFVMC)

Although 2009 resulted in a smaller amount of marketed mangos, margins increased however to 0.20 Birr/kg, due to the access to new and more profitable markets. In 2010 however a contract of the large processor AfricaJUICE with the Gamo Gofa farmer cooperative union, representing several cooperatives including Lante, will result in both a substantial increase in marketed volumes and an extra margin of 0.25 Birr/kg. Fruit quality and productivity has slightly improved with 980 farmers practicing top-working and with 300 farmers starting to harvest their

first improved fruits. These farmers are however serving as service providers for the potential 8,700 mango producing households in the target area, through commercialisation of the top-working services.

The Chencha Highland Fruits Marketing Cooperative (CHFMC)

2009 and 2010 did not result in an increase of marketed apple volumes, although



prices increased slightly as a consequence of improved quality. As expected, seedling sale has not been able to maintain the high level of revenues of 2008, since the demand has stabilized with more cooperatives involved in seedling sales. The CHFMC has however initiated the process for Chencha to become a centre for quality highland fruit seedlings for the whole of Ethiopia. A quality assurance system, consisting of modalities for seedling sales and quality monitoring, involving 7 highland fruit cooperatives in the Chencha area has been established, thus creating a potential pool of more than 3,000 farmers involved in a farmer-led quality seedling supply.

IMPACT

In case of Lante cooperative impact at the farmers' level within one year (2008), indicates a minimum increase in income of 46,000 Birr from mango sales and at least the same amount from banana sales, resulting in a total of 9,200\$ minimum income increase. Membership for LFVMC was 103, but 4 cooperatives clustered their efforts resulting in a total membership of 207. There was not as yet a measurable increase in productivity or production, except for some minor improvements in the reduction of fruit losses. In 2009 and 2010 these impacts have been stabilised. More importantly the experiences with innovative business arrangement at the union level and the quality improvements, has provided a solid base for a further improvement in the incomes for an increasing number of small mango farmers.

For the Chencha cooperative, the increased revenues from seedling selling in 2008, resulted in a minimum increase of income of 500,000 Birr (estimated net margin for farmers 25%) equals 50,000\$ for a minimum number of 600 farmers. On top of this productivity increase in fruit production was already measurable within one year with an increase of grade 1 and 2 (the only grades marketed by the cooperative) of 7500 kg of apple fruits, resulting already in a total minimum income increase of 37,500 Birr equals 3,750\$ (extra net margin estimated at 5 birr/kg). On top of this the direct sale created an additional net margin of 1,875\$. Within one year, the total minimum income increase for the cooperative is therefore estimated at 55,625\$.



In 2009 and 2010 these levels have not been maintained, but improvement in quality has at least resulted in increased prices and margins for the apple fruits. More importantly the experiences with quality improvements and the increasing demand for apples fruits, has, as was the case with mango, provided a solid base

LESSONS LEARNED

for a further improvement in the incomes for an increasing number of small farmers.

SNV has learnt from this particular case that cooperatives with better internal management capacities and committed members will easily make use of available support. However strengthening the cooperatives in it self, does not result in the required changes in terms of increased membership base, revenues and margins. In particular the establishments of business relations and the supportive services like market promotion, access to appropriate technologies or inputs, advisory services and therefore financial services are important.



Conclusion

The case of the fruit cooperatives demonstrates that farmers collectively working together on a shared objective can create a strong commitment to establish improved business relations. The transaction risks and related costs are expected to have been reduced due to shortening of the value chain, information on alternative markets and increased control of the cooperatives over services like inputs, extension and transport. For the individual members this has been an incentive to invest in productivity and quality improvement, in particular when the accompanied services are provided in a way that reduces these risks further for the individual farmer. The result has been increased revenues, margins and income for the members.

Within one year, minimum total income increases was 64,825\$ involving 807 farmers. Assuming a 100% attribution level, 96% of the total SNV cost¹ (including SNV advisory cost) is being recovered in just over one year. This example shows that even with perennial crops like fruits, quick wins can be made, if the right interventions are being selected. Since further improvements within the business relations and fruit quality have been made in 2009 and 2010 with limited additional SNV support, the future looks bright for the small fruit farmers in Southern Ethiopia.

¹ Not including capital cost