

The Contribution of P4P to Building the Capacity of Farmers Organisations

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Table of Contents

Introduction.....	3
Methodology.....	3
Background of P4P in Tanzania.....	4
Case 1- Jikuzeni Kware SACCOS	6
Case 2 - USOMAMA SACCOS	12
Case 3 - Kituntu SACCOS.....	17
Case 4 - Kiosa SACCOS	24
Tanzania Procurement Modalities.....	28
Summary of Main Themes (Capacities).....	30
Conclusion.....	34

Introduction

The United Nations World Food Programme (WFP) purchases large quantities of food for distribution in emergency, recovery and development programmes. Over the past two decades, the organisation has purchased almost 82 percent of its food supply from developing countries. In 2009, WFP bought a total of 2.6 million metric tons of food at a value of approximately US \$965 million.

WFP's policy is to procure food in a manner that is cost-efficient, timely and appropriate to beneficiary needs, encouraging procurement from developing countries as extensively as possible. Local food procurement fulfils WFP's prime procurement and delivery objectives and allows for a transfer of resources to the economies of recipient countries.

The P4P initiative is at the heart of the WFP's efforts to deploy innovative market-based instruments to address the hunger challenge and puts into action its commitment to use the organisation's purchasing power to support agricultural and market development.

WFP has made learning a key priority of P4P, and innovative procurement models will be tested throughout the five-year pilot. The most successful strategies will be mainstreamed in WFP's procurement practices. More importantly, this information will be shared and, it is hoped, adopted and scaled up by national governments and other actors in the agricultural sector.

Methodology

This section describes the methodology that was used in carrying out the P4P Tanzania country study on the lessons learned and used as input for writeshops. The methodology was developed by the Royal Tropical Institute (KIT) of Amsterdam, The Netherlands. In Eastern Africa, it was first applied in P4P Kenya before its use in Tanzania. Four farmers organisations (FO) out of 30 were selected by the WFP Tanzania country programme. The first two are Jikuzeni Kware SACCOS¹ and USOMAMA² SACCOS, located in the Hai district (Kilimanjaro region) and the Hanang district (Manyara region) respectively. The second two are Kituntu and Kiosa, both located in the Karagwe district (Kagera region). These four farmers organisations (FO) are discussed in this report. The selection criteria for the FOs were based on the purchasing arrangements; through a SACCOS network, KADERES, for Kituntu and Kiosa FOs compared with purchasing directly from FOs in the case of Jikuzeni Kware and USOMAMA. The SACCOS are member-based microfinance organisations. However, because of the absence of Agricultural Marketing Cooperative Societies (AMCOS) in some rural production communities, and the need to provide access to market services for their members, these are considered de facto FOs.

The methodology made use of participatory instruments. They involved the use of focus discussions groups - individual storytelling applied during participatory workshops carried out separately with FO leaders and FO members. These instruments were applied over the five days of field interviews. Two sessions of interviews with P4P WFP Tanzania staff were held in Dar Es Salaam. The first took place before the field visit and the second after returning from the field interviews. The idea behind interviewing P4P staff was to gather background information before the field interviews and then to

¹ SACCOS is an acronym for Savings and Credit Cooperative Society

² USOMAMA is an acronym for Umoja wa Soko la Mazao Masakta, which literally means Crops Produce Union of Masakta.

validate the information after those interviews. There were tools made available for P4P WFP Tanzania staff, FO partners, FO leaders and FO members.

During these workshops, in-depth semi-structured discussions were held and value chains were mapped tracking the movement of products, money, information, relationships and networks. Individual stories were told. Interviews were also conducted with FO partners - USAWA, which is a network of agricultural SACCOS in the Kilimanjaro region, and RUDI, a capacity building national NGO contracted by WFP Tanzania to train FOs. In Dar Es Salaam, key P4P staff interviewed included the country P4P coordinator and P4P M&E staff. The data collected from all interviews and workshops was synthesised and presented at a national validation workshop in Dar Es Salaam, which was attended by leaders and members of the FOs studied, WFP staff, representatives of partners and the Ministry of Agriculture, Food Security and Cooperatives. The results from this study would feed into a Regional Writeshop Workshop whose aim is to document, publish and share lessons and best practices of the P4P.

Background of P4P in Tanzania

About 85% of the maize produced in Tanzania is grown by low-income farmers whose farms are less than 10 ha in size. Ten percent of maize production occurs on medium-scale commercial farms (10-100 ha), and the remaining 5% occurs on large-scale commercial farms (>100 ha).

There is little farmer engagement in group marketing or farmer cooperatives, especially for staple crops. The traditional cooperative system, which provided services to farmers throughout Tanzania, collapsed after the wave of privatisation in the 1980's. A number of different field-based organisations are beginning to emerge, but, due to the shortages of funds and a short-term vision, most farmer organisations focus more on immediate technical service delivery rather than on internal capacity building.

Low productivity, distance from markets and lack of credit limit farmer's capacity to access primary and secondary markets, hence most of the production is sold at farm gate to middlemen who set the price and pay in cash. Farmers often lack bargaining power and typically sell most of the maize individually at low prices soon after harvest.

P4P's goal in Tanzania is that by the end of the project, efficient post-harvest food storage modalities and marketing, embedded within increased capacity of farmer groups, will have been established, which will help raise the income of smallholder farmers and provide an incentive for increased production.

Given the lack of organised marketing structures, P4P decided to engage with Savings and Credit Cooperatives (SACCOS). These are microfinance entities registered under the Ministry of Agriculture, Food Security and Cooperatives (MAFSC). They are owned by its members and established with the purpose of promoting savings and facilitating access to credit among rural households. While this is not an ideal entry point for P4P implementation, the SACCOS are the only functioning structure found in most rural areas. The marketing structures are mostly non-operative, making it necessary to start with the SACCOS structure and progressively build the capacity of marketing structures with the assistance of partners. Some of these SACCOS receive support from networks that assist them with training in financial management, record-keeping and marketing of

commodities. This is the case with Kaderes Development and Relief Services (KADERES) and USAWA.

Geographical selection included potential surplus-producing districts where: i) WFP has ongoing programmes (School Feeding, Food for Assets and refugee activities) or adjacent districts that can supply these programmes; ii) where Farmer Associations (FA) registered as SACCOS are to be found; iii) where partners have operations supporting FAs and agricultural development.

Based on these criteria, a total of 29 SACCOS/farmers organisations were selected from 16 districts in Tanzania to participate in the pilot: Kondoa and Kongwa (Dodoma region), Iramba (Singida Region), Urambo (Tabora Region), Babati, Hanang and Mbulu (Manyara Region), Karatu (Arusha Region), Hai (Kilimanjaro Region), Kasulu and Kigoma (Kigoma Region), and Karagwe and Ngara (Kagera Region). This list was later revised to include three additional districts in the south: Songea (Ruvuma Region), Sumbawanga (Rukwa Region) and Njombe (Iringa Region). These were included in response to the 2008/09 drought that affected crops in most districts in Northern and Central regions, as a result of which P4P expanded purchases to include surplus regions in the south.

The purchasing of maize and beans from smallholder farmers is a core activity of P4P. At first, direct purchases were conducted to allow WFP to test the capacity of the farmer groups and learn the constraints and dynamics of the procurement process from smallholder farmers. In the wake of a number of experiences, WFP has moved onto soft competitive tendering, which is a more transparent process and a more effective way of developing the capacity of farmer groups. Under the competitive tendering modality, suppliers compete to sell a commodity to WFP, but under conditions favourable to farmers' organisations, for example: purchasing smaller quantities, providing bags with the WFP logos free of charge, waiving the requirement for guarantee bonds and identifying delivery points close to the suppliers' warehouses.

Training and Partnerships is another key component of the strategy. A training project, fully funded by the Alliance for a Green Revolution in Africa (AGRA), was delivered to the 29 SACCOS participating in the P4P pilot. The content of the modules was designed and delivered by Rural Urban Development Initiatives (RUDI), a local NGO, with support from the government that assigned two staff members to the training. The training objective is to build farmers' capacity in leadership and good governance, entrepreneurship and basic business management skills, post-harvest management, warehouse management, warehouse receipt systems, record-keeping and "doing business with WFP". A total of 1,400 farmers participated in the Training of Trainers sessions (ToT), out of which 48% were women.

To enhance the storage capacity of farmers, P4P helped SACCOS to rebuild and fully equip village warehouses. A total of 19 village warehouses have been renovated collectively, with the community leading the process, while the District Council and WFP provided technical support. All the warehouses were equipped with weighing scales, generators, stitching machines, fumigation sheets and other key items needed to guarantee the proper maintenance of the produce. The warehouses now meet the minimum standards required to register under the Warehouse Licensing Board (WLB), which is a requirement for operating a Warehouse Receipt System (WRS).

Case 1- Jikuzeni Kware SACCOS

Background

Jikuzeni Kware SACCOS is in the Hai district (Kilimanjaro region) and was founded in 2002 from more than 5 farmers groups. The groups were sensitised to form SACCOS by a World Bank funded project PADEP³. The founding members numbered 121. It was formally registered in 2006. The objectives of Jikuzeni Kware SACCOS at the time of formation were to (1) Gain access to credit (2) Establish a collective voice and (3) Gain access to training. Membership has risen from 407 before P4P to a total of 501 as of May 2011. The SACCOS issued credit in 2011 to its members, with the lowest credit to an individual member valued at TZS0.5 million and the highest at TZS1.0 million. The membership has increased in recent years following participation in P4P, and the SACCOS has diversified its services and products for members. Jikuzeni Kware SACCOS now offers 7 types of credit to its members, including agricultural and small business microfinance. During P4P, 50 members (50% women) received training in 9 modules from RUDI, a national NGO contracted by WFP. These modules covered the formation and strengthening of farmers groups, leadership and good governance (SACCOS management); entrepreneurial skills and the basics of business management, principles of good storage of agricultural produce, warehouse management, warehouse receipt system, facilitation skills, agricultural markets, preparation and record-keeping, post-harvest loss management, negotiation skills and farm operations calculations. All of these were covered by the Trainer of Trainers (ToT) programme.

The first procurement modality that was used by P4P to buy from SACCOS was competitive tendering. In 2009, a contract was signed for 30 MT of maize. In 2010, Jikuzeni Kware SACCOS did not get a contract because it quoted higher prices than other suppliers. However, Jikuzeni Kware SACCOS did sell their 160 MT of maize to traders.

Sales and marketing

Before engaging with WFP P4P, Jikuzeni Kware SACCOS members sold their maize to traders. Some traders collected the maize directly from farmers' homesteads. The prices offered were low for a product that had no quality considerations. *"Most years we were selling our maize to traders at TZS15,000 per 120kg bag and in good years we sold it at an average of TZS35,000 per 120kg bag. During the WFP P4P contract, we sold our maize at TZS50,000 per 100kg bag and this season (2010/2011) we sold our maize at TZS52,000 per 100kg bag to traders, which is a big change both in price and in using weight rather than volumetric units of measure"*, recalled Aimbora Urassa, a 54-year old woman who has been a farmer since 1975.

After Jikuzeni Kware SACCOS joined P4P, its members received training and began to aggregate the maize. They saw WFP as a dependable market channel. Despite selling under only one contract, SACCOS members got better prices. Under the WFP P4P contract in 2009, the FO sold 30MT at a price of TZS50,000 per 100kg bag. In 2010, the FO sold 160MT to private traders at a collective price of TZS52,000. The FO members were excited by the double benefit of their sales. Firstly, the prices were higher for every member who contributed to the FO warehouse and secondly, sales were based on weight and not on volume. *"Selling by weight using a weighing scale was a more reliable and fair method of filling the bag of maize to 100kg than using the traders' plastic buckets, which usually end*

³ PADEP is an acronym for the World Bank funded Participatory Agricultural Development Project. It phased out in 2008

up filling the same bag to 120kg” testified Emmanuel Massawe, a 71-year old man with more than 30 years experience in farming. SACCOS members attributed the improvement in prices per bag to the improved quality of their maize and the collective bargaining power with traders that they learned during WFP/RUDI training. The SACCOS was informed that the traders who bought their good quality maize came from neighbouring Kenya.

Figure 1: Jikuzeni Kware SACCOS Maize Value Chain Before P4P (2008)

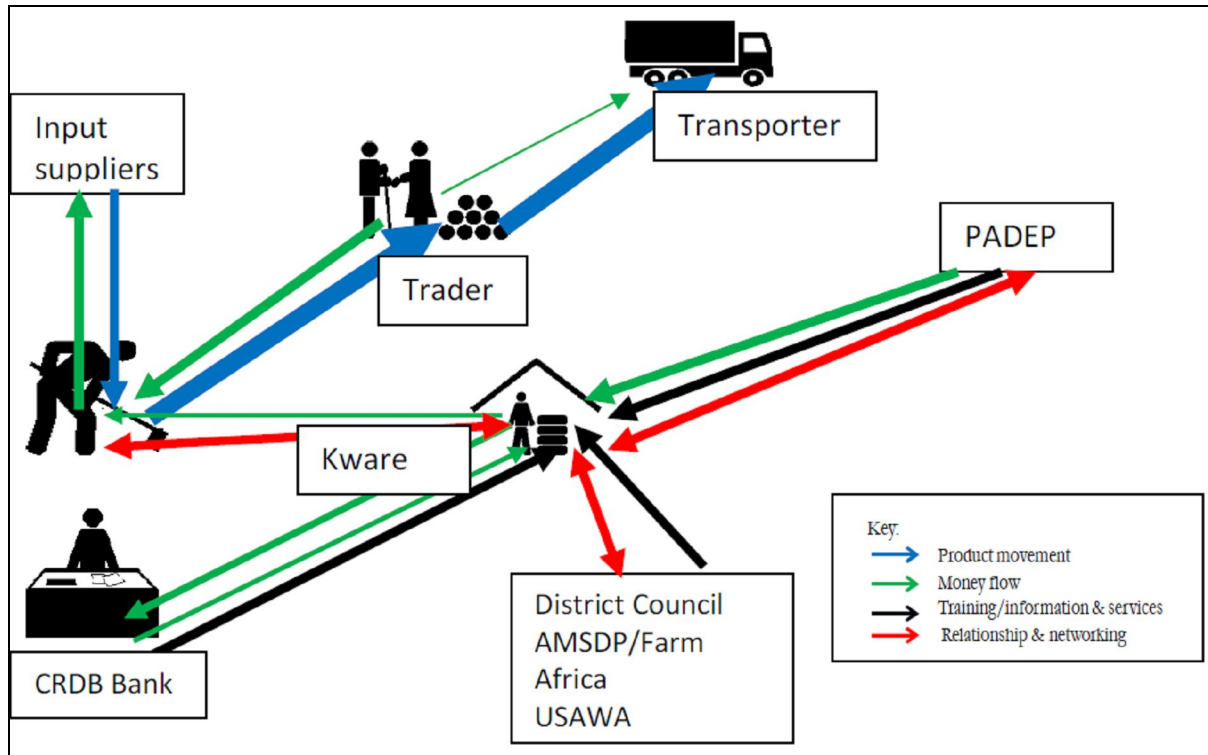
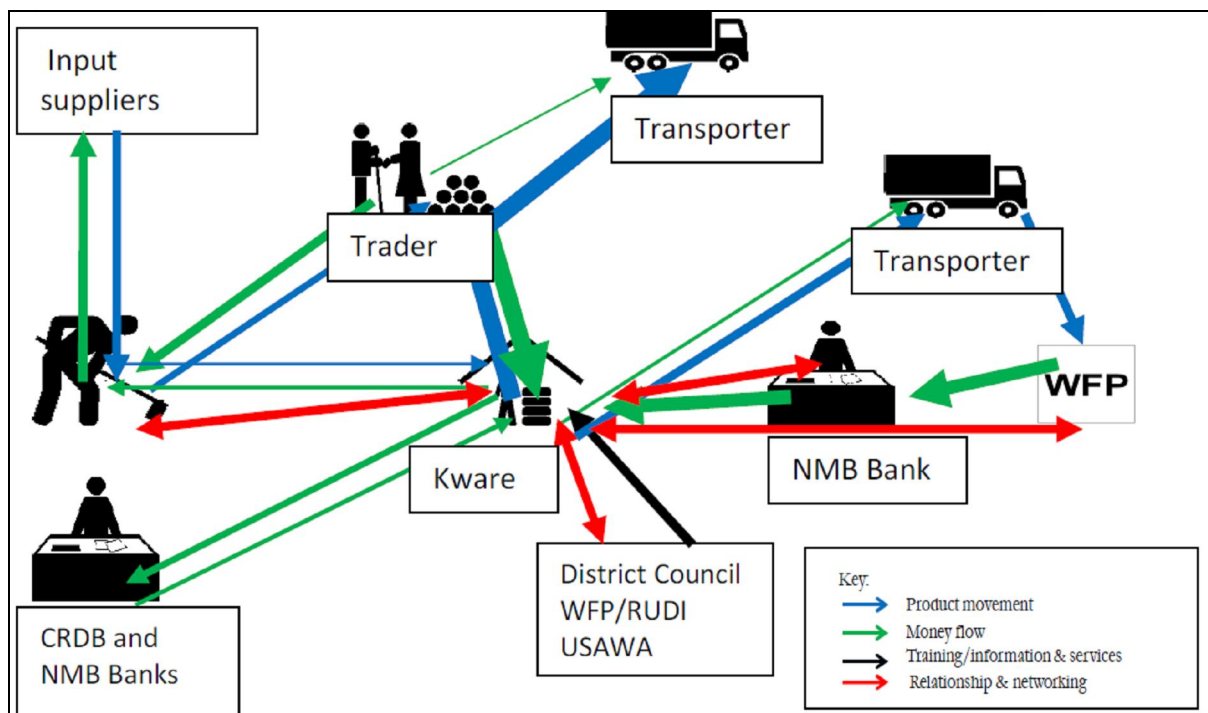


Figure 2: Jikuzeni Kware SACCOS Maize Value Chain Since P4P (2011)



Product quality

Prior to WFP P4P, the FO members produced and sold maize that had no quality considerations. WFP trained them and provided them with weighing scales, tarpaulins, sealing machines, generators and moisture meters. The farmers were trained in drying the maize, cleaning it, removing broken and coloured grains and ensuring the absence of live weevils. WFP quality standards require that maize should not have aflatoxins above 10ppb. The farmers tested the approximate moisture content of their maize before taking it to the SACCOS warehouse by taking samples and putting it in clear bottles to which table salt was added. The sealed bottle was left overnight. The bottles where the salt had dissolved indicated that the maize had a high moisture content and needed to be sun-dried further.

“We had to mix samples of maize with table salt as an approximate method of testing moisture content in our maize before taking it to the SACCOS warehouse because the WFP Superintendent is very strict when it comes to quality. Our leaders are also quite strict because they do not want to see any damage done to the reputation of our aggregated maize,” emphasised Fatuma Kharubu, a young woman farmer who contributed 600kg of maize in the 2010/2011 season.

WFP employs superintendents to inspect adherence to its standards before maize is bagged into WFP bags and delivered to its warehouse. FO members have adopted and assimilated the production of quality products to such an extent that it no longer features as an area requiring further capacity building.

Aggregation of Commodities

As is evidenced in Fig.1 above, before P4P in 2008, Jikuzeni SACCOS members did not aggregate their maize despite being members of the SACCOS. They sold all their products individually to traders, as is shown by the blue arrow depicting the movement of the maize products from farmers to traders. SACCOS members however, maintained their relationship with the SACCOS and received credit and training via the FO through programmes like the Agricultural Marketing Systems Development Project (AMSDP)⁴, PADEP. WFP renovated a village warehouse that had been previously used for coffee collection. After coffee prices dipped below profitable levels, farmers abandoned the practice of growing it.

“We used to store coffee in this warehouse when the Kilimanjaro Native Cooperative Union (KNCU) used it as its coffee buying point. The warehouse belonged to the village council. It was constructed with the help of funding from the FAO; but when coffee prices fell below profitable levels in the late 1980s, most of us stopped growing it and switched to growing tomatoes and onions instead” recounted Emmanuel Massawe, who had worked as a tailor in Mombasa, Kenya before returning to his home village of Kware where he has been a farmer for over 30 years.

The warehouse remained unused. The warehouse was put to use after being renovated by the WFP. Aggregation of maize started in 2009, initially with 30MT in a warehouse that has the capacity to store 150MT. The experience and benefits of aggregation and selling collectively at one price motivated SACCOS members and non-members to contribute their maize. According to Jikuzeni Kware SACCOS leaders, membership grew to 501 by May 2011. In 2010, the aggregated maize was

⁴ AMSDP is an acronym for the IFAD and ADB-funded Agricultural Marketing Systems Development Project

160MT and more maize could not be accommodated due to the lack of space. The SACCOS members are now collecting aggregates to expand the capacity of the warehouse.

Price and Negotiation Capacity

Jikuzeni Kware SACCOS had built capacity in price negotiation, thanks to RUDI training and the WFP contract that demonstrated that quality and collective bargaining could benefit farmers more. Leaders from Jikuzeni Kware SACCOS admitted that the training they received on cost calculations and price settings paid dividends. The first P4P contract in 2009 saw the first application of that training and involved negotiation with the WFP P4P procurement unit at the country office. It gave them confidence. This confidence helped them negotiate better prices with the private traders in 2010. The SACCOS managed to get TZS52,000 per 100kg bag from the traders.

“We didn’t get a contract from WFP in 2010 because our quotation was higher compared to open market prices, which WFP uses as a guide. However, we sold our maize to a trader at an even better price. We had to negotiate with two traders who came to our warehouse separately. The first one wanted to give us a price of TZS51,000 per 100kg bag but the members turned this down at one of our meetings because he wanted to take the maize on credit. Then the second buyer came, we think he was from a trader who sells to Kenya. We negotiated with him and sold the maize at TZS52,000 per 100kg bag; RUDI had taught us how to calculate production and other costs before setting our selling price” according to Samora Ndossi, chairman of Jikuzeni Kware SACCOS, who proudly recounted the story of their negotiations with the traders.

The price was higher than their floor price of TZS50,000 per 100kg bag. Previously, before participation in P4P SACCOS, members took their prices from the traders.

Table 1: Price Comparison During P4P

Year	Market price from traders	Market price from WFP P4P
2009	350 TZS/kg	500 TZS/kg
2010	520 TZS/kg	N.A.

N.A. = not applicable because SACCOS sold to traders only.

Production capacity

The production capacity of Jikuzeni Kware SACCOS was mainly due to increased use of better seeds, fertilisers and pesticides. Yields increased from an average of 5-8 bags per acre to 15-20 bags per acre, according to stories related by farmers. A reduction in post-harvest losses also contributed to increased production capacity.

“RUDI gave training in the importance of using better seeds and other agricultural inputs in order to increase productivity, improve the quality of the produce and reduce post-harvest losses. Mr. Makoye from RUDI taught us that quality started on the farm. However, some of the seeds, like the 513 hybrid of Panar seed from Kenya, had very low productivity results. This season (2010/2011) we used the 8031 hybrid from Seedco in Tanzania and the results were very good” explained Khadija Mohamed with regard to the improved production capacity and quality that resulted from increased use of better agricultural equipment.

No increase in acreage was reported because of the scarcity of land in the area.

Building Relationships

Jikuzeni Kware SACCOS had, in general, maintained the same relationships. The WFP P4P arrangement was the only addition to the RUDI training of SACCOS members. While maintaining the same relationships, these have also deepened. For instance, the relationship with CRDB bank has seen a credit portfolio increase from TZS11 million to TZS57 million. The relationship between Jikuzeni Kware SACCOS and USAWA enabled the SACCOS to increase the number of products and services they could offer to their members. Previously they could offer members credit and access to training, and now can offer more types of credit.

Priorities and Challenges Ahead

The single most important challenge for Jikuzeni Kware SACCOS was the small capacity of their warehouse. The existing warehouse capacity is 160MT. The FO resolved to expand the storage capacity by an additional 300-400MT. Most FO members in Jikuzeni Kware complained of poor quality and sub-standard inputs. Maize seeds for planting had a very low germination percentage, while pesticides for fumigation were inefficient. FO members requested capacity building in the identification of genuine high-quality inputs.

The price via the P4P market is better than that via the middleman alternative. However, farmers expected WFP to be a guaranteed market, something that has not materialised as they won only one contract of 30 MT, which they delivered on, but did not win a second contract in 2010. The competitive tendering does not provide any guarantees in this market. Fortunately, traders are offering better prices for quality produce.

“When the WFP came to our village via the District Agricultural Development Officer (DALDO), it trained us, provided our SACCOS with weighing scales and other equipment, and renovated and fumigated our warehouse before granting us permission to sell under P4P in 2009. For the first time, our members were able to sell aggregated maize on the basis of weight and received a higher price of TZS572/kg compared to the then traders’ price of TZS350/kg that was based on volume. We saw this as a good sign of selling to a reliable market. However, in 2010 our SACCOS did not win the WFP contract because our quote was higher than the open market price. We asked the WFP not to compare producers in the northern regions of Tanzania with the central regions or with Uganda because the cost of maize production in our northern regions is about TZS300/kg compared to about TZS100/kg in the central regions. If the WFP took our production and operational costs in producing and selling quality maize into consideration, it would be able to meet our expectations of being a reliable market for us” commented Samora Ndossi, chairman of Jikuzeni Kware, on the perception of losing out in the competitive tendering to supply maize to the WFP under P4P.

The WFP field officer clarified the competitive tendering process that requires that the WFP source products from the cheapest supplier and not based on suppliers’ costs. This clarification was emphasised by Dominique Leclercq, P4P Coordinator at WFP Tanzania country office, who responded to the concern from the same SACCOS at the Validation Workshop that farmers’ organisations were competing on prices that they offered to WFP and that it was still interested in buying from the SACCOS.

Box 1: Jikuzeni Kware SACCOS and USAWA Partnership

USAWA was founded in 2006 as a network of SACCOS in the Kilimanjaro region, Tanzania. This was in response to the challenges facing rural microfinancial organisations in terms of management and quality support services. It takes a long-term view of its partnership arrangements with member SACCOS. According to Bergeron Marc, USAWA managing director, by May 2011 USAWA had 30 member SACCOS with a total of 12,000 members.

Jikuzeni Kware SACCOS became an USAWA member in 2007. Since then USAWA has provided SACCOS with training in management, record-keeping and reporting, audits, has supplied them with office furniture and has offered training in product diversification. The result of USAWA services to Jikuzeni Kware SACCOS has been to increase their capability in producing monthly reports on its operations, product diversification and offer alternatives to traditional credit. There are now seven different types of credit available. These are agricultural credit, business credit, “chap chap” short-term trading credit, assets credit, emergency credit, credit for family and community obligations like school fees etc., and commodity aggregation credit whereby members are eligible to receive 75% of the market value of their products.

In return for these services from USAWA, Jikuzeni Kware SACCOS pays a fee of 1.5% of its income to USAWA. In 2010, Jikuzeni SACCOS members contributed 2800kg of maize to USAWA, which was entered into the WFP P4P vendors list. Up to May 2011, USAWA had not yet been notified of the status of their tender.

Case 2 - USOMAMA SACCOS

Background

The USOMAMA SACCOS was formally registered in May 2006 with 60 founding members. It is in the Hanang district (Manyara region) and was founded in 2002 after PADEP's sensitisation procedure to form SACCOS. At the time of formation, its objectives were (1) Maize aggregation (2) Gain a collective voice (3) Access to credit and (4) Access to training. Members have increased from the founding 60 to 375 as of May 2011. The SACCOS provides credit to its members, and the lowest credit provided to a member was TZS0.5 million with the highest being TZS3.0 million. The membership has increased in the years following participation in P4P. During P4P, 50 members (50% women) received training in 9 modules from RUDI, a national NGO contracted by WFP. The training offered was similar to that for Jikuzeni Kware SACCOS and given by the same trainers. These modules covered warehouse management, post-harvest loss management, farm operations calculations and SACCOS management. All of these were covered by the TOT programme. The first competitive tender contract from P4P was in 2009 for 312.3MT of maize. This contract was insufficiently fulfilled due to side-selling and delayed payments for the delivered cargo. In 2010, USOMAMA SACCOS won a contract for 333.9MT

Sales and Marketing

Before engaging with WFP P4P, USOMAMA SACCOS members aggregated and sold their maize to traders. Some traders collected the maize directly from the farmers. After USOMAMA SACCOS joined P4P, its members received training and began to aggregate quality products. They saw WFP as a dependable market channel. The SACCOS members got better prices at the time of contract-signing compared to the open market. Under the WFP P4P contract in 2009, the FO sold 247.49MT at a price of TZS40,000 per 100kg bag compared to the trader's price of TZS32,000. However, due to delayed payments as a result of the late delivery of WFP bags for re-bagging and upward price movements in the market, the USOMAMA side sold 64.81MT at a price of TZS45,000 per 100kg bag. In 2010, the FO sold 333.9MT to WFP in two batches - 200MT at a collective price of TZS33,000 and 133.9MT at a price of TZS38,000. The FO members were excited by the double benefit of their sales. Firstly, the prices were higher for every member who contributed to the FO warehouse and secondly, the sales were based on weight and not on volume. However, complaints were raised concerning delayed payments that were taking up to 3 months. FO members suggested that the WFP consider payment in advance so as to enable farmers who had contributed their maize to the FO warehouse to meet their immediate financial needs after the harvest period.

Product Quality

USOMAMA SACCOS began maize aggregation in the 2006/2007 cropping season after encouragement from H.E. Dr. Ali Mohamed Shein, the then Vice President of the United Republic of Tanzania who had visited their SACCOS in 2005 at the invitation of PADEP. The SACCOS aggregated 538.2 MT of maize at a market price of TZS150/kg at the time of receiving the maize. At that time, the quality of the aggregated maize did not receive much attention. This first experience did not benefit the members to any great degree as they continued to sell some of the maize to traders at the lower price of TZS120/kg, although, later on, they did sell to the national Strategic Grain Reserve (AGR) in Arusha at a price of TZS170/kg. Before participation in WFP/P4P, the SACCOS members produced, aggregated and sold maize that had no quality considerations. WFP trained them and provided them with weighing scales, tarpaulins, sealing machines and generators. Through a TOT

approach, RUDI, contracted by WFP (paid by AGRA) and using standard training modules they had developed over the years in their business of building farmers' groups to aggregate using the warehouse receipt system, trained 50 farmers in how to dry the maize, clean it, remove broken and coloured pieces and ensure the absence of live weevils. WFP quality standards require that maize should not have aflatoxins above 10ppb. The TOT farmers retrained fellow farmers. WFP employs superintendents to inspect adherence to its standards before maize is bagged into WFP bags and delivered to its warehouse. SACCOS members have adopted and assimilated producing quality products to the extent that it no longer features as an area requiring further capacity building.

Figure 3: Usomama SACCOS Maize Value Chain Before P4P (2008)

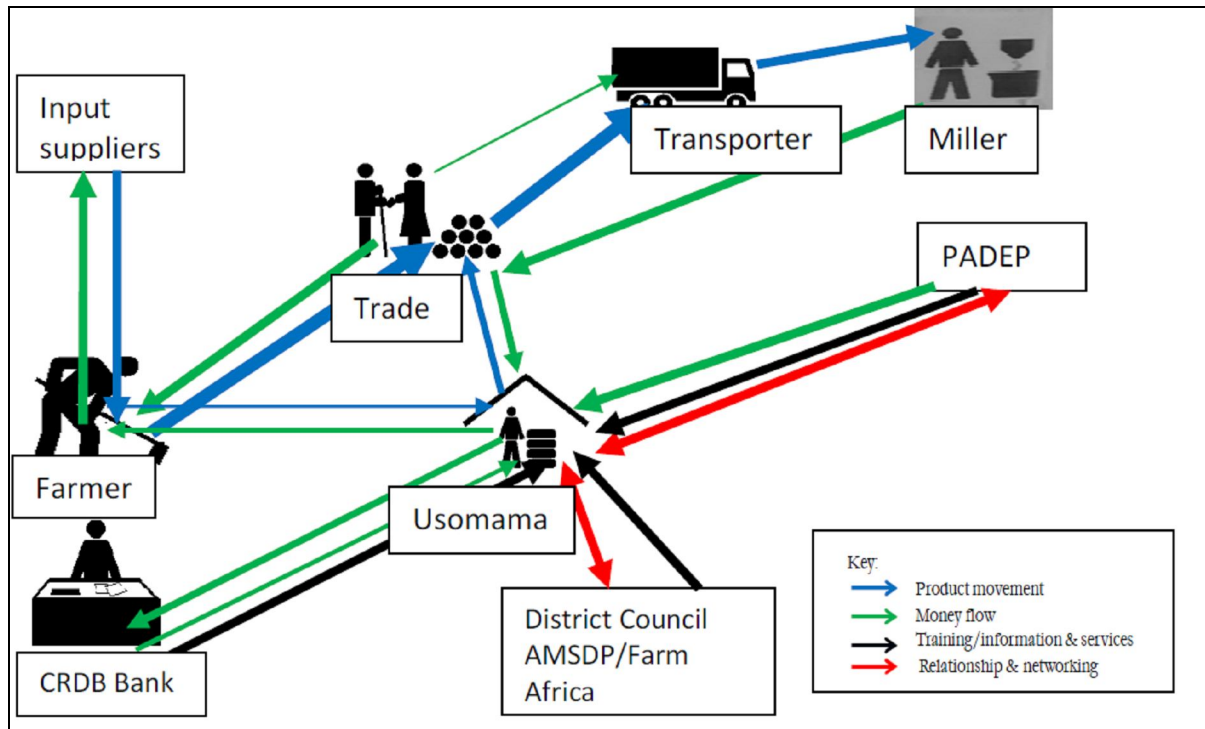
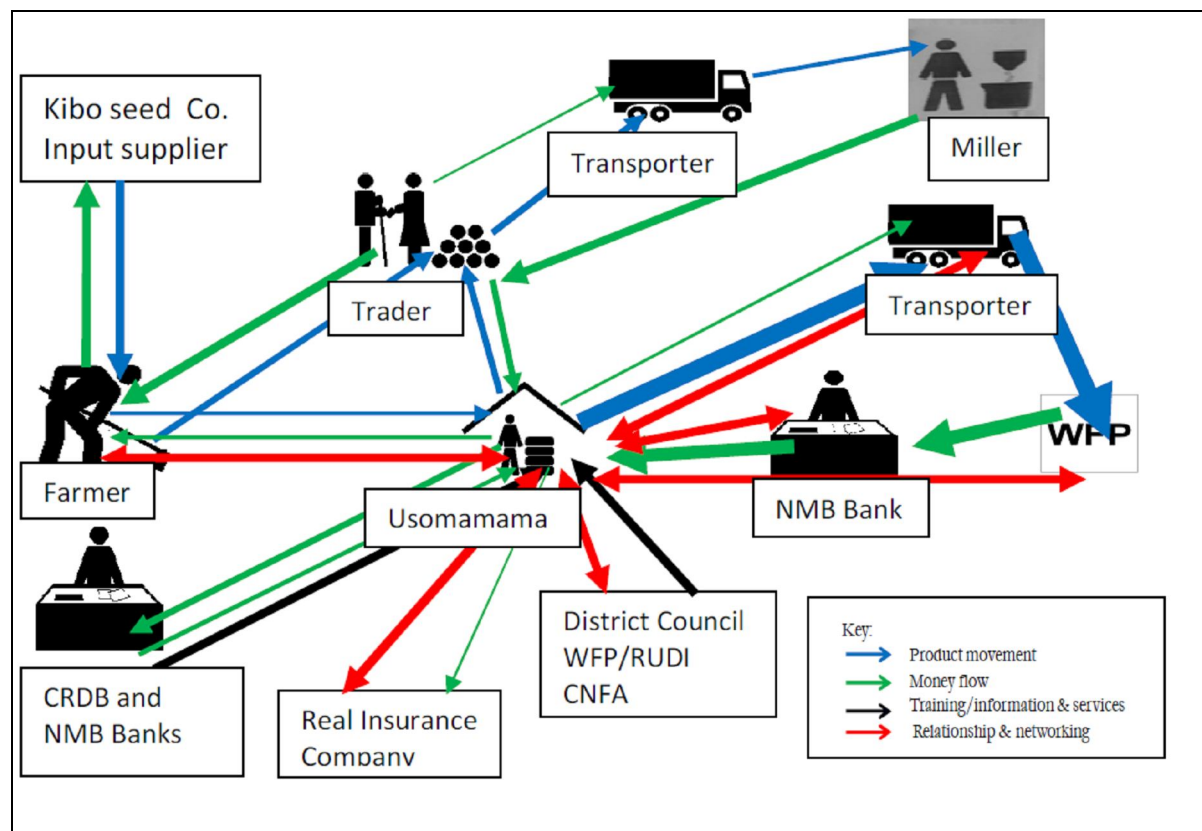


Figure 4: Usomama SACCOS Maize Value Chain Since P4P (2011)



Aggregation of Commodities

Fig.3 above shows the experience of USOMAMA SACCOS members in aggregating their maize before P4P in 2008. They related that the aggregation of maize started in 2006 through training and sensitisation via PADEP and AMSDP, with Farm Africa as the capacity building NGO. The then Vice President of Tanzania, H.E. Dr. Ali Mohamed Shein, had informed the SACCOS members of the benefits of commodity aggregation during his visit in 2005. Back then they sold all their products to traders. Members maintained relationships with their SACCOS and received credit and training via the SACCOS through programmes like AMSDP and PADEP. WFP renovated a village warehouse that had been previously used for maize collection by the National Milling Corporation (NMC)⁵. After Tanzania adopted a market-led economy in 1995 and liberalised the trade in grains, farmers abandoned the practice of selling through the NMC. The warehouse remained unused. The warehouse was put to use again in 2006 when aggregation of maize started with 538.2MT.

Ndeaisa Munisi: *“We began maize aggregation after the visit in 2005 of the Vice President Mohamed Shein who urged us to formally register as a SACCOS. We asked the Village Council to rent the warehouse that had been constructed using FAO funding in 1986 but had remained idle after NMC stopped buying maize. We pay the village council TZS300,000 each season for the use of the warehouse. Since 2006, when we first aggregated maize, we have benefited from our links with the*

⁵ NMC is an abbreviation for National Milling Corporation, a defunct state-owned grain miller

CRDB Bank that was facilitated by the Prime Minister’s office through AMSDP. AMSDP was the first to train us in using the warehouse receipt system whereby our SACCOS paid 75% of value of the produce contributed by the member. We also received training in how to obtain information on food prices using Vodacom mobile phone services”.

In this first experience with aggregation, the maize was sold both to traders and to the Strategic Grain Reserve (SGR), which is a government food reserve. In 2009, USOMAMA SACCOS won the first P4P contract for 312.3MT. The experience and benefits of aggregation and selling collectively at one price motivated FO members and non-members to contribute their maize. According to FO leaders, membership grew from 60 in 2006 to 375 by May 2011. In 2010, the aggregated maize was 333.9MT. In this regard, the government’s role was appreciated by SACCOS members, although it fell short of capacity building on quality and other aspects that P4P has brought to the commodity aggregation models.

Price and Negotiation Capacity

Drawing on their high level of experience in aggregation and collective selling, USOMAMA SACCOS managed to build capacity in price negotiation, which was further enhanced by RUDI training and WFP contracts that demonstrated that quality and collective bargaining could benefit farmers more. The USOMAMA SACCOS leaders confirmed that the training they received on cost calculations and price settings paid dividends. The first P4P contract in 2009 saw the first application of that training and negotiation with the WFP P4P procurement unit at the country office. It strengthened their confidence. This confidence was instrumental in their price negotiations with the private traders for better prices in 2009 and 2010. The market in Masakta was competitive, with traders out-pricing one another. When WFP delays payments to FO, price movements affect the contracts between WFP and USOMAMA because traders are willing to pay better prices above P4P, which resulted in side-selling in 2009. The FO was able to get TZS45,000 per 100kg bag from a trader. The price was higher than the price of TZS40,000 per 100kg bag agreed to by WFP. Previously, before participation in P4P, FO members took their prices from the traders.

Table 2: Price Comparison During P4P

Year	Market price from traders	Market price from WFP P4P
2009	320 TZS/kg – 450TZS/kg	400 TZS/kg
2010	250TZS/kg - 450 TZS/kg	330 TZS/kg and 380TZS/kg

Production Capacity

Farmers and FO leaders agreed during field surveys that most farmers in USOMAMA SACCOS had managed to increase the amount of acreage under cultivation. The use of weight measures as opposed to volumetric measures was another factor mentioned that encouraged farmers to plant more, resulting in better prices.

Some of the FOs studied improved access to credit, which in turn facilitated the adoption of productivity-enhancing production practices and technologies. In USOMAMA FO, maize shelling,

that was previously done by hand or by driving tractors over the maize cobs on the ground, is now done using motorised maize-shelling machines. The motorised shelling machine owners hired out their shelling services to fellow members at a cost of TZS 1000 per 100kg bag.

Building Relationships

USOMAMA FO has deepened its relationships and networks as a result of P4P engagement. This was evidenced by the maize value chain for 2011. The FO had established relationships with two banks compared to one previously. This was occasioned in part by WFP paying through the NMB Bank while the FO maintained an account with the CRDB Bank. The second factor was the increased need for credit to expand production capacity, thereby demanding an increase in the wholesale of credit to the FO. Its portfolio was TZS97.8 million at the time of interview. The increased level of credit and the aggregation of larger amounts compelled USOMAMA SACCOS to obtain insurance for their warehoused products and cash on hand. They established a relationship with Real Insurance, which is an insurance company selling risk cover for crops in warehouses and in transit.

The DDU contract into which they entered with WFP states: *“Risky/Proprietary: The commodities shall remain at the risk of the supplier until delivery to WFP is complete and the Superintendent confirms the commodities meet the specifications contained in the section on Quality on the previous page. After the Superintendent’s confirmation, the ownership of the commodities shall pass to WFP”*.

The SACCOS established relationships and maintained contacts with trustworthy transporters who regularly ferried their maize to the WFP in Arusha City. USOMAMA SACCOS also established a relationship with Kibo Seed Company for prompt and reliable delivery of agricultural supplies. Because of the relationship with a single trusted supplier, USOMAMA members did not suffer the problem of sub-standard inputs as did Jikuzeni Kware members. Such relationships did not exist prior to P4P engagement.

Priorities and Challenges Ahead

Many SACCOS members stated that delayed payment for individual farmer’s contribution to the SACCOS warehouse for P4P contracts was a considerable problem. For example, Daniel Gitiyang (48) of USOMAMA SACCOS complained of a 3-month delay in the second contract with WFP. When the contract was signed in March 2010 the price was TZS 33,000 per 100kg bag, but at the time of payment in June 2011 the open market price was TZS 38,000 per 100kg. This resulted in a perceived loss of TZS 420,000 for the 84 bags he had contributed to the P4P contract. This kind of thing happens even when the contract has expired, and the WFP does not offer any kind of compensation. SACCOS members suggested that the WFP should collect the consignment at their warehouse so that the terms would then become ex-warehouse incoterms. The WFP field officer, Lilian Urassa, clarified that delays were due to late inspection and confirmation of quality standards at WFP warehouses by the WFP-contracted Superintendent. She further informed the members that WFP was considering piloting advance payments.

The other challenge relating to delivery is that the SACCOS bear the transport risks (such as breakdowns) between their warehouses and those in Arusha City. This was raised as a complaint by USOMAMA because it forces them to pay insurance for the crop twice. They first have to insure the cargo for when it is in the warehouse and then for when it is in transit. SACCOS members suggested that WFP should collect the consignment at their warehouse so that the terms would then become ex-warehouse incoterms.

Case 3 - Kituntu SACCOS

Background

Kituntu SACCOS is located in Karagwe (Kagera region), 17 km from the district capital and close to a main road. It was formed in 2002 after KADERES initiated a sensitisation campaign on the importance of creating a savings and credit cooperative among farmers. The SACCOS encourages villagers to join the cooperative in order to receive loans worth up to 3 times the value of their savings. Most of the capital comes from its own members' savings and from KADERES. Agriculture, education and small businesses are the main priorities when it comes to loans.

Farming is the main economic activity among SACCOS leaders and members. The main commodities produced are banana (main staple crop), beans (main cash crop), coffee, maize, groundnuts, jatropha, peas, potatoes and cassava. Although production does fluctuate, Karagwe is a very fertile area with two harvest seasons, the main one being in June/July. Kagera is a food-secure region and farmers can rely on a variety of crops to meet their consumption needs. In recent years however, banana production has dropped due to disease, and some farmers are switching to maize. Traditionally, farmers from Karagwe use manure (livestock is another key economic activity in the area) and other organic fertilisers in their fields. The main constraints to production are weather dependency, the lack of a reliable market for cash crops, low prices, the lack of suitable seeds and inadequate extension services.

Sales and marketing

Prior to KADERES and P4P, the only marketing channels were middlemen or traders, who typically buy at harvest time when farmers are in urgent need of cash. These traders come to the farm gate and offer a price which farmers usually consider too low. There are no quality considerations and they buy any type of beans available, though they sometimes penalise farmers who supply bad quality beans by lowering the price the following season to compensate for the loss. The value chain for beans before KADERES/P4P Figure 5 is rather simple. There is only one type of buyer (middlemen) and no supply side or extension support. The only service provider is the SACCOS where farmers can deposit savings after selling the produce and access loans for household needs and agricultural investment.

As P4P purchases have been channelled through KADERES, it is difficult for the SACCOS leaders and farmers to discern the differences in farmer profits before and after P4P. Therefore, farmers were asked about the differences in the value after KADERES started purchasing from them.

Box 2: The P4P and KADERES Partnership

Karagwe Development and Relief Services (KADERES) is a local NGO based in the Kagera Region. It was formed in 1997 to support farmers in getting fair prices for their produce, as typically they sell soon after harvest when they can only get low prices that are below the production costs.

KADERES decided to pursue its main objectives by promoting SACCOS in the district as a strategy for switching their focus to savings as well as enabling them to access credit facilities. KADERES facilitated the promotion and formation of 12 SACCOS, which by 2009 had 16,905 registered members.

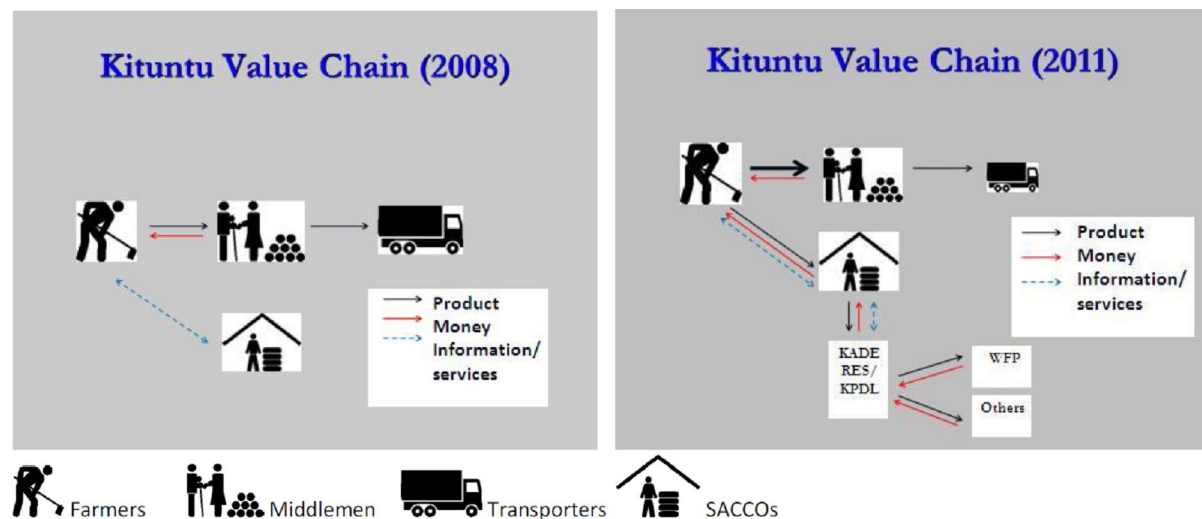
In 2006, KADERES conducted a study to understand how they could best support farmers in a sustainable manner. The study recommended the establishment of an independent marketing entity to lead a step-by-step movement towards the formation of WRS. Karagwe Development Private Limited

(KDPL) was created with the following objectives; 1) educate and train farmers in all matters including production, marketing, farmers rights and obligations, management of economic and financial activities, 2) support the farmers in establishing, upgrading, strengthening and managing their farmers associations, 3) enable farmers to improve the quality of their produce so that they can access good markets and achieve fair prices, and provide modern agriculture equipment and technical services, 4) to unite farmers so that they acquire bargaining power, credit facilities, storage facilities and reliable commodity market information, and 5) link farmers and farmers associations with cross-border commodity markets for their products (Uganda via the Mutukula border, Rwanda via the Rusumo border, Kenya via the Busia and Silari borders, DRC via the Murongo to Kasese borders, and Burundi via the Kabanga –Ngara border).

P4P first contacted KADERES during the assessment mission in Karagwe to identify the P4P SACCOS. P4P had already met with four groups in Karagwe (Kiosa, Kituntu, Chakanya and Kaisho) that happened to fall under the KADERES umbrella. P4P then decided to channel purchases through KADERES as it could then facilitate the management of contracts and obtain greater quantities.

In 2009, KADERES was registered as a WFP vendor and since then has participated in three direct contracts and two WFP/P4P soft competitive tenders. Once KADERES wins a tender, they start bulking commodities through the SACCOS. KADERES sets a price and gives SACCOS management cash so they can start aggregating from farmers⁶. They then arrange for transport to the WFP warehouses (Arusha, Dodoma or Isaka). WFP’s procurement unit deals with KADERES and therefore there is no direct communication between P4P and the individual SACCOS during the purchasing process.

Figure 5: Kituntu Bean Value Chain 2008 & 2011



⁶ During the case study process, it was not clear whether KADERES sold beans to WFP only or if they also had other buyers. KADERES later confirmed that they only sell beans to WFP and that they are now in the process of diversifying into purchasing and selling other commodities (coffee, soy beans) for export markets

Producing Quality

Prior to KADERES/P4P, farmers had no experience in producing to quality standards. KADERES and WFP, through the RUDI training, built this capacity by providing advice on the proper drying, cleaning, sorting and bagging procedures, as well as on warehouse management. Farmers were trained in the varieties of crops required by KADERES/P4P and the need to separate the varieties of different types of beans from each other.

There have been some obstacles to the collection of quality beans from farmers. In order to increase the quantity of quality beans received, the SACCOS provide farmers with the facilities to further clean or dry their beans if they arrive with poor quality produce. Additionally, if the farmer has to spend time on meeting the quality standards, the SACCOS give the farmer an advance so he/she can carry out the necessary work. Otherwise, stressed by the need for cash, they might resort to selling to middlemen. Supplying one specific type of bean is also problematic. Farmers typically rotate varieties of beans in their plots, so that after a few years they end up producing mixed varieties. This presents a number of challenges when KADERES/P4P request in a contract that farmers deliver one specific type of bean.

Box 3: Quality and Mixed Beans

Initially, WFP Tanzania allowed the purchase of mixed beans. In 2010, a batch of mixed beans purchased from Uganda through the Regional Procurement Unit in Kampala was found to be of poor quality. These were identified as beans mixed by the traders but not actually collected from the farmers, who usually grow beans of different varieties in the same fields and therefore harvest mixed beans.

Procurement requirements were then changed to only allow single varieties of beans (red kidney beans, rose coco, yellow and others). In practice, KADERES has been supplying mixed beans, as it is very difficult for farmers to produce specific varieties. Quality has not been an issue with KADERES beans. In fact, recent visits to Refugee camps in Nyarugusu, Kasulu, confirmed that beans originating from Karagwe were found to be of excellent quality and very much appreciated by the refugees benefiting from WFP food distributions.

Since the quality of the beans seems to be an issue with some commercial traders, the procurement unit is currently considering reintroducing mixed beans in the contracts.

Aggregation of Commodities

SACCOS typically manage to aggregate adequate quantities of commodities. Contracts are awarded on a first-come first-served basis, there is no quota per farmer and each farmer can supply as much commodity as they wish until the SACCOS has reached its target. In group discussions, SACCOS leaders mentioned that the quantities required by KADERES are frequently less than what they are willing to supply. After selling to SACCOS, many farmers are left with surplus produce, which they then sell to middlemen. In some areas, most of the marketing is still done through middlemen, even though farmers would prefer to sell to KADERES/P4P.

Although farmers would prefer to avoid selling to middlemen, some noted that KADERES/P4P sometimes arrived too late to buy their commodities. At harvest time, around June, farmers are in desperate need of cash for school fees and other immediate household needs. If KADERES/P4P are

late in arriving, some farmers feel compelled to sell their stocks to the middlemen. Sometimes farmers cannot even wait for the beans to be completely dry. To overcome this challenge, SACCOS provides advances to farmers who are in immediate need of cash so they can dry the beans and benefit from the KADERES contract.

Price and Negotiation Capacity

The KADERES market is the one most preferred by farmers, for a number of reasons: the KADERES price is typically higher than the prevailing market price, they pay cash upon delivery and they use a transparent measuring system whereby farmers are paid by the kilo and the produce is measured using standardised scales. They feel that this is an improvement compared to the alternative of selling to the middlemen, who often underestimate the real weight. Farmers reported that they lose one bucket (18/22 kgs) per bag when selling through middlemen.

Table 3. Price comparison between KADERES and middlemen

Contracts with KADERES	KADERES price	Market price at the time from middlemen
2009	600 tsh/kg	500 tsh/kg
2010	650 tsh/kg	600 tsh/kg

There is little price negotiation between the SACCOS leaders and KADERES. KADERES announces a price and the SACCOS may negotiate an increase if they think it's not competitive and will not attract sellers.

Although farmers are happier to sell through the KADERES system, they nevertheless pointed out a number of challenges yet to be overcome. First of all, they are responsible for sorting and cleaning the beans, as well as for transport to the collection point. After calculating the costs of these activities, the farmers feel that the profit they make is quite marginal. But above all, the biggest disappointment was the failed promise of a second payment that has not yet materialised. SACCOS leaders and farmers understood that they would receive a share of the profits made once KADERES found markets for their produce. This has not happened yet. SACCOS leaders and farmers are actually unaware of who the final buyer is and the final price at which the beans are sold, and they do not receive any feedback on whether the quality of the produce they provided was satisfactory.

Production Capacity

Despite not having realised their expectations in terms of prices, all farmers interviewed reported an increase in their production of beans since KADERES started buying through the SACCOS. The increase in production for the 6 farmers interviewed ranged from 2 to 10 x 120 kg/bags, and one even asked for a bank loan to invest for the first time in the production of beans. They typically increased production by increasing the amount of land under cultivation, although some farmers took loans from the SACCOS to invest in organic fertiliser in order to improve yields.

Table 4. Change in production of beans

Farmer's increase in bean production	Production before KADERES/P4P (120/kg bag) year	Production after KADERES/P4P (120/kg bag) year
Farmer 1	3	5
Farmer 2	2	5
Farmer 3	6	10
Farmer 4	3	5
Farmer 5	2	6
Farmer 6	0	10

** Data above from farmer interviews conducted in June 2011.*

Farmers recognised that the increased production had improved their situation. They had more stocks available both for their own consumption and for sale. Farmers were also very positive about the training given by WFP and RUDI (funded by AGRA). All of the SACCOS members interviewed had participated in the training. What they found most useful was the record-keeping module, which taught them how to calculate costs per crop, so that they are able to determine which crops/livelihoods are most profitable. They also learned about the importance of cleanliness, how to store the food and keep it free from rodents and how to recover beans spilled during cleaning, which saves them several kilos. They now understand the importance of producing high-quality beans and how to calculate the price needed to make a profit, though they cannot always get the price they would like.

“We’ve seen that if we follow the procedures the beans don’t get infested, as was the case before” (farmer from Kituntu).

“Before, I was not aware of business issues, now I think of agriculture as a business” (farmer from Kituntu).

“We were taught that every commodity has to have its own record. Now I know which commodity makes a profit and which makes a loss” (farmer from Kituntu).

Building Relationships

SACCOS membership has increased over the past two years and farmers believe this is partly attributable to P4P. Through the SACCOS, they can receive an advance for cleaning or drying the beans, which enables them to participate in KADERES contracts. They have access to loans so that they can invest in increasing production and they are eligible for training programmes, e.g. the P4P/RUDI programme. They have also observed an improvement in the rates of repayment from farmers as a result of the improved market opportunities.

“Farmer members began repaying their loans more frequently after KADERES and WFP started buying” (Kituntu SACCOS accountant).

Despite a number of reservations regarding the KADERES/P4P system, mainly due to the lack of second payment and the lack of information flow from KADERES/P4P with regard to final prices,

farmers feel that it is a good market alternative as there is a relationship that endures beyond the contract itself. KADERES offers better prices and a transparent measuring system, and through P4P they have renovated a warehouse and received equipment and training.

“This relationship with KADERES/P4P has brought a number of benefits: contracts, training...and despite not yet having realised the maximum profit, they hope that, given time, expectations will be fulfilled” (Kituntu SACCOS leader).

“The presence of WFP has revitalised the beans business, as beforehand there was no obvious market. The increase in production has led to an increase in consumption and sales, even if this does not result in higher prices (from middlemen). Their livelihoods have improved” (Kituntu SACCOS’ leader).

“P4P has also brought employment as more people are involved in the process - cleaning, rebagging, etc...”

Nonetheless, farmers stressed the need for transparency and they requested WFP to inform them about where the beans are sold, at what price and to whom. They also think that they might revert back to business as usual (i.e. selling to middlemen) if they do not start receiving the second payment.

Priorities and Challenges Ahead

Kituntu is, according to KADERES, the best SACCOS in their network of 13. After having engaged in the marketing of beans they realised that to maximise the benefits they should try to sell when prices peak, around October. Currently, they sell at harvest time at around 600 Tsh/kilo, but if they could wait until October they would be able to sell at 1,000 Tsh/kilo.

The challenge for farmers, whose family expenses force them to sell earlier, is to create a situation in which they can afford to wait and later sell at higher prices. They would like assistance in establishing a Warehouse Receipts System which would enable them to receive an advance while storing the beans until prices rise. They do have a warehouse that has been fully renovated by WFP, but so far it is only used as a collection centre when they get a contract with KADERES.

Box 4: Farmer Profile, Theodora Mathias

Theodora Mathias got the shock of her life when she was asked by the RUDI facilitator to make a presentation in front of the class. Theodora was one of the 50 farmers from Kituntu SACCOS selected to attend the P4P/RUDI training of trainers programme. It was the first time she had ever made a presentation in front of others and she was terrified of speaking in public, but after being encouraged by the facilitators she managed to finish her presentation. Theodora believes that this has changed her life. She has now gained in confidence and is no longer afraid to participate in meetings and express her opinion. So much so that she was asked by a women’s group to be their leader.

Theodora, married and a mother of 8 children, has been a member of the SACCOS since its formation in 2002. Since then, she has benefited from its many services. Before, she could not afford to pay school fees, whereas now she can ask for a loan and repay a little each month. By being a member of the SACCOS she had the chance to be selected to participate in a training programme for the first time in her life.

The training changed the way she does business. She works on the 4 acres of the family land and rears cattle. She has now set up a records system to keep track of the costs of each product and calculate the selling price. Although she sometimes cannot get the price she wants, she does know, at least, whether the business was worth it or not.

She is also practising what she learned from the post-harvest management module. She only harvests the crops when they are mature, she keeps them in a dry and clean environment so they don't get contaminated, and her produce does not become easily infested. She also knows she is saving because she now keeps records of stocks and consumption. Before, she would run out of stocks as she would not know how much she had or how much the family was consuming per day, but now she makes better plans and the stocks last longer.

After being informed that KADERES/P4P wanted to buy beans she started investing in order to increase production. Last year she obtained a Tsh200,000 loan from SACCOS, half of which she invested in increasing production and the rest in school fees and other needs for her children. She managed to harvest 5x120kg bags, 3 more than the previous year. She will sell 3 and keep 2 for food and emergencies. She claims that the benefits have completely offset the interest rate she had to pay on the loan.

Case 4 - Kiosa SACCOS

Background

The first thing that one notices when visiting Kiosa is its remoteness. Kiosa SACCOS is located in Karagwe (Kagera region), 57km of rough dirt-road from Kayanga, the district capital. It was formed in 2006 and officially registered in 2007. Like Kituntu, it was formed after KADERES conducted a sensitisation campaign on the importance of creating a savings and credit cooperative among farmers. Kiosa's main goal is to have a financial system at village level that provides soft loans to members. Kiosa's leaders are elected every 3 years and currently they have 462 members plus 13 groups (youth, women) and 1 church.

Kiosa shares the same agricultural background as Kituntu. Farmers plant 5 acres on average and produce bananas, beans, coffee, groundnuts, maize, potatoes, peas and millet.

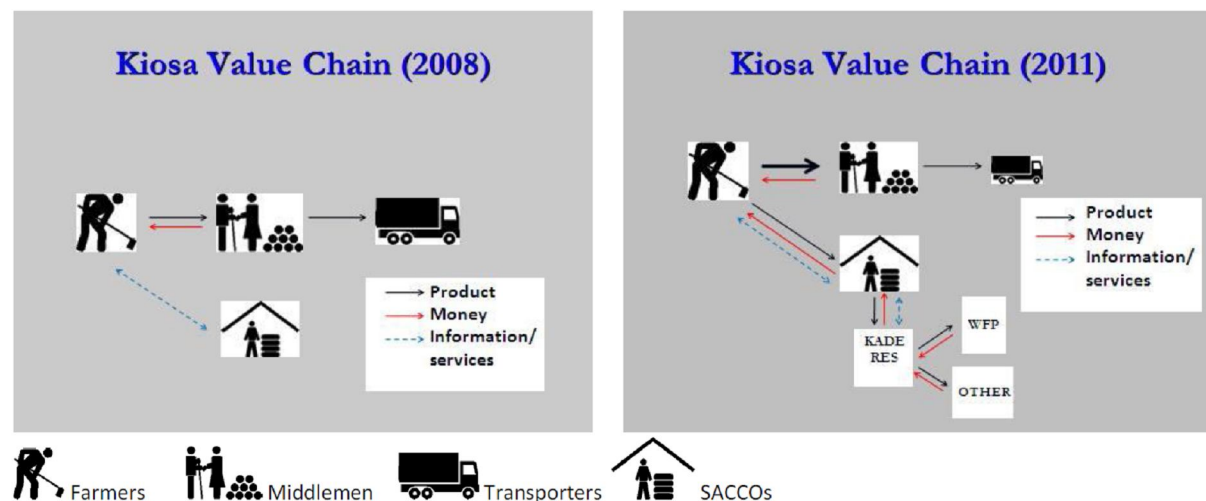
The first time Kiosa heard about P4P was in 2009 when district officials announced that WFP were soon to visit them to discuss the possibility of buying beans from them. Their initial expectation was that P4P would be a market for maize and beans through the Warehouse Receipt System and that there would also be a training component. However, P4P has not purchased directly from them as of yet, instead they sell through KADERES. In 2008, KADERES started encouraging farmers to establish networks and to bring their produce together. They announced that they would buy the produce for cash and would use standardised scales to pay by the kilo.

Sales and Marketing

Kiosa's marketing structure is the same as in Kituntu. Their only market outlet is middlemen who buy at the farm gate, and now also KADERES. The major constraints are inadequate capacity to be able to negotiate with middlemen and the lack of price information. Middlemen typically come in May to collect the early harvest and pay Tsh 60,000/bag, while in August and September prices can reach Tsh 90,000-100,000/bag.

Since 2009, KADERES has been buying through the same structure explained in the Kituntu case study. KADERES typically announces the quantity they will be buying before the harvest (May/June) so that farmers know in advance how much commodity will be sold through KADERES. The actual business is done after harvest, between July and August. KADERES uses a temporary collection centre during bulking and pays SACCOS on the spot. The price is set by KADERES and is relatively good compared to the middlemen. Sometimes KADERES buys late, forcing farmers to sell to middlemen.

Figure 6: Kiosa Bean Value Chain 2008 & 2011



Producing Quality

The most difficult aspect of meeting KADERES quality standards is the time it takes to sort the beans, as farmers in Kiosa produce mixed varieties.

The varieties that receive the best prices are rose coco, yellow and soya beans. However, it is difficult for farmers to know just how much of each variety they should invest in as the market does not remain stable year after year. In 2009, a trader from Uganda promised Kiosa farmers that he would buy their soya beans at a good price for registered suppliers. Eager to benefit, many farmers paid Tsh30,000 to register and invested in producing soya beans only to be disappointed when the trader failed to reappear. They were also a bit confused when it came to KADERES who in 2009 and 2010 requested a single variety of beans, only to announce in 2011 that they would require mixed beans. Lack of reliable market information and clear market signals on the demand for varieties seems to be an obstacle to investment in production.

Price and Negotiation Capacity

The price received through the KADERES system is high compared to middlemen and the farmers also benefit from a transparent measuring system. However, farmers and leaders from Kiosa SACCOS are greatly disappointed that they have not yet received the second payment from KADERES. This has had an obvious impact on the perception of the new system among farmers, who feel they are not receiving what they were promised and are sceptical about the relationship. In fact, they would prefer to deal directly with WFP as they believe that they would then benefit from a higher price.

Production Capacity

Although farmers agree that the KADERES marketing option is better than relying entirely on middlemen, some claim that the market expectations have not been met and that therefore, unlike in Kituntu, there has not been an increase in production as a direct consequence of KADERES/P4P. They feel that the main constraint to increased production is access to a reliable market. The land is very fertile, so what they need most is a secure market so that they can invest in increasing production.

Building Relationships

Kiosa SACCOS is relatively new compared to Kituntu. They do not have the same financial capacity to help farmers with advances when they need more time to dry or improve the quality of beans. It is very difficult for members to repay the loans because they receive all of their income at once during the marketing season, while repayment is required on a monthly basis. Only farmers who also own a small business are capable of repaying the loans.

Among farmers, there is certain mistrust of KADERES, stemming from a perceived lack of transparency. Farmers feel that the system is not transparent and that KADERES is simply operating like a middleman. They claim that KADERES is not concerned about who participates and who does not.

The warehouse that was renovated with the assistance of WFP has not actually been used yet, as they are waiting for WFP to come and do business directly with them. They would like to have a discussion with WFP about the possibility of buying directly from them and, if possible, having WFP assist them in operating the Warehouse Receipt System. They had heard that WFP was buying directly from another group in the area - Nkwerwa Talanta SACCOS - and they would like to benefit from the same approach. One of the leaders had already talked to the Stanbic bank about the possibility of accessing credit in order to engage in contracts directly with WFP.

Priorities and Challenges Ahead

Kiosa is clearly less enthusiastic about the KADERES/P4P marketing system than the Kituntu SACCOS. Their priority for the future is to engage directly with WFP. Their challenges are to create both the financial capacity to buy from farmers and a reliable market so that they can invest in production.

Comments by WFP/P4P on findings from case studies in Kituntu and Kiosa

WFP sought clarification from KADERES as to why they are not sharing with farmers the profit made after they find markets (WFP or others) for the beans bought through the SACCOS. KADERES stated that so far they have been unable to share profits as these had to be reinvested in infrastructure and capacity programmes. However, they affirm they are now in the process of making profit-sharing a reality. KADERES created a public company - Karagwe Development Public Services (KDPS) - which is owned by KADERES and SACCOS members. KADERES launched a campaign to encourage farmers to buy shares in the company so they can later receive a share of the company's profit on an annual basis (i.e. KADERES will not share profits per contract obtained, they will aggregate the profit from all contracts obtained during the marketing season). It should be noted that none of the farmers interviewed during the case studies mentioned this initiative.

P4P is aware of the issues surrounding transparency and farmers' unawareness of the final markets and prices obtained by KADERES, and also of the lack of opportunities for strengthening price negotiation capabilities as KADERES is usually the one who sets the price. P4P and KADERES have just started exploring a different alternative in which KPDL will be registered as a warehouse operator to facilitate the establishment of WRS. Through this structure, SACCOS members will be able to deposit commodities in the warehouses and receive an advance while they find markets for the produce, so that they themselves decide to whom and at what price they want to sell.

As regards farmers' complaints about KADERES buying too late, which compels some of them to sell to middlemen, there seems to be a number of reasons for this. One is the timing of P4P contracts. Although the procurement unit strives to buy soon after harvest, it ultimately depends on availability of cash and programme needs. Also, for KADERES to be able to start aggregating from farmers, they need to obtain loans from banks, so it may not always be possible to buy at the optimal time.

WFP/P4P has also noted the need to provide clear messages with regard to the type of beans required. There seems to be some confusion among farmers as to which varieties they should produce.

Tanzania Procurement Modalities

WFP Tanzania uses two procurement modalities under P4P - direct purchases and competitive tendering. Direct purchases are intended to facilitate the initial participation by a farmer group in a WFP contract. This modality is also used at times when commodities are urgently needed. For example, in 2011, a balance of 30mt of beans that was defaulted by one group after they won a contract through a tender was awarded to another group through direct negotiation.

However, most of the current procurement is conducted through competitive tendering. Through this modality, request for quotations (RFQ) are issued to a preselected number of groups. The selection takes into consideration the minimum capacity (storage, capacity to aggregate from farmers), previous experience (groups have no history of recurrent defaults) and availability of surpluses. The groups tender their offers and contracts are awarded to the lowest bidders, provided that the prices are competitive compared to local and regional prices. To facilitate the process, P4P invites group leaders to informative meetings prior to the issuing of the RFQ. During these meetings, staff from P4P procurement and logistics units explain in detail the terms of contract and the payment process. P4P also shares market information, mainly wholesale and regional prices (typically from Uganda), so they have a point of reference when preparing their offers.

Competitive tendering offers equal opportunities to the groups for participation in the contracts. The competition is, technically speaking, against the market, not against other groups, since as long as the price is within the prevailing market price all offers can be considered. Both direct and competitive tender processes waive the performance bonds, and farmers are given WFP printed bags free of charge.

However, the groups that are not successful in their bids may lose the opportunity to sell. It has been suggested to WFP Procurement HQ that direct negotiations be undertaken with those groups that have not been successful so as to allow them time to rethink their offers.

P4P is also considering introducing forward contracts to encourage farmer groups to make offers before the harvest, based on what they expect to collect, and including expected time of delivery.

The preferred situation, therefore, is procurement through a tendering process that enables the signing of contracts with the most competitive farmer groups (as per offers received), direct contracting through negotiations with those farmer groups that have not provided attractive offers, and the signing of forward contracts with those groups that do not have commodities in stock and anticipate delivery after harvesting.

As regards defaults, these are mainly due to price fluctuations and the length of time between delivery and payment to farmers, and, occasionally, misquotations by the supplier. In the case of price fluctuations where the market price surpasses the WFP contract price, the supplier will more than likely consider side-selling because of the obvious financial benefits. Purchasing from farmers will therefore remain a hazardous process, as long as performance bonds or financial obligations are not imposed.

Future Procurement Strategy

Procurement under P4P should be fully secure, with no risks of default by farmers and no risk of financial loss for WFP.

In order to maximise the benefit to both the buyer and the seller, it would therefore be advisable to consider setting up Warehouse Receipts Systems through which farmers can deposit their commodities and attract the best offers from buyers. WFP could then purchase commodities already stored in warehouses that can be inspected before delivery and received immediately after payment. Defaults will then be avoided.

To promote procurement under P4P, cash reserves should be considered, through which WFP will be in a position to encourage aggregation of commodities by the farmers and purchase commodities with the cash reserves. By utilising the cash reserves, the commodities can then be made available to respond to WFP pipeline requirements in a more flexible manner, since the commodities will be earmarked for specific projects only when they have already been purchased.

Summary of Main Themes (Capacities)

This section synthesises the contribution that P4P has made to building FO capacity to engage in formal markets, and the associated benefits and challenges. Various aspects of capacity building required to access markets were highlighted during field research and validated at the National Workshop in Dar Es Salaam. Farmers were asked to vote on six themes, of which four were ranked as highly important. The voting results were Capital and Assets (12 votes), Building Relationships (trust, cohesion and communication) (8 votes), Production and Delivery Capacity (7 votes), Negotiating power (6 votes). Quality and Expanding your business received 4 votes each. It was interesting to note that quality-related issues were no longer priorities for farmers, which meant that producing quality product had become internalised. The four themes that ranked highest are summarised below.

Capital and Assets

All of the SACCOS surveyed acknowledged that P4P was instrumental in building the capacity of the organisations through providing equipment such as scales, generators, stitching machines and pallets. FOs also acknowledged WFP renovation of their warehouses to acceptable standards for storing food. In the case of Jikuzeni Kware and USOMAMA, SACCOS attributed improved access to credit (for organisations and members) to the increased comfort level of the banks with organisations that had a contract to sell to WFP, improved repayment performance to the banks and the proper record-keeping that they demonstrated as a result of the training received from different government projects and partner organisations, including WFP/RUDI. Both experienced growth in their financial portfolios. For example, USOMAMA SACCOS received TZS75million credit from CRDB in 2008, and in 2009 its credit line was increased to TZS175million. In 2010, USOMAMA received TZS191million in credit from the same bank. Jikuzeni Kware SACCOS too saw a growth in its financial portfolio from TZS85,675,359 before P4P to TZS95,825,198 as of May 2011. The experience was different, however, with the Kituntu and Kiosa SACCOS who sold through KADERES. The organisation of the producer group, as motivated by P4P, played a key role in member access to credit. This was because the banks required that individual loans be guaranteed by the group. The FO members acknowledged that the training offered helped them to sell quality products that commanded better prices. This resulted in an increase in income.

The benefit of increased capital and assets was a higher level of disposable income, which enabled farmers to send their children to school, as was the case in Kituntu and USOMAMA. The benefits were shared equally by both women and men. For instance, Margret Mgeni, a single-family female head of household in USOMAMA built herself a modest 3-bedroom house roofed with corrugated iron sheets and was able send her child to school. In Kiosa SACCOS, forward-selling to traders while the crop was still in the farms (known as 'kitura' in the local Kinyambo language) declined because farmers were able to sell to KADERES, which had won the P4P contract. In Kware, food reserves for home consumption increased because of knowledge of post-harvest losses that reduced food losses. Other benefits reported were the purchase of assets like motorcycles, bicycles and maize shelling machines.

Challenges for future consideration include the expansion of warehouse capacity in Kware and delayed "second" payments from WFP and KADERES, as perceived by SACCOS members after KADERES has found markets for the produce. KADERES does not inform farmers of the reasons for the delay of payments. Another challenge, especially in Kware, is late repayment of loans by members, which necessitated engaging a debt collector.

Relationships - Trust, Cohesion and Communication

An examination of the product movement value chain maps drawn to illustrate the situation before and after participation in the P4P programme clearly indicates an increased level of relations with a larger number of actors in the maize value chains. The aggregation and collective sales of commodities led to increased cohesion among members. P4P contributed to improved relationships with other stakeholders. For instance, district council officials and village governments allowed the use of warehouses free of charge in some cases, like in Kware, and waived the rental fees in others, like in USOMAMA SACCOS at Masakta where the FO pays a seasonal cropping fee of TZS300,000. Communication with district agricultural officers increased as a result of WFP P4P's modus operandi, which involves the DALDO office whenever meetings are held and in which each district has a focal person for P4P activities who is paid by the government. For instance, both Jikuzeni Kware and USOMAMA FOs had previously had no relationship with banks other than the CRDB because of their amorphous nature and lack of cohesion, which meant that the banks had less confidence in them. After participation in the P4P programme, both had received credit lines from the CRDB bank and, in the case of USOMAMA, had begun working with the NMB bank as well. USOMAMA SACCOS established relations with trustworthy transporters who regularly ferry their maize to WFP in Arusha City. It also established a relationship with the Kibo Seed Company for the prompt and reliable delivery of agricultural supplies. USOMAMA had insurance cover with Real Insurance to cover both cash and crops at their warehouse. Such relationships did not exist prior to P4P engagement.

Improved relationships, trust, cohesion and communication contributed to increased capital and assets at both Jikuzeni Kware and USOMAMA SACCOS and to their level of membership. Access to a warehouse and its renovation by WFP was a key benefit. Access to credit for SACCOS and their members was another direct benefit. For instance, USOMAMA SACCOS received TZS75million credit in 2008 from CRDB and in 2009 its credit line was increased to TZS175million. In 2010, USOMAMA received TZS191million in credit from the same bank. Jikuzeni Kware SACCOS too saw a growth in its financial portfolio from TZS85,675,359 before P4P to TZS95,825,198 as of May 2011. This indicates the level of trust the FO has built up with the Bank. As a result of internal cohesion and the benefits that come with relationship-building, there was an increase in the membership of all SACCOS surveyed. Benefits accrued to both men and women.

KADERES, which is a network of SACCOS, mentioned that one of the challenges related to building relationships was non-existent or weak SACCOS networks. The capacity building role that could be played by strong networks in training SACCOS to continue the work started by WFP could not, therefore, be carried out. This weakens the collective voice and makes communication at multiple levels expensive and sustainability questionable. This challenge, however, did not consider the information gap between the networks and their SACCOS members, as was reported by farmers. For example, Kiosa and Kituntu SACCOS members were not fully informed on the markets that KADERES secures and the agreements it makes with WFP. In such instances the lack of transparency risks being detrimental to the relationship.

In the case of the networks that were too weak to offer sufficient services to member SACCOS, it was suggested that an effort be made to strengthen them. A lack of effort in terms of building relationships with other market players was seen as an area in need of improvement so that the benefits of relationships could be enhanced in a sustainable manner.

Production and Delivery Capacity (Farmer Level)

After the WFP P4P training programme that was organised by RUDI, farmers understood that quality started at farm level. They now use improved seeds and fertilisers, and apply pesticides. The result has been increased production and, in some cases, increased acreage. For example, Juliana Wilson (47), a member of USOMAMA, increased her acreage from 2 to 5, and total yield from 30 to 60 bags, while Daniel Gityang, also from USOMAMA, had increased his acreage from 15 to 20 acres as of 2011. Gityang is now achieving 384 bags in an average season. The real prospect of finding a recognised buyer through WFP was a motivating factor. The use of weight measures as opposed to volumetric measures was another factor that encouraged farmers to plant more bulk, resulting in better prices. The number of SACCOS members has grown, as has the number of farmers contributing commodities.

The resulting benefits are increased knowledge in the areas of aggregation and warehouse management, the creation of employment - e.g cleaning jobs, management of post-harvest losses, and the resultant positive contribution to food security.

The challenges facing farmers in production and capacity include the poor quality of inputs (seeds and pesticides) especially in Kware. Seeds had a low germination percentage and pesticides a low level of efficiency. Agricultural extension services for improved agricultural practices were limited. The government needs to improve these services. The costs of produce transportation from farmers' homesteads to SACCOS warehouses and from those warehouses to WFP warehouses are high. The risk of damage to commodities in transit to WFP warehouses is borne by the FOs. WFP should consider purchasing ex-warehouse incoterms.

Negotiation Capacity

FOs participating in P4P had built up capacity in price negotiation. Increased knowledge of cost calculations of production and intended profit, coupled with collective bargaining, contributed to improved negotiation power. The training in searching for alternative markets and selling by weight (kilogram) were factors that enhanced negotiation capacity. Leaders from Kware and USOMAMA were proud of the fact that they were able to obtain contracts from WFP to participate in P4P after they had received training in cost calculations and price settings. In accordance with the contracts modality, they were required to negotiate at the WFP country office, which is in Dar Es Salaam, the business capital of Tanzania. The negotiation process, as well as travelling to a sophisticated business city, gave them confidence. This confidence helped them negotiate ably with the private traders for better prices when they chose not to sell through P4P. For instance, USOMAMA had a contract under P4P for 300MT in the 2010/11 cropping season at a price of TZS 38,000 per 100kg, but instead it sold 227MT after it had managed to obtain a price of TZS 45,000 per 100kg from traders, partly because of their improved negotiation skills but also because of delayed payment from WFP. This contributed to the partial default. As a result of the FO's improved collective price negotiation skills, FO members now benefit from the collective price and get paid according to their contribution to the warehouse. Since the aggregation system operated according to weight and not according to volume, there were also gains of about 20kg per bag as a result of selling through aggregation and bulking.

Benefits accrued both to family members and to farmers. The knowledge gained in negotiation skills was applicable in other businesses too. Other intangible benefits include confidence-building and quality consciousness.

Challenges experienced include the government policy that barred cross-border trade of grains (maize and beans), which meant that no advantage could be taken from the possibility of higher prices associated with cross-border trade. The trading in commodities remained, therefore, less than optimal. The FOs were able, however, to explore other ventures, for example in milling and packing. WFP engendered high expectations of remaining a known and reliable market. However, its procurement modalities did not guarantee the FOs such a market. The tendering procurement modality was not favourable to FOs because of the lack of access to market information compared to WFP.

Conclusion

The following conclusions are drawn from field research of the four sampled FOs and validation interviews held with WFP P4P Tanzania country office staff. Further validation was obtained at the national validation workshop held in Dar Es Salaam. The conclusions, therefore, are not necessarily representative of the SACCOS participating in P4P in Tanzania.

General conclusions and lessons from P4P

- **Attainment of P4P objectives:** The WFP P4P objectives of using marketing based on developing innovative procurement models has the potential to benefit farmers in Tanzania. The pilot has demonstrated that prices can be attained that are higher than those of traders who normally bought maize at lower prices than P4P.
- **Farmer's capacity development:** The development of farmers' capacities in key skills essential for engaging in commodity markets that consider the quality of products as highly important has been quickly adopted and assimilated by SACCOS and their members. To the extent that it now ranks low in their list of priorities of capacities that require further development.
- **Further innovations are needed on more responsive and appropriate procurement modalities:** Despite positive performance in the transfer of resources to rural communities and in creating market organisations that are quality-oriented, the piloted competitive tendering procurement modality faces challenges that need to be resolved urgently. Delayed payments, in some cases of up to two months as in the case of USOMAMA, led to partial defaults. The late dispatch of Superintendents to inspect the quality of the aggregated maize as reported by USOMAMA, a further two-week delay in delivering WFP labelled bags for re-bagging, and, finally, a two-week delay the Superintendent's final confirmation of the delivered commodity at the WFP warehouses are most disappointing to SACCOS members who badly need flexibility when it comes to payments.

Capacity changes to SACCOS

P4P has been instrumental in building farmer organisations' capacities in the following areas:

Bulking and aggregating commodities. Both Jikuzeni Kware and USOMAMA have seen an increase in the quantities of maize aggregated and stored at their warehouses. Kware, in its first contact with P4P in the 2009/10 cropping season, aggregated 30MT compared to 160.5MT in 2010/11, which is a 435% increase in aggregated maize. This is after only one contract with WFP. USOMAMA FO had been aggregating since 2006 before engaging with WFP. Through its first contract with WFP in the 2009/10 cropping season it aggregated 243.1MT of maize. In 2010/11, it had aggregated 312MT, which is a 28% increase. However, members had even more maize that they could have contributed to the warehouse but could not do so due to the limited storage capacity of the warehouse.

Quality. All SACCOS' leaders and members appreciated their increased capacity to market quality commodities. Members adhered to quality standards related to moisture content, foreign matter, absence of live weevils and the absence of broken and coloured grains. FO members in Jikuzeni Kware had invented the technique of table salt mixed with samples of maize and sealed in a transparent bottle for testing moisture content. This test is then left overnight. The salt dissolves in the case of maize with high moisture content, while for maize with the proper moisture content, the salt particles do not dissolve. Maize at the aggregation points or warehouses is tested by contracted inspectors for conformity to WFP standards. The enthusiasm for conforming to quality standards is

high because even when there are sales to traders other than WFP, such commodities will always get higher prices than low quality commodities.

Price negotiation. FOs participating in P4P had built capacity in price negotiation. Leaders from Kware and USOMAMA were proud of the fact that they obtained offers and, later on, contracts from WFP to participate in P4P after they had received training on cost calculations and price settings. In accordance with the contracts modality, it required them to negotiate at the WFP country office, which is in Dar Es Salaam, the business capital of Tanzania. The negotiations process as well as travelling to sophisticated business city gave them confidence. This confidence helped them negotiate ably with the private traders for better prices when they chose not to sell through P4P. For instance, USOMAMA had a contract under P4P for 312.3MT in the 2009/10 cropping season at a price of TZS 40,000 per 100kg but instead it sold 247MT after it had managed to obtain a price of TZS 45,000 per 100kg from traders; partly because of their improved negotiation skills but also because of delayed payment from WFP. Jikuzeni Kware SACCOS did not have a P4P contract in 2010, instead they sold to a trader at a negotiated price of TZS52,000 per 100kg bag, a price that was above their floor price of TZS50,000 per 100kg bag.

Payments. As a result of the FO's improved collective price negotiation skills, FO members now benefit from the collective price and get paid according to their contribution to the warehouse. Since the aggregation system operated according to weight and not according to volume, there were also gains of about 20kg per bag as a result of selling through aggregation and bulking.

Management capacities. The SACCOS received training in Sacco management, financial management, warehouse management, entrepreneurship and agricultural marketing. These training programmes developed their capacities in the relevant areas. The benefits of such training include strong FOs that can operate their businesses in a sustainable manner with other market players other than WFP/P4P. The programmes involved both men and women from FO leadership and FO members.

Contracting experience. The P4P programme has built the capacities of FOs in contracting with buyers, input suppliers and financial institutions. Whereas the WFP contracts were soft tenders, other contracts with the private sector i.e. CRDB bank, NMB and the Kibo Seed Company were based on commercial terms. The FOs had performed to the terms of contract except in the case of the WFP contract where they had been side-selling because of delayed payments from WFP.

Additional Conclusions from Case Studies, Validation Workshop and Internal Discussions

The capacity building, both in relation to infrastructure (warehouse renovation and equipment) and training of farmers, has yielded the expected results in terms of improved capacity to aggregate, produce better quality and increase investment in production. This is an encouraging finding, and one which validates current plans to invest in long-term capacity building for selected groups.

Increased price negotiation skills was an obvious achievement of P4P, but not one that applied to the groups operating under the KADERES umbrella. Kituntu and Kiosa were not given the opportunity to prepare offers and participate in their bids; they remained price-takers as it is KADERES who sets the price, albeit a price higher than that offered by middlemen. Working through a network like KADERES has obvious benefits for WFP as it lowers transaction costs and allows for the purchasing of higher volumes, but it may not be the optimal structure when it comes to building the marketing capacity of the individual groups.

There is still a considerable amount of work to be done with regard to changing farmer's mindset in terms of farming and marketing (before 1987 the government controlled the production and marketing of staple crops and the private sector was not allowed to trade freely). Farmers perceive middlemen as unscrupulous traders who try to cheat them, and they think that the WFP should pay them higher prices. One DALDO recommended that the government should set a minimum price. As pointed out by the director of RUDI, farmers are operating in a free market where middlemen constantly try to maximise their profit. Farmers need to become more business-oriented and to actively search for market information in order to improve their negotiation skills with buyers.