

# The Contribution of P4P to Building Farmers' Organisation capacity

Country Paper: Kenya 2011



Royal Tropical Institute

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## Acronyms

AGRA	Alliance for a Green Revolution in Africa
AGMARK	Agricultural Development Trust
AMPATH	Academic Model Providing Access to Healthcare
CBO	Community Based Organization
CGA	Cereal Growers Association
FO	Farmers' organization
FPI	Family Preservation Initiative
GoK	Government of Kenya
Kg	Kilograms
MoA	Ministry of Agriculture
Mt	Metric tonnes
MVP	Millennium Villages Project
NAAIAP	National Accelerated Agricultural Inputs Access Programme
NCPB	National Cereals Produce Board
NGO	Non-Governmental Organization
P4P	Purchase for Progress
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WFP	World Food Programme

## 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 organization has purchased an increasing share of this food 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. Purchases from developing countries accounted for almost 82 percent of this quantity. Despite this, little is known about how such local food procurement generates benefits and for whom, how those benefits are distributed; and whether this produces a sustainable change in the agricultural production and marketing systems in these countries.

Purchase for Progress (P4P) is a pilot programme that is being implemented over a five-year period (2009 – 2013) in 21 countries<sup>1</sup>. In these countries WFP will test alternative ways to purchase food and examine the impact of these purchases on market development, access to markets, and the welfare of smallholder/low income farmers. P4P seeks to learn how WFP can best use its procurement to catalyze partnerships to address constraints to smallholder farmers' sustainable access to remunerative markets.

One of the key deliverables of the P4P pilot programme is to document, publish and share lessons and best practices arising from implementation across the 21 pilot countries with governments and other stakeholders. In six of these countries fieldwork will be conducted to gather information from farmer organisations, WFP country offices and key partners and a national workshop will be organized to validate the data. These case studies will be documented in country papers<sup>2</sup>. The six country studies will feed into three regional writeshops (August-September 2011), and later a global validation workshop (November 2011).

This Kenya country paper represents the first of six country studies<sup>3</sup> that will contribute to the wider P4P 'learning trajectory'.

## Methodology

This section describes the methodology which was employed during the Kenya country level study. The Kenya study was not designed as an evaluation in the conventional sense but is more focused on extracting learning through the stories of key stakeholders. We have given greater attention to probing the 'why' and 'what this means' than we have to collecting and validating quantitative data (such formative evaluations are conducted separately).

The main criteria for selecting the four FOs that were the subject of this study were that the FOs had participated in three or more P4P contracts. The practicalities of logistics were also taken into account, and so all of the sampled FOs are based in Kenya's western districts (Sayia, Uasin Gishu, and Transmara).

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<sup>1</sup> The 21 P4P pilot countries are Afghanistan, Burkina Faso, Democratic Republic of Congo, El Salvador, Ethiopia, Ghana, Guatemala, Honduras, Kenya, Laos, Liberia, Malawi, Mali, Mozambique, Nicaragua, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda and Zambia.

<sup>2</sup> These six country papers will be used as input for three regional writeshops, which is a methodology for bringing together diverse views from different contexts and ensuring their validation by a broad range of stakeholders. This is particularly critical at this juncture, mid-way in the implementation of the five year pilot, when WFP needs to take stock in order to inform the last two years of the pilot programme and start considering the potential for replication and scaling up.

<sup>3</sup> Two countries each from South/East Africa (Kenya and Tanzania), West Africa (Burkina Faso and Mali), and Central America (El Salvador and Nicaragua) will be studied at the national level.

The selection criteria restricted FOs to those with multiple experiences selling to WFP in order to examine changes in capacity. The selected FOs are not, therefore, representative of FO experience across the P4P programme in Kenya.

Over the course of one to two days with each FO, participatory workshops were carried out separately with FO leaders and FO members. During these workshops in-depth semi-structured discussions were held, value chains were mapped, and individual stories were told. Interviews were also conducted with FO partners, such as supporting NGOs and associations. Additional interviews in the field were also secured with the District Agricultural Officer in Transmara district and with a manager of Equity Bank in Eldoret. Back in Nairobi, key P4P staff were interviewed including the P4P Country Coordinator and P4P M&E staff. The data collected from all interviews and workshops was synthesized and presented at a National Validation Workshop in Nairobi which was attended by leaders and members from the FOs studied, WFP staff, and representatives of partners (Equity Bank, AMPATH, AGMARK, CGA, USAID/COMPETE, Ministry of Agriculture) (Annex 1 provides an outline of the national workshop held in Kenya). Therefore, the data presented in this report has been validated both through triangulation of data from different sources and the national workshop.

## Structure of paper

The data in this paper is structured as follows. First the background to P4P in Kenya is discussed. This is followed by a description of four cases from the FOs researched. These are:

- Marenyo Farmer's Organisation
- Lolgorian Grain Growers Self-Help Group,
- Kaptebee Sach-Awan Youth Group
- Schemers Community Based Organisation

From these case studies we draw out key lessons around capacity building, procurement modalities and P4P's progression strategy. In the conclusion we reflect on how P4P has contributed to building the capacities of FOs in accessing formal markets.

## Background: P4P in Kenya

Limited land under cultivation, a lack of farm inputs, storage and primary processing facilities, poor infrastructure limiting access to markets and climatic vagaries limit smallholder productivity in Kenya. The majority of farmers cultivate less than five acres<sup>4</sup> of land and market approximately 30% of their crops. Although there are some large and well organized FOs in the high potential agricultural areas, most smallholder farmers are not organized into groups that collectively market their commodities. Consequently, most sell at the farm gate or in local markets to middlemen who bulk commodities for selling-on. In the semi-arid areas, transactions costs imposed by low population densities and large distances increase the cost of group marketing. This reduces the incentives for farmers to sell collectively. A lack of trust in group leadership and a low net gain to group marketing further discourage participation.

The Government of Kenya (GoK) intervenes substantially in agricultural markets – particularly in the maize sub-sector. In Kenya maize prices are highly volatile and the climate conditions are unpredictable. The National Cereal Produce Board (NCPB) buys large quantities for its strategic reserve at above market

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<sup>4</sup> 1 acre = 0.4 hectare

prices and subsidizes inputs.<sup>5</sup> Through its interventions the GoK is crowding out private sector providers and over regulates the seed industry.

P4P in Kenya focuses largely on smallholders organized into marketing groups. Before being 'marketing groups' most of the FOs are 'self-help groups'. P4P in Kenya currently targets 58 FOs. Kenya's P4P programme aims to help these groups gain access to alternative markets by promoting private-sector investment in village based storage and conditioning facilities, encouraging local processed food suppliers to source from participating smallholder farmer groups, and by buying directly from farmer groups to build their capacity for structured trade. By buying directly from these groups and investing in high quality food, the initiative provides a secure market outlet and demonstrates the advantages of participating in formal trading systems. In high potential areas, P4P engages farmers' organizations in modified or 'soft' tendering to enable their quick transition to competitive markets. Other procurement modalities in use are direct contracting and forward contracting (Annex 2).

A 'Progression Strategy' (see p.30) has been developed and agreed with P4P partners in 2010, identifying milestones and steps, to encourage farmers' organization to graduate out of P4P support and access alternative markets.

In addition to buying directly from farmers' groups, P4P also connects participating FOs to the network of rural agro-dealers supported by Agricultural Market Development Trust (AGMARK) to increase access to inputs, production assistance, conditioning services, and output markets. P4P in Kenya relies on partners (Equity Bank, Cereal Growers Association, Academic Model Providing Access to Healthcare, Food and Agriculture Organisation and the Ministry of Agriculture) to build the capacities of the FOs to increase production, improve quality, and bulk and market members' produce.

P4P's technical and administrative costs in Kenya are sponsored by the Bill and Melinda Gates Foundation. All food purchases are financed by donations to WFP's regular operations.

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<sup>5</sup> Through its National Accelerated Agricultural Inputs Access Programme (NAAIAP), the GoK provides inputs to poor and vulnerable rural families.

# Case 1: Marenyo Community Cereal Bank

## Background

Marenyo Community Cereal Bank, located in Saiya district, Kenya, was formed in 2006. Before this time food insecurity was a recurring issue in the area. When they achieved surpluses individual farmers typically sold locally and to small traders. It was also not unusual that farmers either failed to sell their surplus for lack of buyers, or were forced to sell at throwaway prices.

Formed	2006
Main partners	AGMARK
FO Members	Increase from 170 – 225 today (90 men, 135 women)
Member farm size	Majority < 3acres
FO leaders	2 men, 1 woman
First P4P contract	February 2010
# P4P contracts	3 (1 successful, 2 defaults) and 1 pending contract
Other buyers	Regular: Schools, hospitals Irregular: National Cereal Produce Board
% of sales to WFP	~ 90%

Two events led to the formation of the FO. The first was a bumper harvest in 2006, which presented farmers with the ‘happy’ problem of how to market this surplus effectively. The second was the engagement of the Millennium Village Project (MVP), a UNDP affiliated NGO. MVP began engaging farmers in the area and encouraged them to aggregate surpluses and sell as a group. MVP began farmer training, and supported the nascent FO with provision of inputs such as seeds and fertilizers. MVP clearly played an important role in the FO’s formative years.

*“MVP brought us to a place where we can now do business” (FO)*

*“With MVP we went from being ‘E’ students to ‘D’ students” (farmer member)*

In 2009, MVP linked up with Agricultural Market Development Trust (AGMARK), a Kenyan non-profit organization, to provide further training to farmers to help them bring their produce to market. AGMARK linked WFP to Marenyo in 2009 through the P4P programme.

*“We [Marenyo] thought it wise to enter into a relationship with the WFP because it offered the opportunity to sell in large quantities rather than in bits” (FO).*

## Marenyo profile

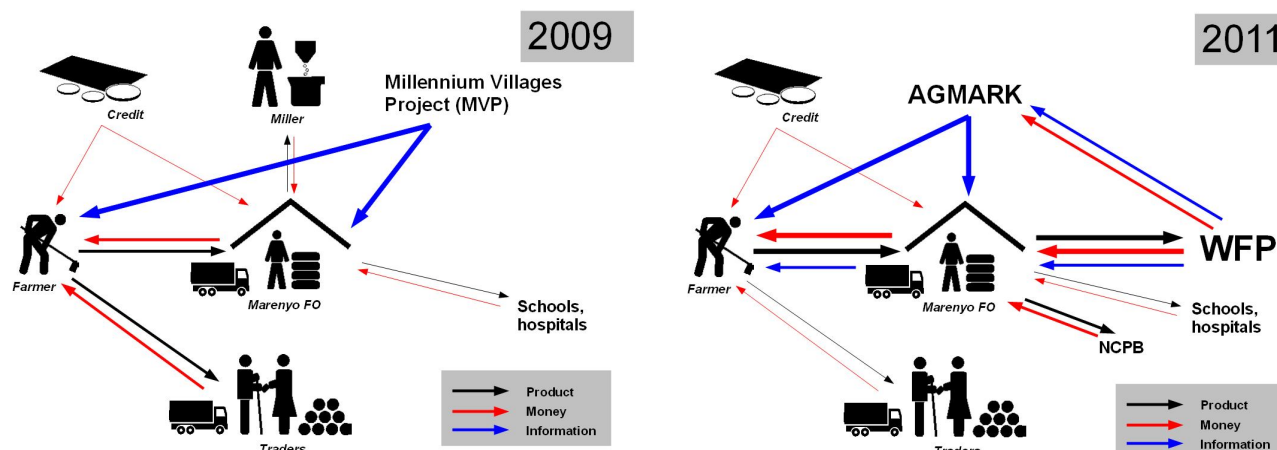
Marenyo leaders are themselves farmers and so are familiar with the realities that farmers in the area face. The FO has 12 committee members (7 men, 5 women), including an executive committee comprised of 2 men and 1 woman. FO membership is open to anyone within the area, with the large majority farming 3 acres or less.

## Changes in Marenyo capacities

Marenyo, farmers and AGMARK all perceive a wide array of positive changes in the capacity of the FO since P4P (see below). To a large extent these stakeholder attributed the changes to P4P. In other words, without P4P these changes would not have occurred in the two years since the FO’s engagement with P4P.



**Figure 1: Marenyo Value Chain 2009 & 2011**



### Capacity to Produce to WFP Quality Standards

Marenyo felt that the first contract with the WFP was a “learning curve”. Previously farmers and the FO had no experience producing to quality standards. P4P built this capacity by providing training through AGMARK, which included attention to drying, cleaning, sorting, bagging and storage. Farmers were trained on the varieties of crops demanded by the WFP, including white maize and Roscoco beans. Bad weather hampered farmers’ attempts to meet the standards on the first contract, although through committed efforts the FO was successful. The experience gained from the first P4P contract was enough for the FO and farmers to say that most fundamental issues of quality are no longer a major challenge.

*“Before P4P the FO bulked grain with no quality considerations” (AGMARK)*

*“We have learnt that food is a living thing so it needs to be taken care of until sold” (FO)*

Despite the initial challenges of producing to WFP quality standards, the FO and farmers clearly perceive the benefits of producing quality. Most obviously, without adhering to these standards the WFP would cease to be a buyer. But more than this, farmers perceive direct benefits to their own health - they don’t eat maize with aflatoxins or which are rotten and so are consuming better food themselves. Furthermore, farmers believe that quality standards are empowering them to ask for, and receive, better prices from the usual local traders.

### Production and delivery

Marenyo members claim that aggregating sufficient quantities for the first contract wasn’t a problem per se – the issue was securing sufficient quantities of acceptable quality. Since the first P4P contract, farmer members claim that through P4P farmers have been able to expand their acreage and increase yields per acre. Iri is one such farmer:

*“This year I was able to lease out an additional ½ an acre from the profits I made from my previous sale [through P4P]. I was encouraged by the prospect of receiving good prices” (Iri, farmer).*

Several other farmer members reported increasing their yields since P4P, and attributed this to agricultural inputs (such as fertilizer and improved seeds) and a range of trainings provided by AGMARK. Other

farmers and Marenyo's partner, AGMARK, also attributed increases in production to the fact that the WFP was seen as an 'assured' buyer: Nevertheless, the FO's ability to aggregate quantities still faces two challenges related to sales and marketing (see below): the timing of WFP contracts, and the timing of payment to farmers.

*"Having the WFP as an assured buyer has given farmers the confidence to increase their acreage, because they can see that they can run their farm as a business" (AGMARK)*

## Sales and Marketing

Marenyo sells about 90% of its produce to WFP with the remainder going to small buyers such as schools and hospitals who "buy in bits". (Excluded here is a one-off sale to the NCPB). At the time of the first P4P contract, a rumour began circulating that "there is no such thing as P4P", and farmers became jittery that they wouldn't get paid. The success of the first Marenyo contract, and the full payment to all contributing farmers, went a long way to establishing essential trust between the FO and members.

The timing of WFP contracts remains a major issue for Marenyo. In the past, contracts have not always been well-timed to farmer's harvests, and better timing for the June harvests would make it considerably easier for the FO to aggregate and fulfil WFP contracts.

Another major challenge of timing relates to the inability of the FO to pay farmers when they deliver to the FO. Instead, because the FO lacks working capital (either owned or borrowed), it can only pay farmers once it is paid by the WFP. The longer farmers expect that they will have to wait for payment, the greater the chance farmers will side-sell to traders, especially if they have urgent expenses. Also, market prices can change substantially between when prices are set and payment to farmers. This was the situation in 2010, which drove many farmers to side-sell to traders (Table 1). Farmer side-selling puts pressure on the FO and increases the risk of a contract default - an undesirable situation for all parties including the WFP.

**Table 1: Market Prices at time of P4P contract signing and pickup (2010)**

At time of signing P4P contract	Local Market, Roscoco Bean (low quality)	KSh 40-45/kg
	Local Market Roscoco Bean (high quality)	KSh 55-59/kg
	WFP (Roscoco Bean (high quality))	KSh 61/kg
At time of pickup, 3 months after contract signing	Local Market Roscoco Bean (high quality)	KSh 65/kg

*Source: FO interview*

During Marenyo's second P4P contract, delays by the WFP in the procurement process led to the FO (not the individual members) side-selling to the NCPB. While farmers may have put pressure on the FO, the decision to side-sell was taken by the FO leadership.

Side-selling is a loss for all parties. It harms the FOs reputation as a reliable partner and it involves costs for WFP. The challenge is for farmers, the FO and the WFP to understand each other's needs. Farmers need to build their savings and assets to better enable them to wait for payment, or work out a strategy, perhaps through the FO, for banks to provide small loans until payment. The FO needs to understand the obligations that a contract implies and take these seriously, in spite of short-term market fluctuations. The FO should only sign a contract if it is realistic to fulfil. And for its part, the WFP needs to reconsider whether soft-tenders are an appropriate procurement modality for low capacity FOs, considering the length of time they can take, and the market changes that can occur in this time. There is a 'silver lining'

here: the WFP has responded to this lesson by making Marenyo's next contract a 'forward contract', which the FO has warmly welcomed (see 26). Furthermore, Marenyo did gain valuable experience in 'soft tendering', which will be the WFP's preferred procurement modality in the future.

## **Negotiating Power**

Marenyo believes that it is better at negotiating prices now than it was before P4P. This includes the ability of the FO to negotiate with other buyers, as it did with NCPB. Farmer members say they are more confident dealing with local traders now, and demand a premium for produce that meets high quality standards. The FO attributes the better negotiating ability of the FO and farmers to the training it has received from AGMARK and WFP field staff which has helped them "consider all costs, including transport, storage, bagging, fumigation and loading".

The FO has recently applied to Equity Bank for a loan and these negotiations are yet to come to fruition. Nevertheless, the FO is learning, and has been proactive in contacting United States Agency for International Development (USAID) through which it hope to be brought into contract with credit banks at good rates.

## **Building Relationships**

Marenyo's membership has grown from 160 to 225 members since P4P began. AGMARK, Marenyo's partner, believes this can be attributed to the stronger relationship the FO now has with its members. The community has seen the benefits of membership such as improved marketing opportunities and higher prices.

*"Marenyo has gained more confidence in running its affairs [and] now views itself as a business oriented FO" (AGMARK).*

Aside from an increase in members, farmers are now engaging more actively with the FO. For example, during harvesting farmers are themselves calling the FO wanting to sell through them, and asking the FO when they would like produce delivered. Stakeholders thought this to be, at least partially, the result of the trust building between FO and members that resulted from the first P4P contract. It is also thought that the FO's payment of an annual dividend, paid out of the FO's profits, has played a significant role. The looming challenge for the FO, however, is to balance members' expectations of a dividend with the need to invest in its own equipment, which is currently on loan.

Marenyo perceives its relationship with the WFP to be stronger since the first P4P contract, despite the feeling that the WFP didn't know how hard it was to fulfil a P4P soft-tender contract. The FO does appreciate the training, equipment and advice received through P4P and says it is committed to the relationship. Further, the FO added:

*"We feel that the WFP want to help and that is important to us. They are tolerant, and we hope this will continue".*

Relationships with other partners are perceived to be improving too. While a relationship with Equity Bank remains elusive, AGMARK is clearly positive about Marenyo's progress, explaining that even the local government is proud of the FO. Marenyo received an invitation to the World Food Day as a role model and is increasingly being asked to train other farmer groups.

## **Priorities and Challenges Ahead**

Marenyo is ambitious. Its goal over the next two years is to become the foremost supplier of quality cereals in the region. Up to now, members perceive the opportunities and benefits stemming from the FO to be shared equitably regardless of gender. A challenge then is to continue to ensure that these benefits continue to improve the livelihoods of all members.

Marenyo's material priorities are to build a larger storage facility and then to acquire its own truck, both of which it sees as important investments for the future. Access to finance is a stated challenge for the FO, while farmers themselves fear the unforeseen, such as extreme weather events. AGMARK highlighted the FO's emerging need to begin building relationships with other buyers, which the FO is aware of.

A few farmers spoke of disappointment at not receiving market prices for their produce from the WFP (due to price fluctuations after contract signing), but they nevertheless remain keen for further P4P contracts because of the opportunities: trainings, equipment and a regular, honest buyer.

## Case 2: Lolgorian Grain Growers Self-Help Group

### Background

The Lolgorian area is located in the Transmara District, Rift Valley province, and occupies an area of 2,846 km<sup>2</sup>. Populated in great majority by Masai pastoralists<sup>6</sup> gradually transitioning to farming, it is still a remote open space area (no paved roads lead to the territory) dedicated mainly to cattle grazing. Small maize and beans fields occasionally interrupt the green pastures where zebras graze together with cattle.

As other areas of Transmara, the Lolgorian area was affected by post-electoral violence in 2007. Conflict in this area was deeply related to fighting over land and cattle between pastoral

communities and farming communities. The Ministry of Agriculture implemented a programme called "Farming for Peace" in Transmara. "*When our farmers left pastoralism and gradually got into farming, they stopped fighting*", says the Transmara Agriculture District Officer. Most land is owned communally; clans are gradually subdividing land for individual ownership, although this process will take time.

Transmara is very fertile, has two rainy seasons and therefore two harvesting seasons. The district witnessed a major increase in maize production and productivity since 2005 (see figure below), and three years ago the District started a programme to distribute free inputs to farmers in the area, the National Accelerated Agricultural Input Access Programme (NAAIAP). The Lolgorian area was not so much affected at first, but pastoral communities have recently started to increase their acreage dedicated to farming, and are slowly adopting the improved farming techniques and use of fertilizers promoted by the District Department of Agriculture.

The arrival of WFP/P4P in the area at the end of 2009 (P4P targets 27 FOs in Transmara District, of which 25 are in the Lolgorian division) reinforced this process, as it represented an important market outlet for quality in a remote area not well connected to other markets.

*"Before, there was no reliable market, so the groups that formed did not last and dissolved quickly. In the last 3 years, new groups have formed, and many of them are surviving, because they see a market. Other traders and millers, knowing that there is good quality maize, are coming to Transmara, like the Lesiolo Grain Handlers<sup>7</sup>*

Formed	2009, to reach the WFP market
Joined P4P	2010
Type of FO	Self-Help Group
Main partner	Cereal Growers Association (CGA), who receives funding from AGRA & USAID/COMPETE
FO members	180 regular members (who have paid fees), mainly Masai pastoralists
Member farm sizes	From 5 to 15 acres (mostly for cattle, small parcels for crop production)
Trainings received since P4P	Group Governance, Conservation Farming (Ministry of Agriculture); Post-harvest handling (WFP); Records keeping (WFP); Business Planning (CGA)
First P4P contract	Sept 2010
# P4P contracts	3 contracts with WFP (2 soft tenders and 1 direct contract)
Other buyers	Local schools irregular buyers, but with no contracts. WFP is main formal buyer
% of sales to WFP	>90%
Infrastructure	Small storage (250mt) owned, planning to expand; Sieving machine on loan from P4P

<sup>6</sup> The other ethnic group are the Kipsigis.

<sup>7</sup> Lesiolo Grain Handlers is a grantee of the USAID Market Linkage Initiative project which provides technical support to farmers for food aggregation and market access. Through the grant, Lesiolo has acquired a mobile grain drier that should be used to support small-scale farmers in post harvest management and also to buy from them. Lesiolo is also certified to operate a WRS and WFP hopes to buy from them. Recently, the WFP Kenya Office has included Lesiolo in their P4P vendors list and will start buying from it.

who want to partner with P4P in Transmara and want to set a store here to bulk maize. Because of WFP, the District Office wants to build a permanent store in Angata, and has submitted a proposal to the Ministry of Agriculture" (Transmara Agriculture District Officer).

## FO History

The Lolgorian Grain Grower group was formed *because* of the WFP market:

*"Initially, we were a group of 10 Masai farmers who had just finished to build a small store for ourselves and were looking for buyers. In 2009 we learned that a widows group in Angata was selling to WFP, so we enquired how we could also reach that market. We were told, farmers must be organized, and must be able to bulk at least 56mt (a truck-load). So, even before each of us deposited our produce to the small store, we each came with 10-20 friends and we registered the group with CGA [Cereal Growers Association]. The newly formed group, the "Lolgorian Grain Growers Self-help group", had approximately 60 members. We are now 180 active members" (FO leadership).*

### Box 1: The Cereal Growers Association (CGA)

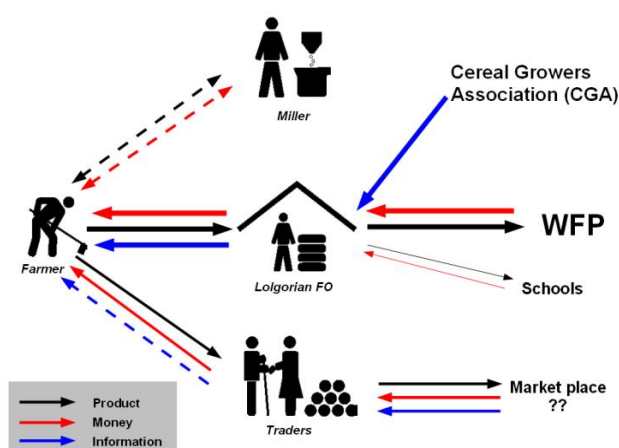
The Cereal Growers Association (CGA) supports 54 Farmers' groups in Transmara (27 of which targeted by P4P, including the Lolgorian group). It is a farmers' based organization founded in 1993, to assist farmers market their cereals. Today, CGA has a membership of 60,000 farmers nationally (1,600 in Transmara), the majority of whom smallholder farmers.

Funded by AGRA, USAID/COMPETE and members fees, CGA mobilizes farmers into groups, organizes field days and demonstration plots, facilitates trainings in partnerships with other stakeholders along the value chain (from seed selection, planting/weeding techniques, conservational farming, post-harvest handling, marketing techniques), on group governance, and links farmers to markets and credit providers.

The first thing CGA did when the Lolgorian Group registered was to assist the group to become a WFP supplier, and provide them training on post-harvest handling and group governance.

## Lolgorian Value Chain

Figure 2: Lolgorian Value Chain 2011



Being a nascent and low capacity organization, the Lolgorian FO value chain is rather simple, with WFP as the main buyer representing more than 90% of the produce marketed through the organization. The other occasional buyer is local schools. There are neither credit providers involved, nor millers for the moment. The FO leaders agreed though that millers from Angata and the NCPB represent "potential suitors", attracted by the presence of WFP. Before P4P, the farmer used to produce mainly for their own

consumption and sell small quantities to local traders for cash, or bring 1-2 tins to the local maize mill for their own consumption.

With the formation of the Lolgorian FO and access to the WFP market, farmers have substantially increased the share of their surplus channelled through the FO (thicker line), and decreased the share sold to “brokers” at the farm-gate. The share sold to these traders though remains important (30-40% of the surplus) to get immediate cash at harvest time to pay school fees and prepare for the next agricultural season: having two seasons in Transmara makes the agricultural cycle very short and the need for cash turnover high. It was agreed that the information flow from the FO to the farmers greatly increased as farmers received trainings and information on the WFP contracts through the FO.

## Changes in Lolgorian capacities

### Capacity to Produce to WFP Quality Standards

P4P is encouraging the adoption of new farming techniques (including fertilizers) and the adoption of quality standards. “WFP, with its emphasis on quality, has facilitated our work as district agricultural officers: before, we had trouble convincing the farmers to sort, clean and grade their grain, and to use fertilizers”, says the District Agricultural officer.

In addition to improved prices and incomes that come from improved quality, the farmers emphasized that now they eat good quality maize at home, and that “good quality is good for your health”. Thomas, a member of the FO, said that it is not easy though to meet the quality standards: it requires a lot of labour to clean and sort the maize, and hiring labour is expensive.

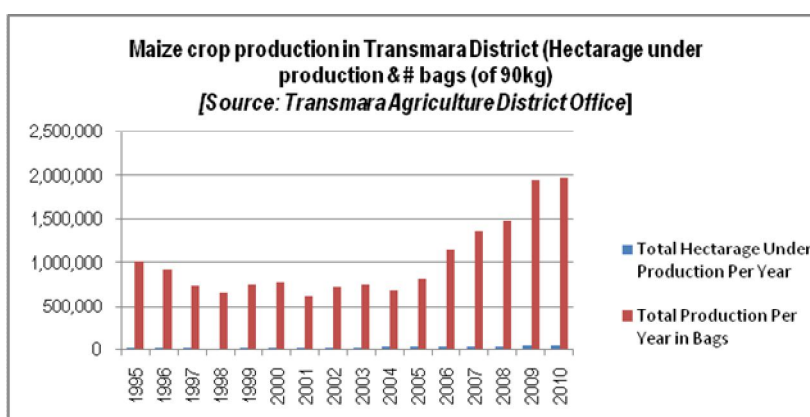
CGA agrees that improvement in quality has been one of the major changes experienced so far by the Lolgorian Group, and that P4P trainings on post-harvest handling and equipment contributed greatly. Despite its youth, the Group has met the WFP quality standards in all three contracts.

*“When you want to sell your cow, you tell the buyer how fat and fertile is your cow. Now we can tell and show to the buyers how good quality is our grain, and get a better price”* (FO leader discussing the benefits of improved quality).

*“Before we used only local maize varieties which gave us low yields, poor quality and no money. The maize was put to dry on the rooftops un-cleaned. Farming gave us so little money that it was left to the women. The cattle were the men’s business. When the FO was created and WFP came in, we learned how to store properly in the granary, how to clean, sort and dry. Now men are involved in farming”* (FO leaders).

### Production and Delivery

The CGA, the FO leadership and the farmers themselves all said (in separate interviews) that, since joining the Lolgorian Group in early 2010, farmers have increased both yields and acreage under cultivation, and that the major trigger for this was the prospect of an assured market with WFP. The Lolgorian group does not presently



have other major market outlets beyond WFP, so farmers had the WFP market in mind when they cultivated these last 3 seasons.

Farmers in the area usually have rather large land sizes (from 5 to 15 acres), but use it mostly as pasture. They used to dedicate only small portions of their land to farming, mainly for household consumption. *"Initially, I was cultivating only one acre, now I am clearing the bush to cultivate more"* says Maria, an elderly Masai woman member.

Yields also increased significantly: Robert, another Masai member, increased his yields from 17 bags/acre last season to 20 bags/acre this season *"thanks to proper timing of planting, weeding and harvesting, and the proper use of fertilizers I learned at the CGA training"*. *"Our major constraint are zebras and elephants, and rodents who eat our maize"*, agreed all farmers.

### **Bulking and Aggregation Capacity**

According to both CGA and the FO leadership, transporting members' produce to the Lolgorian store, the small size of the store, and the bad condition of the road during the rainy season are the three major challenges the FO faces when bulking members' produce. In this geographically dispersed community with no paved roads, members live up to 10km away from the Lolgorian bulking centre. Given that most farmers still have very low surpluses, each member brings only one or two 90kg bags, so it is costly to pay for transportation on an individual basis.

Lolgorian FO leaders decided to divide the farming area into sections and organized farmers to bulk their grain at a collection point in each village. The FO negotiates with the transporter and arranges for the truck to pick up members' commodities from the collection points. Farmers pay for transport, but it is cheaper when they bulk sufficient quantity and share the costs.

### **WFP contract performance, defaults and prices**

The Lolgorian group successfully fulfilled a first contract of 90mt of maize in November 2010 (with soft tendering), but partially defaulted on the second and third contract (another soft tender for maize and a direct contract for beans, respectively).

All actors agree that price volatility in Kenya towards the end of 2010 and into 2011 (together with WFP's long procurement process) was the major reason for the defaults on the second and third contract. The good performance on the first contract (and the less good performance on the second and third) were not as much related to the suitability of the procurement modality than to the prevailing market conditions. At the time of the first contract, the market was so depressed that the contracted price (which includes a quality premium) remained above the market price at the time of delivery (although with small margins). But with the second and third contracts, the prevailing market price at the time of delivery was far above the contracted price (Table 2). In addition to price volatility, the timing of the contracts (one month after harvest) also meant many farmers had already sold their surpluses, and therefore the FO was not able to bulk the required quantity.

**Table 2: Changes in Price between Contract and Delivery (2010)**

<b>Contract</b>	<b>Contracted price</b>	<b>Market price at delivery time</b>
2nd maize contract	2,300 shillings/bag	3,200 shillings/bag
3rd Beans contract	4,300 shillings/bag	6,000 shillings/bag



## Relationship, Trust and Group Cohesion

### **Farmers and the FO leadership: from doubting Thomas to trusting Peters**

*“When the group was first expanded from the original 10 members, it was difficult to gain the trust from the community, because people have different ideas. People don’t always like to socialize. It is difficult for leaders to sell their ideas when 90% of the community is illiterate. But farmers benefitted from the WFP contracts: each received according to what he had given. Now there is increased benefits and increased confidence. Many members have moved from doubting Thomas to trusting Peters”* (FO leader).

### **Relationships between the FO and other actors/buyers**

Both the FO leadership and CGA agree that the involvement of WFP and the progress achieved by the FO in terms of ability to meet quality standards changed the way the FO is perceived by other actors and buyers: the agricultural district commissioner visited Lolgorian and was so impressed that the District Office decided to allocate a plot to the group for the construction of a new store<sup>8</sup>. Membership is increasing and other farmers want to join the group.

## The Most Significant Changes and Challenges Ahead

From the point of view of the FO leaders, in a very short time, with no previous experience in group marketing, the newly formed FO managed to sign and deliver on three contracts with WFP. The FO substantially increased its membership after the first WFP contract, suggesting that it overcame issues of trust with which it had initially struggled. All actors interviewed agreed that the successful delivery on the first WFP contract largely contributed to building this trust.

From the point of view of WFP staff, despite its youth, Lolgorian is acquiring a business mind: they want to expand their store. The reliance almost exclusively on WFP is potentially a risk, but it is also expected given that the FO came together very recently.

WFP decided to target Transmara with the P4P programme because of Transmara’s agricultural potential, and because the market was “the missing link”. Nevertheless, bad road conditions during rainy seasons and its remoteness makes transportation very costly for WFP, increasing the cost of buying commodities there by up to 20%.

*“Last year, we contracted 4,000mt from groups in Transmara, but we were only able to uplift 1,300mt, partly because of defaults by FOs, but partly also because of late uplifts by WFP, due to difficulties in arranging transport. A more realistic target for this year is to purchase not more than 1,000mt. It’s critical that FOs in the area start reaching for other buyers and don’t rely only on WFP, otherwise it’s a risky business for WFP”* (P4P Kenya Country Coordinator).

It is said that P4P is contributing to the stabilization of the area, attracting new buyers like the Lesiolo Grain Handlers, encouraging the building of rural infrastructure (the permanent store in Angata and the Lolgorian group plans to expand their store, for which the District Office has agreed to allocate land).

A challenge is to avoid a situation where women are crowded out now there is more money made. This has to remain a point of attention.

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<sup>8</sup> Most land is owned communally but clans are gradually subdividing land for individual ownership.

## Case 3: Kaptebee Sach-Angwan Youth Group

### Background

Kaptebee Sach-Angwan Youth Group is located in Uasin Gishu District in western Kenya. As part of its post-treatment support to HIV-affected households, the Academic Model Providing Access to Healthcare (AMPATH) program formed Kaptebee as a producer group from three smaller groups in 2009 specifically to access P4P. Prior to P4P, AMPATH and the Ministry of Agriculture (MoA) had provided some training in agricultural production to members of the component groups. However, group members had never aggregated and sold commodities as a group.

Since beginning to participate in P4P in 2009, Kaptebee has won two tenders and one direct contract to sell maize to WFP. The organization successfully delivered a tender for 61 metric tonnes (mt) in 2009, partially delivered (132 of 332 mt) on a second tender in 2010, and partially delivered (39 of 56 mt) on a direct contract in 2010. The opportunity to sell to WFP through P4P contributed, directly and indirectly, to developing the organization's ability to aggregate and market members' commodities. Table 3 summarises key characteristics of the organization and compares their values, when applicable, just before beginning to participate in P4P and in 2011.

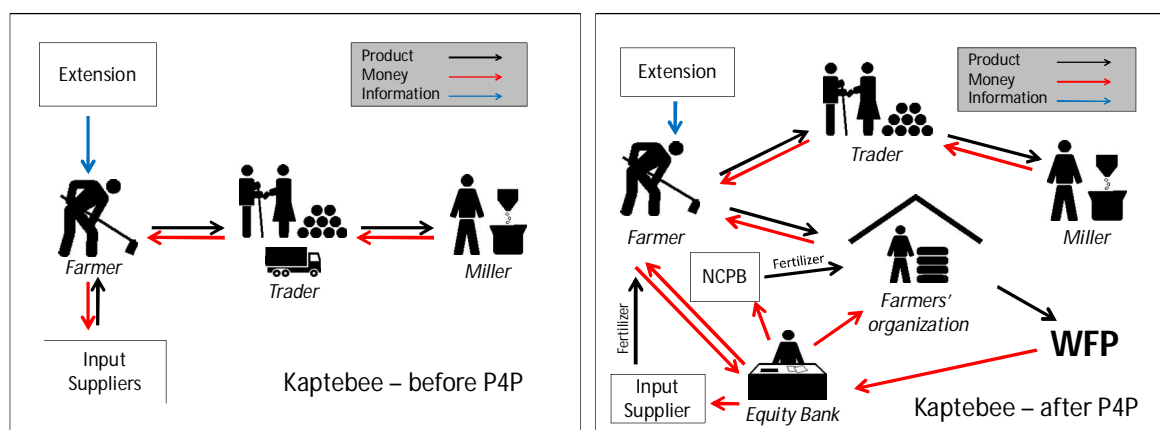
**Table 3: Kaptebee Farmers' Organization Characteristics**

	2008	2011
Year established	Formed as producer group from 3 community groups in 2009	
Number of members (male/female)	Unknown	25/14
Capacity building partners	AMPATH, MoA	AMPATH, Equity Bank, MoA, WFP
Average farm size (acres)	Not known but all small farmers	
Number of leaders (men/women)	Unknown	5/1 (treasurer)
Year of first engagement with P4P	2009	
Number of P4P contracts	3	
Buyers	None – no group sales	WFP
Sales to WFP (% of all sales)	0% - no group sales	100%

### How Has P4P Affected Kaptebee?

Figure 3 illustrates the 'before P4P' and 'after P4P' value chain maps for Kaptebee. These illustrations form the basis for the following descriptions of change.

**Figure 3: Value Chain Before P4P and Now**



### Changes in Marketing

Kaptebee did not exist as a producer group before P4P and thus had no capacity to market members' maize. Individual farmers sold directly to traders who aggregated, cleaned, and transported to other buyers. Farmers knew market prices and traders' pricing was transparent in the sense that traders told farmers how much they discounted the market price to account for transport and a profit margin. However, farmers believed that the profit margins demanded by traders were too high and that, because they monopolized transport, traders charged too much for transportation. Kaptebee is remote and, because they produced small volumes, farmers could not afford to access distant markets individually. Furthermore, they believed that the local traders colluded with millers and would try to thwart any direct sale by a farmer to a miller.

Now that Kaptebee is selling to WFP, WFP has provided substantial support to build the organization's capacity to access formal markets. In particular, WFP has loaned the organization equipment to prepare commodities for markets such as a scale, a stitching machine, and a generator that give the organization the capacity to package maize for sale to formal buyers. WFP has also contributed substantially to the organization's capacity to produce high quality maize (see 'Changes in Quality' below) demanded by formal buyers. Kaptebee members are now receiving what they consider fair prices for their maize. Although the organization has demonstrated the capacity to aggregate large quantities of high quality maize, it has not yet sold to quality conscious buyers other than WFP. Organization officials reported that a miller had approached the organization and offered to buy aggregated maize at a fair price but would not pay on-the-spot. Since the organization did not know or trust the miller, it did not accept the terms.

### Changes in Services and Support

Before forming a producer group to sell to WFP, government extension officers provided training on agricultural production to Kaptebee members. However, extension officers trained only a few individuals (village chiefs) on a broad range of agricultural issues – not only maize production. Organization members said that training from extension was not particularly relevant to their activities and of limited effectiveness because they received the information second-hand.

As a direct result of organizing as a producer group, Kaptebee was able to access additional resources and services to help build capacity of the organization and its members. AMPATH provides training in organizational management and production to the group. Because they are organized as a group, organization members now request maize-specific training from government extension offices that now provide training to the entire group instead of specific individuals. WFP has also trained organization

officials in maize grading and quality standards, post harvest practices, and storage practices. Equity Bank also trains members who receive a loan in aspects of financial literacy. The organization and its members gained access to these services by organizing as a producer group – a change that would not have come about without P4P.

### **Changes in Access to Credit**

Prior to engagement with P4P, individual farmers in Kaptebee had limited access to working capital. The organisations from which Kaptebee was formed previously saved as a group and provided small loans (2,000 – 10,000 shillings) to members. Some input suppliers would provide inputs on credit to the few farmers who could meet collateral requirements or who were willing to bribe input suppliers to provide credit. Individual farmers did not have access to credit through the formal banking system. Because they are now organized as a producer group, AMPATH has connected Kaptebee to Equity Bank which is providing loans to individual farmers (guaranteed by the organization) to purchase inputs at lower interest rates than the input suppliers offer and without the restrictive collateral requirements of input suppliers. Some individuals also reported that they were able to obtain personal loans from Equity Bank but these required collateral.

### **Changes in Quality**

Prior to engaging with P4P, individual farmers in Kaptebee had little knowledge of market demands for maize quality beyond basic drying and little or no incentive in the form of higher prices to improve the quality of the maize they sold. Once the organization won a tender with WFP under P4P, WFP helped build the organization's capacity to achieve and maintain quality. WFP trained organization members in WFP quality standards, post harvest practices, and storage methods, loaned the organization pallets, and provided financial support on a cost-share basis to improve a temporary store the organization was renting and to build a permanent store.

*"Quality standards became important. This meant clean maize, no moisture and not broken maize, no discoloured maize and no foreign matters" (Christine, Farmer Member).*

It took organization members a season to be able to achieve WFP quality standards. In their first contract in 2009, organization officials reported that many members delivered maize that did not meet WFP standards. However, by the time of the second contract in 2010, most members delivered maize that met WFP standards.

Members of Kaptebee are aware that meeting quality standards entails a cost, as producing high quality maize is labour intensive. But the benefits outweigh the costs, the prices they receive are higher and the maize that is used for home consumption is of better quality.

### **Changes in Quantity Produced**

Prior to selling to WFP, the low prices offered by traders provided little incentive for farmers in Kaptebee to invest in production. Consequently, yields were low with farmers reporting yields in the range of six to ten bags per acre. Farmers reported that the higher prices they received from WFP encouraged them to invest in increasing production by investing in more and better inputs (certified seed), adopting more intensive cultivation practices, and cultivating more land. They reported yields after engaging with P4P ranging from 17 to 30 bags per acre. The impact of the WFP sale on investment in production was not immediate. Members did not know, and therefore did not trust, WFP as a buyer immediately. However, after a good experience in 2009, members began investing in boosting production. For example, a female member Rosaline, says that *"being part of a group I went for a loan from the Equity Bank.. I bought topdressing*

*fertilizer and my yields are increasing. I now produce 17 bags [4 more than the year before], and I am happy. Of these 17 bags I kept 5 for home consumption, 2 to pay school fees and I sold 10 to WFP”.*

## **Summary of Most Significant Changes and challenges**

The opportunity to sell to WFP has brought a number of changes to the organization and to its members. The most significant changes attributable to P4P include:

- Training in WFP quality standards coupled with equipment and infrastructure provided by or subsidized by WFP (i.e., scales, pallets, stitching machines, generators, and stores) have contributed crucially to the organization's ability to sell to WFP by giving it the capacity to produce and package commodities to WFP's specifications.
- Group formation (motivated solely by the opportunity to sell to WFP) and a contract with WFP were critical in Equity Bank's decision to extend production credit to organization members.
- Prices paid by WFP for high quality maize compensates farmers adequately for production costs and the effort of achieving high quality standards and has thus encouraged increased investment in agriculture and substantial increases in production as a result of increases in cultivated area, better use of inputs, and improved farming practices.
- The capacity to aggregate, achieve high quality, and store produce allows the organization to bypass traders and access markets directly.
- Training made available through the organization has improved household and farm record keeping and improved other household activities (post harvest handling and storage).
- As an organization, members are able to request and receive customized training more relevant to their needs, of higher quality, and greater quantity.

### **Box 2: Kaptebee Farmer Profile**

Before WFP began buying maize from the Kaptebee CBO, Robert cultivated three acres of maize and obtained a yield of about ten bags per acre. The low prices traders paid him for maize provided little income or incentive to invest in increasing production. He produced maize mostly for home consumption (because selling maize did not bring in much cash) and relied on selling milk from two cows for much of his household income. He produced more than enough maize to meet his household needs of 15 bags per year but received so little income from selling his surplus that he often had to sell part of what he had saved for consumption to meet household needs for cash. In 2008, Robert reported having to buy back three bags of maize from traders to meet his household's needs.

Robert contributed 50 bags of maize to the organization's first contract with WFP – reflecting an increase in production relative to pre-WFP engagement as a result of improved production practices learned from AMPATH. However, he was not familiar with WFP as a buyer and was cautious about making too large an investment in increasing production. His first experience was good, however, and he subsequently doubled the area of land he cultivated in maize to six acres, invested in more intensive cultivation practices (i.e., from one ploughing with oxen to ploughing twice and harrowing once with a tractor. He also increased his use of fertilizer from 0.5 bags/acre to 1.5 bags/acre, started applying top dressing, is practicing better weed control methods, and pays much more attention to timing of planting. He reported that his yields in 2010 on six acres had improved to 25-30 bags per acre – results well within the reach of smallholder farmers in Kenya according to ACIDI/VOCA.

In 2010, Robert produced 180 bags of maize and practiced a mixed marketing strategy to maximize income while also addressing cash flow and household needs. He retained 20 bags for his own use, sold 100 bags to WFP, and sold 60 bags to traders. The price from WFP was higher than that offered by traders but traders paid immediately while he may have to wait for several months to receive payment from WFP. The price he received from WFP was high enough that he did not have to sell any of the maize he had retained for his own use and was even able to help neighbours who ran short. Robert admitted that improved production practices had increased costs as well as yields but, although he could not quantify it, said that productivity and household income had increased. He now relies on maize for household income and has retained one cow to produce milk for household needs. He also said that his income was sufficient in 2010 to send three of his children to college – something he had not been able to accomplish in the past.

## Case 4: Schemers Community Based Organization

### Background

Schemers Community Based Organization (CBO) is located in Uasin Gishu District in western Kenya, about 300 kilometres from Nairobi. Students first organized Schemers in 2004 as a Self Help Group focused on education. In response to the priorities of an expanding membership, the organization registered as a CBO with a focus on agricultural production in 2006, three years before beginning to participate in P4P. At the time it started to participate in P4P, Schemers had already made substantial progress on developing its production and marketing capabilities. The organization received training from the Ministry of Agriculture (MoA), rented a store, bought land on which to build its own store, and established an agreement with the MoA for financial assistance to construct the store. Organization members had increased their agricultural production as a result of these activities but had not yet aggregated and sold commodities as a group.

Schemers learned of the potential market opportunity provided by P4P from the Academic Model Providing Access to Healthcare (AMPATH) program through which WFP distributed food to HIV-affected households. AMPATH did not work directly with Schemers but did work with some individuals in Schemers communities. The opportunity to connect Schemers to WFP complemented AMPATH's efforts to improve the livelihoods and food security of its beneficiaries as part of its post-treatment support.

Since beginning to participate in P4P in 2009, Schemers won tenders with WFP in 2009 and 2010 for 45 and 333 metric tonnes (mt), respectively. The organization delivered the first contract in full but delivered only 198 mt on the 2010 contract as market prices for maize moved well above the contract price partway through aggregation. The opportunity to sell to WFP afforded by P4P contributed, directly and indirectly, to developing Schemers ability to market maize and to its members' ability to produce maize. Table 4 summarises key characteristics of the organization and compares their values, when applicable, just before beginning to participate in P4P and in 2011.

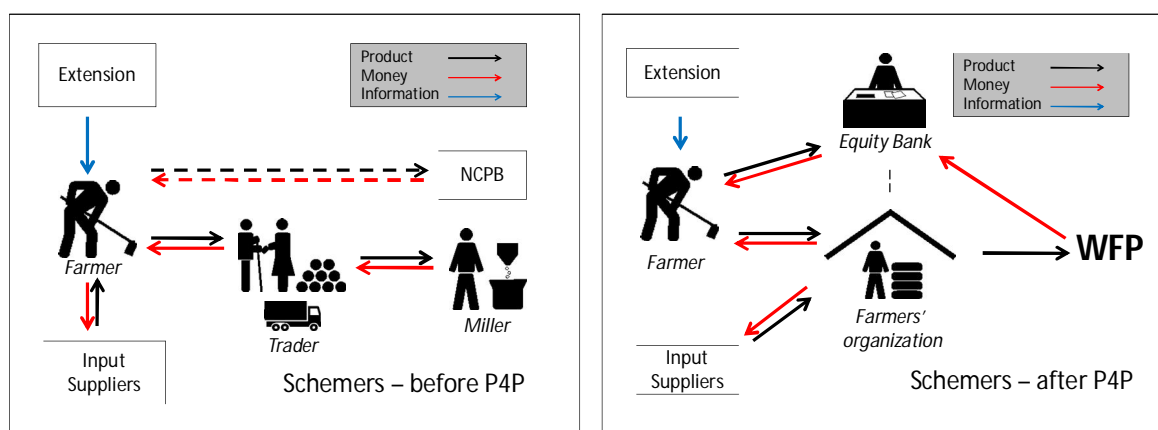
**Table 4: Schemers' Characteristics**

	2008	2011
Year established	Organized in 2004 but only began focusing on agricultural production in 2006	
Number of members (male/female)	not available	30/28
Capacity building partners	MoA	AMPATH, Equity Bank, MoA, WFP
Average farm size (acres)	Not known but all small farmers	
Number of leaders (men/women)	not available	6/3
Year of first engagement with P4P	2009	
Number of P4P contracts	3	
Buyers	None – no group sales	WFP

### How Has P4P Affected Schemer's?

Figure 4 illustrates the 'before P4P' and 'after P4P' value chain maps for Schemers. These illustrations form the basis for the following description of changes in the organization's capacity.

**Figure 4: Schemers' Value Chain Change**



### Changes in Marketing

Before P4P, Schemers had no capacity to market member's commodities and farmers sold individually to traders at the farm gate. Traders paid cash on-the-spot but prices were low, individual farmers had little knowledge of prices or power to negotiate, and they did not trust traders to weigh maize accurately. Traders aggregated, dried, and cleaned maize so they could deliver large quantities of high quality maize to millers and other buyers.

Under P4P, Schemers demonstrated a capacity to aggregate large quantities of high quality maize. This capacity gives Schemers access to other buyers who demand quantity and quality. Although it has not sold to other formal buyers since it started to sell to WFP, Schemers officials said that the capacity to aggregate large quantities of high quality maize gives them the ability to sell directly to other quality conscious buyers such as millers and the National Cereals Produce Board (NCPB).

### Changes in Services and Support

Organizing as a producer group with contracts to sell to WFP also gave the organization and its member's access to a range of other services and support that would not have been available to individuals. AMPATH provides training in organizational management and maize production practices designed to strengthen the group's management and production capacity, respectively. Equity Bank provides financial literacy training to group members who receive loans (see 'Changes in Access to Credit' below). The organization also negotiates reduced prices for inputs it purchases in bulk and distributes to members.

### Changes in Access to Credit

Prior to selling to WFP, Schemers, and some of its members, had accounts with Equity Bank. However, neither the organization nor its members had adequate collateral (usually title to land) to obtain a loan from the bank. On the strength of Schemer's contracts with WFP, and with some facilitation by AMPATH, Equity Bank agreed to extend credit to organization members in the form of individual loans guaranteed by the group. The opportunity to obtain loans gives members the ability to receive at least a portion of the value of their commodities as soon as they deliver to the organization and thus reduces pressure to sell immediately after harvest at low prices to meet urgent expenses. Without this access to credit, farmers would have to wait the several months it takes to negotiate a contract, aggregate the maize, deliver the maize, and receive payment from WFP before obtaining their money. This is a substantial burden for most smallholder farmers. Also, although it has not yet done so, the organization itself believes it can now obtain investment loans from Equity Bank.

**Box 3: P4P Partner, The AMPATH Role**

The Academic Model Providing Access to Healthcare (AMPATH) programme provides comprehensive care and treatment to people living with HIV. As part of its post-treatment support to HIV affected households, AMPATH also collaborates with WFP to support a feeding programme that currently supports 30,000 beneficiaries (patients and their households). AMPATH also directly supports a variety of socioeconomic activities (including agriculture) geared towards livelihood reconstruction and food security.

The P4P initiative has acted as a catalyst for change in AMPATH's endeavours to ensure food security and income for its clientele. The AMPATH-P4P partnership strives to turn 'beneficiaries to suppliers' and to create food sufficient communities able to feed their own irrespective of HIV status. In pursuit of this mission, AMPATH supports the formation of producer groups among its clientele, provides agricultural extension and business development services, and facilitates access to farm inputs and microfinance services. The market access opportunity provided by P4P has had a multiplier effect by magnifying these functions and providing a platform to respond not only to hundreds but to thousands.

P4P has provided, and has become, an incentive around which smallholder farmers are organizing to access formal markets and gaining the power to bargain and negotiate for fairer prices and access to financial and other services. Through groups, the smallholder farmers are reporting access to credit, increased local extension services, guaranteed farm inputs and access to other markets. P4P has given AMPATH an even greater platform to network and lobby for favourable policies for not only its clientele but smallholder farmers at large. Through P4P the farmers' organisations now have access to numerous service providers including banks and extension services whereas AMPATH now enjoys multiple partnerships greatly accelerating it towards the achievement of food and income security for its clientele and the community. In essence, P4P provides a sustainable approach to mobilize smallholder farmers for food security and sustained engagement in markets.

**Changes in Quality**

Before P4P, Schemers and its members had little knowledge of quality standards or access to the infrastructure and equipment necessary to efficiently achieve WFP standards or maintain quality over time. As part of its support to Schemers through P4P, WFP provided a temporary store; subsidized construction of a permanent store; provided training on post harvest handling and storage practices; loaned the organization a scale, stitching machine, generator, and pallets; provided bags; tested the quality of aggregated commodities; and picked up commodities from the organization's store (WFP normally requires suppliers to deliver to WFP warehouses).

The support provided to Schemers gave it the capacity to produce maize that meets WFP standards. It took time to develop this capacity however. Organization officials reported that much of the maize that members delivered to the organization in 2009 initially failed to meet standards and required additional drying and cleaning. In 2010, however, most of the maize members delivered to the organization met WFP standards.

**Changes in Quantity Produced**

The low prices Schemers members received for maize prior to P4P provided little incentive to invest in increasing production. Most members reported raising maize for their own consumption but said they did not earn enough selling their surpluses to view farming as a viable business. The opportunity to sell to WFP through P4P, and the higher prices associated with selling larger quantities and better quality, provided the incentive to invest in increased production. Many members reported raising production levels by increasing the amount of land they cultivated, using better quality inputs, using inputs more appropriately, and employing better production practices.

**Changes in Business**

Schemers is already scheming to grow their business by extending their capacity to offer services, adding value to maize, and extending into other products. The organization has received a dryer from the MoA



which they intend to set up on land they have purchased adjacent to their new warehouse (currently under construction). The organization expects the dryer to help them produce quality maize more reliably and efficiently and to begin providing drying services to the community. Organization officials also spoke of plans to establish a mill to produce maize meal for retail markets. They also mentioned a desire to establish a local milk collection point with a chiller to improve milk marketing opportunities.

## Summary of Most Significant Changes

The opportunity to sell to WFP has brought a number of changes to the Schemers and to its members. The most significant changes attributable to P4P include:

- Training in WFP quality standards coupled with equipment and infrastructure provided by or subsidized by WFP (i.e., scales, pallets, stitching machines, generators, and stores) have contributed crucially to the organization's ability to sell to WFP by giving it the capacity to produce and package commodities to WFP's specifications.
- Group formation (motivated solely by the opportunity to sell to WFP) and a contract with WFP were critical in Equity Bank's decision to extend production credit to organization members.
- Prices paid by WFP for high quality maize compensates farmers adequately for production costs and the effort of achieving high quality standards and has thus encouraged increased investment in agriculture and substantial increases in production as a result of increases in cultivated area, better use of inputs, and improved farming practices.
- The capacity to aggregate, achieve high quality, and store produce allows the organization to bypass traders and access markets directly.

### **Box 4: Equity Bank**

Equity Bank has been a valuable P4P partner providing access to capital for participating farmers' organisations and member farmers. Unlike many banks, Equity Bank actively courts agricultural businesses with a dedicated agricultural lending department and hundreds of agencies located in rural areas. Equity Bank has come in behind P4P to offer loans to participating farmers' organisations and their members. Individual loans are guaranteed by the organization and a contract with WFP goes a long way to establish the organization's credibility with the bank. Access to credit through Equity Bank has been instrumental in facilitating organisations' ability to finance aggregation and in improving farmers' ability to purchase high quality inputs in a timely manner.

## Summary: Building FO Capacity and to Access Markets

The following section looks at the contribution that P4P has made to building FO capacity to engage in formal markets, the benefits of this capacity building, and its challenges. Various aspects of capacity building required to access markets were brought out through field research and validated at the National Workshop in Nairobi. Farmers and FOs participating in the workshop chose five aspects of capacity building that they believed to be most relevant to them and elaborated on these, as summarized below.

### Production and Delivery Capacity (Farmer Level)

Farmers, FO leaders and partners at the national validation workshop agreed that most farmers in the areas studied increased acreage under cultivation, and that the prospect of an “assured market” through WFP was a main driver. The successes of the first WFP contracts in 2009/early 2010 also contributed to building the farmers’ confidence and motivation to increase acreage. Another factor mentioned was high prices during the past season, which encouraged farmers to plant more.

Many farmer members of the FOs studied also increased their yields as a result of higher prices and improved access to credit that facilitated adoption of productivity enhancing production practices and technologies (i.e., more and higher quality inputs and improved tillage and cultivation practices). The role of extension officers and others offering training was considered key, and several participants mentioned that they now had access to more relevant training on terms more suited to their needs.

Some participants mentioned delivering individual farmers’ produce to the FO as a key challenge (Lolgorian, Kaptebee) but others, with members situated closer to FO stores and with better road and transport conditions did not view it as a major problem (Marenyo, Schemers). However, the prospect of accessing the WFP market, achieving better quality and therefore better prices encouraged most farmers to accept the transportation costs. Transportation was a challenge for some farmers, and it was recommended that the FO should negotiate with transporters on behalf of its members to reduce costs for members.

Challenges to increasing individual farmers’ production include insufficient access to capital and credit for inputs, particularly “*not having the capital at the right time*”. Some farmers also mentioned limited access to high quality seeds. Apparently, the Kenya Seed Company suffered a seed shortage in 2010 so farmers were substituting varieties not suited to their areas and were also uncertain of seed quality as other sellers entered the market to fill the supply gap. Participants recommended that FOs should link to alternative seeds companies, invite other companies to have demonstrations, and diversify their supplier list.

### Quality

Participants viewed quality through a variety of lenses including sorting, cleaning, drying, good production practices, choice of crop varieties, post harvest handling, bagging and storage. The discussions also touched on issues such as broken, discoloured, and rotten grains as well as the fungus aflatoxin. The case studies and the National Validation Workshop corroborated that, for the most part, farmers did not address quality standards prior to P4P. By providing training and equipment, P4P has contributed substantially to building FO and farmer capacity to produce to higher quality standards.

All actors perceived that producing to quality standards usually results in price premiums to producers, access to new buyers who demand quality, a considerably longer shelf life for harvested produce, and, significantly, improved health for the farmers who consume their own produce. It was also widely perceived that higher quality benefited all actors in the value chain in one way or another. Households

were singled out as benefiting the most, because they experience all of the stated benefits, i.e., better health, higher incomes resulting in improved lifestyles and livelihoods. When these benefits are felt by many households, it was said that the whole community benefits.

Most participants believed that farmers and FOs have overcome most of the fundamental challenges of producing quality (sorting, cleaning, drying etc). However, challenges remain: on farm storage at the household level was an identified challenge, and it was suggested that better education was required to ensure that produce stored in the household did not become susceptible to deterioration, infestation, rotting and contamination. Insufficient FO storage was also mentioned in the case studies particularly around limited storage space. Knowledge of post harvest management, with regards to better timing and handling of harvested crops, was another identified challenge. Aflatoxin was mentioned as a fear as much as a challenge, since it can wipe out entire FO stocks and can only be identified using expensive testing kits that FOs do not have access to. Finally, quality of inputs was mentioned as a quality challenge. New input suppliers have now entered the market and are selling seeds, fertilizer and pesticides of varying quality.

## **Capital and Assets**

Capital is money, either money a farmers' organization has saved or money the organization can borrow. Assets are physical things like land, buildings, or equipment.

Workshop participants said that P4P was instrumental in building organisations' capacity by providing equipment such as scales, generators, stitching machines, and pallets. Participants also attributed improved access to credit (for organisations and members) entirely to banks' increased comfort level with organisations that had a contract to sell to WFP. Organizing as a producer group – motivated by P4P – also played a key role in members' access to credit because banks required that individual loans be guaranteed by the group. In two of four cases in Kenya, farmer organisations formed specifically to access WFP and would not have existed otherwise. The contribution of P4P to organisations' ownership of land and stores was mixed. The organisations that owned land had purchased it prior to P4P. They also had access to stores prior to P4P but WFP was helping them renovate and construct stores more quickly than they would have otherwise.

Participants cited a number of benefits associated with capital and asset formation under P4P. These included an enhanced ability to aggregate and store; the capacity to produce higher quality commodities; increased production as a result of improved access to production credit for members; accumulation of individual assets and capital which allowed members to invest more in schooling, land, livestock, health, food security, and housing; job creation as members began cultivating more land or hiring more services; the ability to diversify into other income earning activities (fish, poultry, bee-keeping, horticulture, other businesses) as a result of higher incomes. All participants agreed that benefits were equitably distributed among members – sometimes based on the volume of production or, in the case of dividends, the number of shares in the organization that an individual owned.

Participants mentioned a number of remaining challenges, responses, and future priorities related to assets and capital as summarized in the following table.

**Table 5: Challenges, responses and future actions**

Challenges	Existing responses	Future actions
Physical access to banks	Developing mobile banking services	
High interest rates	Government credit subsidy programmes implemented through Equity Bank	Reduce government borrowing to ease pressure on interest rates
	Weather insurance scheme under development	Wider access to weather insurance
Limited financial literacy	Training from Equity Bank	
Access to equipment from WFP (e.g., scales, generators, stitching machines, pallets)	Increased capital accumulation by farmers' organisations	Clear guidance from WFP on how to acquire equipment

## Negotiating Power of Farmers' Organisations

To make better marketing decisions, farmers and farmers' organisations need to know how markets work. To access markets, they need information about the market (buyers) and market demands – i.e., what is required to make themselves attractive to buyers. To engage in markets profitably and fairly they need information about local, regional, and national market prices (because even buyers are subject to market forces) and the capacity to determine, and reduce, production costs.

Farmers' organisations themselves increase the capacity of individual farmers to engage with markets. Working as a group strengthens the negotiating power of individual farmers because they can aggregate greater quantities and thus have more market power acting as a group. However, marketing as a group can be challenging. Members will sometimes find it more beneficial to act individually. To avoid compromising the strength of the group, farmers must have a long-term vision and commit to the group. Without a commitment from members to market as a group even when it does not suit them individually, the group will not be able to engage reliably with formal buyers because it won't be a reliable supplier. The leadership of farmers' organisations must also be strong. They have an obligation to their members to thoroughly investigate marketing options before signing a contract that obliges the entire group. Once the organization signs a contract however, it must commit to following through.

Farmers' organisations are only as strong as their weakest members. Therefore, organisations should strongly encourage all farmers to build their capacities through trainings and foster a long-term view among members to ensure group action. Members should understand and accept the benefits of group action and commit to the group even when it does not suit their individual interests. WFP's involvement with an organization increases potential partners' confidence in the organization and their willingness to provide capacity building support to the organization including training, information about prices, and market linkages.

Farmers' organisations and WFP need to view themselves as business partners and understand that both parties lose when a contract is not fulfilled. In the current environment of extreme price volatility, both buyers and sellers will benefit from cooperating to mitigate risk to both parties.

## Expansion of Business

A farmer organization can expand its business by *increasing volumes* marketed, by *adding value* (either on the product, by producing better quality, or by involvement in activities higher up in a value chain, e.g. processing), or through *diversification*, for example by investing in the production of different crops or by providing more services to farmers. FO leaders agreed that the access to the WFP assured market acted as a trigger to expand

their business, because “WFP gave more value to our business”: P4P encouraged farmers to produce more, quality improved, and this improved the “status” of the FOs and the way other actors viewed the FO - particularly potential buyers and banks. They also said that training provided through P4P (on organizational management and financial literacy) was improving their business skills.

Business expansion often requires access to investment capital. Entering into business with WFP was critical in convincing Equity Bank to extend individual loans (guaranteed by the FO) to members of several FOs (Schemers, Kaptebee). Access to credit encouraged members to market collectively and enabled them to invest in increasing production. Some FOs (Schemers) are now interested in accessing investment loans from Equity Bank to further expand their business. “Because there was an assured market and the prospect of better prices, we saw the opportunity to invest in equipment”. This “forward-looking” perspective was more common among higher capacity FOs who have been receiving support before P4P (Marenyo, Schemers) and had access to some capital than it was among more nascent FOs like Lolgorian and Kaptebee.

Participants at the validation workshop mentioned job creation and spill-over effects to the whole community as perceived benefits from FO business expansion.

Most of the “expansion of business” to date has taken the form of value addition (higher quality, packaging) and marketing greater volumes – triggered entirely by the requirements of the WFP market. However, none of the four FOs studied had for the moment sold to any other significant formal buyer outside of WFP. All FOs are conscious of the need to reach other buyers besides WFP, but they don’t want to go back to the middlemen, they want to reach quality markets like WFP’s. Often they lack sufficient information and rely on P4P to help them link to other quality buyers.

## Procurement Modalities – Kenya Experience

WFP Kenya relied primarily on soft tendering at the beginning of the P4P pilot, because it was the easiest way to procure for WFP. The choice of the modality was *not* based on a careful assessment of the FO capacities and market situation, but rather on WFP's preference to use familiar and competitive processes. Guidance on the use of forward contracts, in particular, was not yet issued by the WFP headquarters.

Although the four FOs under study delivered successfully on the first soft tenders because the prices contracted remained close to prevailing market prices at the time of delivery, other FOs defaulted due to the extremely long procurement process which they were unaccustomed to.

On their second soft tenders, on the other hand, most FOs (including the four under study) defaulted (in full or in part), because market prices rose past the contract price during the aggregation period ending well above the contract price by the time of delivery. Marenyo fully defaulted, as the FO decided to sell the commodities that had been aggregated for WFP to the NCPB, because WFP was late in picking up the commodity. The other three committed to providing WFP with what they had managed to aggregate before members stopped delivering commodities to the FO in favour of selling to traders at prices higher than the WFP contract price. It is an important point that these FOs committed to delivering what they could even when it did not suit their short-term interests even though individual members decided to sell outside of the FO. Table 6 illustrates the performance of selected FOs in terms of quantities delivered, uplifted and defaulted.

**Table 6: Contract Performance of Selected FOs**

Name of FO	Contract date	Commodity	Status of Contract	Qty Contracted (mt)	Qty uplifted (mt)	Qty Defaulted (mt)
Kaptebee Sach Angwan Youth Group	21 January 2010	White maize	Completed. No default. Payment done.	61	61	0
	30 November 2010	Maize	132.5mt uplifted. The balance of 203.5 mt will not be supplied due to price increase	336	133	204
	14 April 2011	White maize	39.3 mt taken over by WFP. Partial default- 16.7 mt cancelled due to price increase	56	39	17
Lolgorian Grain Growers Self Help Group	22 September 2010	White maize	Completed. Payment done. No defaults.	63	63	0
	22 September 2010	White maize	Completed. Payment done. No defaults.	27	27	0
	26 February 2011	Beans	14.50 mt received by WFP. Partial default -13.5 mt cancelled due to price increase	28	15	14
	14 April 2011	White maize	Q&Q global positive- partial default -12.050 mt due to price increase	90	78	12
Marenyo Community Cereal Bank	26 February 2010	Beans	Contract closed. Partial delivery. Defaulted on 4.3mt.	50	46	4
	26 February 2011	Beans	100% default: due to delay in issuing contract and related to high prices	280	0	280
	26 February 2011	Beans	100% default: Due to delay in issuing contract and related to high prices	54	0	54
	26 February 2011	White maize	100% default. Due to delay in issuing contract - related to high prices	450	0	450
Schemers Community Based Organization	21 January 2010	White maize	Completed. No default. Payment done.	45	45	0
	30 November 2010	Maize	200mt uplifted and invoice submitted for payment. Balance of 136 mt will not be delivered due to high prices	336	200	136

## Linking Procurement Modalities to a FO Progression Strategy

Most FOs in Kenya have no substantial group marketing experience – either through competitive or non-competitive purchasing arrangements. It is thus necessary to gradually build their capacities to engage with formal markets and the P4P procurement modalities should be a key part of the capacity building strategy. It is necessary for WFP to select a modality that balances the capacity building needs of the FO against the preferences of WFP. For example, tendering may be WFP's preferred approach but it is also the most complex and time consuming which may make it inappropriate for many nascent FOs because it is complex, taxes their financial capacities, and exposes them to price risks that they may not be ready to cope with. Figure 6 illustrates each of the three modalities that P4P can use and the length of time that it takes for each stage in the procurement process. Soft tendering takes the longest time between when the price is set and payment (131 days), during which the market price may change significantly.

The FOs studied now fully understand that tendering is WFP's preferred procurement modality in the long-term because it is the most transparent way of selecting suppliers, and is the most efficient modality for WFP. But in the short term, P4P may use direct and forward contracting modalities, when necessary, to build the FOs' capacities to the point where they can participate in competitive tenders and in formal markets.

In 2011, WFP is using the direct contracting modality whenever FOs have already aggregated 50%<sup>9</sup> of the requested quantity (to accelerate the process and minimize risk of default), while it is piloting the forward contracting modality as way to help FOs better plan their production cycle, access credit using the WFP contract as a guarantee, and manage the risk of price fluctuation. At the time that a forward contract is awarded a floor price is set, but under the terms of the contract this price can be renegotiated at the time of uplift to account for changes in market price. While forward contracting is the most time consuming and complex procurement modality for WFP, it is the modality preferred by FOs. This is because the modality should, in principal, mitigate the risk of defaults related to price fluctuations (a major reason of defaults in Kenya). Figure 6 illustrates the different procurement modalities, the duration from when prices are set to actual payment (longer durations increase the likelihood for price fluctuations), and the average duration that farmers have to wait for payment. This may also be considered in relation to what Kenyan farmers are used to experiencing from traders – payment at the farm gate with zero waiting times.

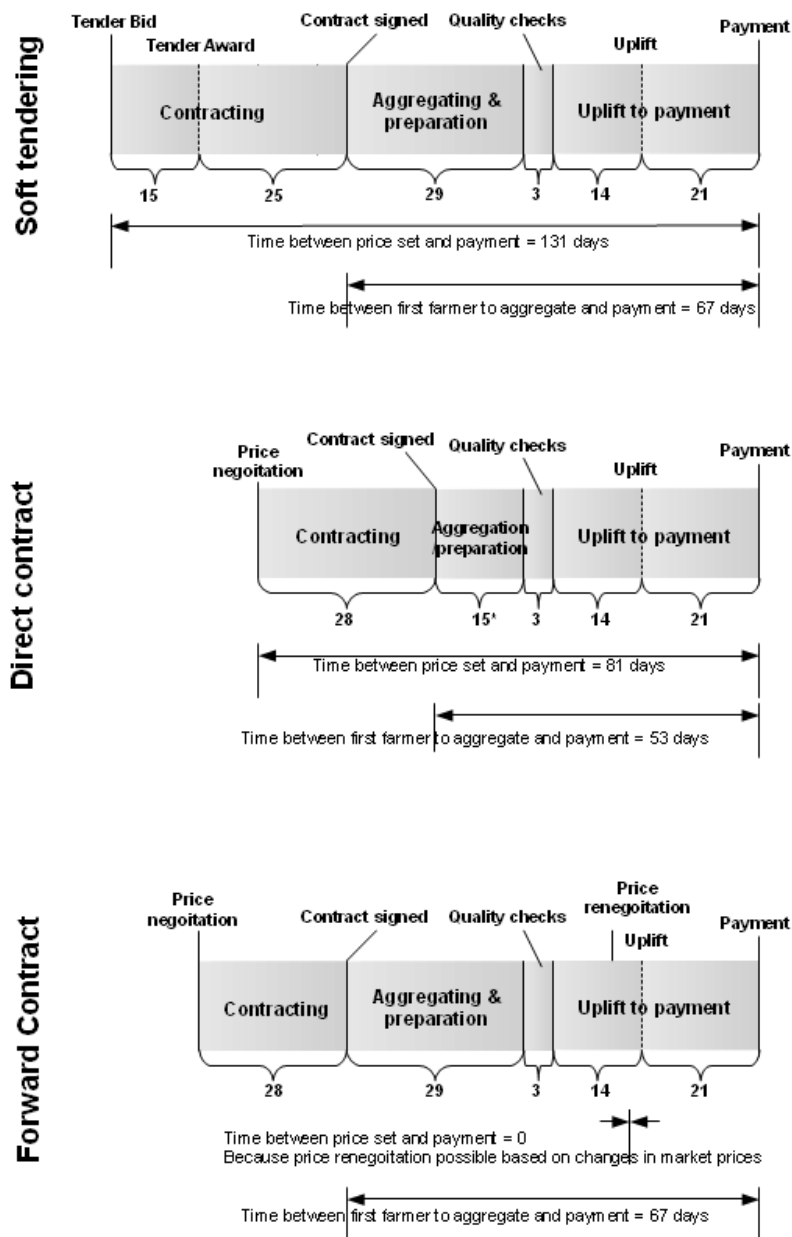
While WFP cannot compete with traders in terms of paying cash on delivery, it can certainly accelerate its procurement processes and adapt them more to smallholder farmers' needs. Unlike traders, WFP offers a series of collateral support in terms of trainings, equipment, direct and indirect benefits to the FOs, which should compensate to some extent for the fact that WFP cannot pay on-the-spot.

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<sup>9</sup> Initially direct contracts were offered without the requirement of having aggregated at least 50% of the requested quantity, and this resulted in several defaults.



**Figure 6: Procurement Modalities and time periods for each stage**



Source: Data supplied by WFP Kenya

-Soft Tendering: Data for soft tendering accurate as supplied

-Direct Contracting: There has been relatively little experience with direct contracts, so data is limited. For direct contracts, the aggregation period illustrated is 50% of the soft tendering aggregation period, because 50% of the commodity should already be aggregated before offering a direct contract.

-Forward Contracting: The contracting period illustrated is taken from the direct contracting data because of the similar processes and unavailable data for forward contracting.

-For all modalities the uplift to payment period illustrated as the same as in soft tendering. This is not expected to be affected by the choice of procurement modality used.

## Progression Strategy for Farmers' Organisations in Kenya

The Kenya P4P programme has developed a strategy, in consultation with CGA and FCI, designed to gradually build the capacity of farmers' organisations to compete in tenders. The criteria that determine progression through the strategy include the quantity supplied and the initial capacity of each organization.

Kenya's P4P progression strategy makes a good start on identifying indicators of farmers' organization capacity. However, the strategy focuses primarily on equipment while the research leading up to the National Validation Workshop suggests that other criteria may also be important. These include farmers' organisations' financial capacities, production capacities, and human capacities in addition to equipment. The research also suggests that the Kenya strategy may advance farmers' organisations too rapidly towards tendering – especially in an environment of extreme price volatility.

Here we present an illustrative progression strategy that includes a broader set of criteria and links these criteria to the choice of a procurement modality. The strategy is not meant to be a proposal but merely the starting point of a broader dialogue on relevant criteria and appropriate procurement modalities. The illustrative strategy will need to be adapted and targeted to the specific environments of each country program.

The illustrative progression strategy differs from that proposed by the Kenya P4P programme in that it widens the scope of criteria to include financial, human, and production/aggregation capacities; uses number of contracts rather than cumulative quantities delivered, and specifically links criteria to the choice of a procurement modality.

The research suggests that it is important to start with a modality that maximizes the likelihood of a good first experience for the farmers' organization. Organisations are generally not familiar with WFP as a buyer and may therefore be justifiably apprehensive about making the commitment to incur the substantial investment to sell to WFP. A good first experience will minimize risk for both parties, build trust between the organization and FO, and strengthen the internal cohesion of the organization – many of whom are nascent organisations with little experience coordinating their activities as a group. In general, forward contracting carries the least risk for both the seller and the buyer and may be the preferred modality for a first engagement – especially in the Kenya context of highly volatile prices.

It is also important to realize that one contract that has gone well is not necessarily sufficient experience to indicate that a farmers' organization has developed the capacity for more challenging modalities. For instance, in 2009 in Kenya, favourable price movements between contract negotiation and delivery may have influenced farmers' organisations' good performance on tenders far more than any measure of organisations' capacities. The relatively small number of cases studied may also not be representative of experience throughout the Kenya P4P programme.

Another thing to consider when selecting a procurement modality is to include a modality relevant to building the capacity of the organization to engage in the markets available in a particular country. For instance, we found that few food commodity buyers in Kenya use competitive processes. Therefore, WFP may wish to progress organisations to the stage where they can compete in WFP tenders but these skills may not be particularly relevant to organisations' capacities to engage with other markets. While building organisations' capacities to sell to WFP, WFP should also consider whether it is building capacities to engage with other types of buyers. It is however thought that FO's that can reliably fulfil

competitive tenders will also have the capacity to fulfil non-competitive tenders, while the opposite is not necessarily true.

The matrix below is intended as a working progression matrix to facilitate future discussion. It is based on our research into nascent and developing FOs in the Kenya context. It is unlikely to be a model for high capacity FOs, and may not fit in with other countries experiences. Other criteria for progression may be added in the future, for example around gender.

**Table 7: Working Progression Matrix for Kenya, Illustrative for Maize**

Contract #	Contract Tonnage	Procurement Modality	Financial capacity	Equipment	# Other buyers from FO	Training	Comments
1	< 100mt (suggested 56mt for smaller FO)	Forward delivery contact	Bank account	Loaned: Sieve, tarpaulin, moisture meter, sewing machine, weighing scales; Owned/access to: Adequate storage	0+	Agric training: Wide range of training on agricultural practices, quality, management etc	Forward contracts are best early on because they a) minimize farmer risk from price increases, b) give farmers more time to plan for aggregation, c) reduce the risk of side-selling and default, and d) maximize the chance of a good experience for the FO thus building confidence and trust.
2-3	Consider increasing contract quantities depending on previous performance and increases in the FO's production capacity.	Forward delivery contact	Some savings, income from membership fees, starting to explore credit options	Owned: Pallets, Tarpaulins	0+	Training on contracts so that obligations are clear. Building of relationships with Banks/finance institutions to prepare for competitive contracts	Staying with (non-competitive) forward contracts, to consolidate trust and strengthen solidarity of membership, allow time for capacity building for other modalities, streamlining WFP payment processes etc
4-6	Consider reducing contract quantity for an FO's first competitive tender since it may be more challenging for the FO to aggregate under competitive conditions.	Any modality (forward, direct, tender) based on FO experience, production capacity, and market conditions. A preference to move away from forward contracts. For direct contracts, 50% should be already aggregated. First competitive tender should not be attempted in an environment of high price volatility	Should have sufficient capital (owned or borrowed) to finance aggregation, because FO is more exposed with other modalities.	Owned: Sieves, weighing scales	1+ formal buyer	Build capacity for tenders. Work on fostering group cohesion and shared long-term vision to support group marketing.	Check that production volumes are appropriate to the tonnage contracted. To increase the probability of success, the FO's first competitive tender should not be attempted in an environment of abnormal or extreme price volatility. Time soft tenders for just before harvest. Keep tonnage conservative when switching to a new, more challenging, modality.
7-10	Increasing tonnage with each successful contract but not to exceed FO capacity to produce surpluses and service other buyers	soft tendering	Should have access to sufficient capital to support the level of aggregation. Likely to have access to bank loans.	Owned: Sewing machine, moisture meter	2+ formal buyers of significant size, less dependence on WFP as a buyer	As required	FO has a strategy for business expansion, e.g., value addition, diversification, service provision, etc.
10+	If previously successful, attempt contract of > 500mt (WFP preferred quantity)	Soft/competitive tendering	Should have access to sufficient capital to support the level of aggregation. Likely to have access to bank loans.	May choose to purchase equipment to pursue business expansion strategy	FO not dependent on WFP purchases	As required	Continue to build capacity for large scale tenders as per usual WFP procurement.

## Conclusion

The following conclusions flow from the field research conducted during the Kenya Country Study. This research is designed to feed into a Regional writeshop which will focus on the contribution of P4P to building capacity in participating farmers' organisations. The research consisted of in-depth interviews with members of four farmers' organisations, leaders of the organisations, capacity building partners, and WFP. Because the research focused on capacity building, the criteria for selecting farmers' organisations considered only organisations that had experience of three P4P contracts. Therefore, findings and conclusions do not necessarily represent the overall country experience and it is important to bear this in mind when interpreting findings and conclusions.

- P4P has been instrumental in building farmers' organisations' capacities to aggregate and sell commodities to formal buyers. It has contributed to a greater or lesser extent to the formation of farmers' organisations and to building organisations' capacity at a number of levels. P4P has contributed directly to capacity building in some cases while the contribution has been indirect in others. Key conclusions with regard to the contribution of P4P to building the capacities of farmers' organisations include:
  - Group formation – The opportunity to sell to WFP through P4P was an important catalyst that motivated farmers to form groups or refocused existing groups on collective marketing. Furthermore, initial good experiences with the P4P market began to establish a business relationship between the organisations and WFP; strengthened the organisations by increasing membership and participation; and, to a lesser extent, strengthened the internal cohesion of the organisations. Forming a group focused on agricultural production and marketing also often catalyzed the activities of partners to provide supporting capacity building services. These included training in organizational management and agricultural production and improved access to financial services.
  - Market access capacity – P4P Kenya's practice of lending participating organisations the equipment required to produce commodities for the WFP market (i.e., scales, stitching machines, pallets, and generators) and providing training in quality control and storage were instrumental in building organisations' capacities to achieve and maintain the high quality standards required by WFP. Although other buyers in Kenya will compensate farmers' organisations for an aggregated quality product, organisations have generally not yet begun to sell substantial quantities to these buyers.
  - Production capacity – Through P4P, WFP often provided farmers' organisations access to a new market for a large quantity of high quality commodity that they did not have before P4P. The higher price associated with this market, supported by the capacity building activities of partners, stimulated a rapid supply response from many farmers. Farmers increased production by expanding the area of land under cultivation and investing in improved agricultural practices and technologies (e.g., certified seed, more appropriate fertilizer application rates, improved tillage practices, timing of planting).
  - Financial capacity – The security provided by a contract to sell to WFP, and the strength of the organization implied by the association with WFP, has been instrumental in banks' decisions to extend financial services to some participating organisations. Access to a credit has substantially enhance the organisations' capacity to aggregate commodities and farmers' capacities to invest in productivity enhancing technologies and practices.

More general conclusions regarding the Kenya programme's broader implications for farmers' organization capacity building include:

- In the Kenya context of high price volatility and relatively low capacity farmers' organisations, soft tenders are risky for both farmers' organisations and WFP. The modality exposed farmers'

organisations and member farmers to price risks before they were strong enough to cope with them. This contributed to high default rates and undermined farmers' confidence in the organisations and in WFP. The high rate of defaults also substantially reduced the quantities WFP was able to buy and threatened the integrity of the food pipeline.

- In the early stages of a relationship with nascent farmers' organisations, WFP can manage for long-term success by selecting a procurement modality that maximizes the likelihood of a positive experience for the organization. A positive first experience can contribute substantially to the trust an organization develops in an unfamiliar buyer (WFP). It also increases members' confidence in the organization and reinforces the group marketing concept among individuals who probably have little experience with group marketing. Building group cohesion and securing farmer buy-in to the group marketing concept is vital for the long-term sustainability of the organization and of the organization's relationship with WFP. In the Kenya context, forward contracts may be the most appropriate procurement modality to reduce risks for both farmers' organisations and WFP, especially for the first few contracts.
- The research revealed no evidence of an inequitable distribution of benefits between men and women in the four farmers' organisations investigated during the exercise. However, there is a potential for these issues to emerge as increased profitability of agriculture may alter power relationships (e.g., largely male pastoralists moving into agriculture as it begins to look profitable). The issue warrants continued attention as programmes mature and should be explicitly included in the development of future progression strategies.
- Farmers' organisations targeted by P4P in Kenya have not yet begun to sell substantial quantities to formal buyers beyond WFP. Since these are largely nascent organisations, it is probably too soon for WFP or partners to prioritize developing alternative markets. Nevertheless, in time links to other formal buyers is critical to sustainability. As FO's gain more experience, WFP and/or partners should begin reprioritizing by linking FO's to other formal buyers. A progression strategy that explicitly addresses organisations' access to other buyers will serve to formalize the market access element of P4P.
- The Kenya P4P programme's initial focus on food security led to selecting many small and remote self-help groups that, on reflection, may have had limited prospects for sustainability and a long-term procurement relationship with the WFP. However, some of these groups are doing well and their success has attracted formal buyers to previously underserved areas. It remains to be seen whether the costs involved in transporting from these remote areas will preclude these organisations from supplying the WFP long-term.
- By contributing to higher prices and increased production levels, P4P has increased the food security of participating farmers.
- Diversification into other crops increase food security for farmers and is a way of managing risks, especially considering the low term profitability of maize.

# Annex 1: Programme National Validation Workshop Kenya

## 1 DAY NATIONAL VALIDATION WORKSHOP FOR WFP P4P PROJECT

Date: 14<sup>th</sup> June 2011

Time	Activity	Responsible
8.00	Registration	WFP/P4P
8.30 – 9.00	Group introductions (½ hour) Programme overview	IIRR
9.00-9:30	Introduce the trajectory: where are we, where are we going? Methodology	P4P KIT
9.30-10.30	Presentation of outcomes from the field. 2 farmer profiles and discussion	KIT
10:30-10:45	Break (15 Mins)	
10:45-11:45	Presentation of outcomes from the field (continue...) 2 farm profiles	KIT
11:45-12:15	P4P	P4P
12:15-13:00	Emerging themes, presentation, selection	KIT/IIRR
13:00-14:00	Break (1 hour) (prepare tables and form groups)	
14:00-14:15	Explain World Café (rotational brainstorm on themes)	KIT
14:15-15:15	World Cafe 20 max minutes per table (3 rounds)	Hosts/IIRR
15:15-15:30	Short break (15 minutes)	
15:30-17:00	Presentation of outputs in Plenary Result	Hosts of tables/IIRR
17.00-17.25	Wrap-up	KIT/IIRR
17.25-17.30	Closure	P4P

## Annex 2: WFP's Procurement Modalities

Usually, WFP purchases commodities through competitive tenders, typically with large established traders who are able to reliably supply the quantities and qualities demanded by WFP. WFP's normal tendering practices require suppliers to provide performance bonds (i.e., penalties) in case of defaults, deliver to WFP's warehouse, and provide bags marked with WFP's logo.

Through the P4P pilot project, WFP is relaxing some of its procurement procedures (for example through "soft/modified tenders"), or experimenting with new non-competitive procurement modalities (direct negotiation and forward contracts), to help new suppliers (like FOs) build their capacities to access formal markets.

The P4P procurement modalities include:

- **Soft/modified competitive tendering:** suppliers compete to sell to WFP, but under less demanding conditions than normal tenders (i.e., reduced tender sizes, waived bag marking and performance bond requirements, and purchases from the FO warehouse).
- **Direct purchasing (non competitive):** WFP waives competition and enters directly into negotiations with FOs, signing contracts and paying farmer associations directly for their produce.
- **Forward contracting (non competitive):** WFP will commit ahead of time to purchase a pre-established amount of produce at a minimum guaranteed price, and allows for price adjustments according to the prevailing market price at the time of delivery. Forward contracts provide farmers with greater market certainty thus facilitating planning, are expected to improve access to credit using the WFP contract as guarantee, and reduce risks due to price fluctuation.