



RLDC
RURAL LIVELIHOOD
DEVELOPMENT COMPANY

**HOW CAN COLLECTION CENTERS EFFECTIVELY LINK
SMALLHOLDER FARMERS TO BULK MARKETS?
SOME LESSONS FROM RLDC'S EXPERIENCE**





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Chapter 1 Introduction

The Rural Livelihood Development Company aims to make markets work for the poor and thereby improve their livelihoods. It has implemented interventions to improve the situation of storage facilities in the rural project areas for crop marketing purposes. The main objective was to establish collection centers to create market linkages between buyers and producers or improve the efficiency of transactions, and therefore benefit both of parties. These interventions took place both between 2006 and 2011.

This document intends to share RLDC's experience in establishing collection centers in various agricultural subsectors and locations in the Central Corridor of Tanzania. It gives the opportunity for others to learn from the challenges encountered and take up the key success factors in the areas where interventions performed well.

A collection center is defined as a warehouse that is used as a buying post. It is a premise or structure specifically built or rented to store crops temporarily or produce soon after harvest, and is used as a buying post where farmers and traders meet for transactions. Usually storage duration is short, the time it takes farmers to stock their produce until the bulked quantity is large enough to be loaded and transported by the traders/processors. In most cases collection centers are located close to farmers' fields making it easy to access the premises and reducing transaction costs.



**JENGO HILI LIMEJENGWA KWA USHIRIKIANO
KATI YA KAMPUNI YA KITETO AGROBUSINESS
LTD. NA KAMPUNI YA RLDC**

**THIS CROP COLLECTION CENTRE HAS BEEN
CONSTRUCTED BY KITETO AGROBUSINESS
LTD. IN PARTNERSHIP WITH RLDC.**

The collection centers present advantages for both producers and buyers.

For the producers:

- The storage facility contributes to preserve the quality of products and decrease the post-harvest losses, compared to products stored at farmers' premises, and therefore to sell a higher volume at a better price. Testing for quality, weighing and packaging is facilitated.
- The collection centers reduce pressure on farmers to sell their products as soon they are harvested, as they sometimes lack space to properly and safely store the produce at their homes. Farmers can more freely chose the timing of sale of their crops
- Collection centers can help provide a direct link between producers groups and bulk end-buyers or processors, thereby cutting out middlemen (traders) and securing a higher share of the value added for producers.
- The bulk amount of products stored in a collection center is attractive for buyers, and can stimulate competition between buyers.
- By selling collectively their products in bulk quantity, the farmers increase their bargaining power, compared to individual selling. Farmers can take advantage of the presence of several buyers to auction their bulked commodity, awarding it to the highest bidder and thereby maximizing their gain.
- Since they are not utilized year round, the collection centers can have other purposes: be rented to interested people, place for farmers' groups meetings, etc.

For the buyers:

- They benefit from one stop bulk buying center that reduces their transaction costs (compare to buying from door to door).
- They are better ensured of the quality of products.

With these encouraging perspective, RLDC actively engaged in supporting the construction of collection centres. A total of eighty eight (88) of them were established and/or rehabilitated in six regions (Morogoro, Dodoma, Singida, Tabora, Shinyanga and Manyara) between 2005 and 2011. Support was provided to twenty traders/buyers and an unknown number of rural households producing sunflower, cotton, milk, honey, hides and skins, sesame and charcoal.

RLDC as a market facilitator does not interact directly with the rural communities but rather implements its interventions through other market actors such as private companies, producer associations and local government authorities. The collection centers were built with funds contributed by both RLDC and the implementing partners involved in the project. Upon completion the facilities were initially supposed to remain under the management of the implementing partner (the buyer/processor of produce to be stored in the centers). The approach foresaw that for sustainability purposes, the collection centers would be handed over to the producers groups under the guidance of the village leadership. As seen below, several years later, local communities have found different models to make the buildings useful to them, models that do not always coincide with the original intention of RLDC.

Chapter 2 : Findings

While researching for this document, RLDC staff visited a sample of 26 collection centers in the cotton, dairy, honey, sorghum, livestock and sunflower sectors. It was found that 23 centers still have some kind of use, while 3 of them are completely abandoned due to lack of access to and poor condition of the building. Out of the 23 collection centers in use, 9 are used as was initially envisioned by RLDC and partners, whereas 14 have been put to purposes other than those intended, although sometimes similar and productive uses. Out of the 26 collection centers visited, 25 are still in a fairly good state. Only one center's physical condition is a cause for concern, as it has cracks on the wall and ceiling boards are falling down. The buildings in use were mostly found to be maintained or renovated by the current users.

Different models found

During the visits to the collection centers sampled for this study, it was found that communities devised many different ways of putting them to a productive use and make farmers benefit from them. Even though every center found was used slightly differently and represents a unique situation, three general "models" can be singled out. They are the following:

i) RLDC implementing partner acting as sole buyer

Some of the buildings are still used by the RLDC partner company that committed to regularly purchase in the village targeted and sometimes collaborate with farmers on production using contract farming arrangements. Most of the time in this type of situation ownership of the center was handed over to producers as envisioned by the original project agreements. As presented in more detail in the "lessons learned" chapter below, in some of these cases where the partner company who built the center still uses it to source produce,

a significant part of doubt remains as to who exactly owns the collection center. Many farmers somehow still feel it is the company's facility. Under this type of arrangement, the partner company is usually the sole large buyer in the area, and thus competition is limited. The crop is stored in the center for just a short period of time, and the partner company comes to pick up the product right after harvest. Producers do not really derive additional income from the center, as they do not wait for prices to rise overtime before sale. They usually don't charge the buyer for use of the center, and it does not create additional competition driving prices up. Nevertheless, after some years of collaboration with the same company they have a degree of confidence in the company's commitment to purchase from the village. It does not prevent them from putting the center to other uses outside of the harvest season though. In one instance a producer group selling its own crop to a single buyer used the center to engage in trading other villages' crops in between harvest seasons (see achievements part). For the purchasing companies the center lowers transaction costs of buying and transporting produce.

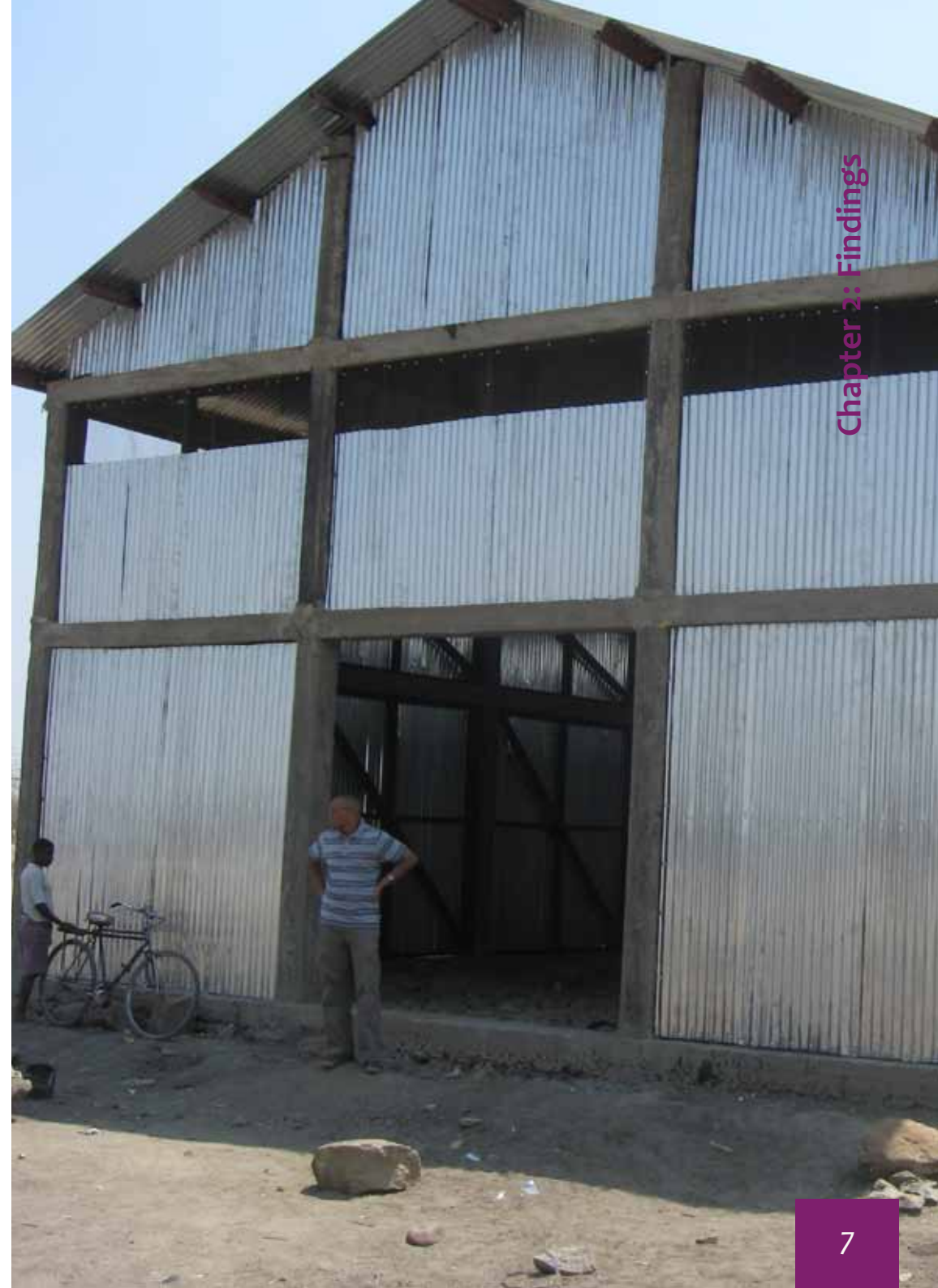
ii) Farmers' group using the centers on their own account to choose timing of sale and stimulate competition

Another general type of situation encountered is one in which the local producer group(s) have really taken possession of the center and use it to sell to multiple buyers at the time of their choosing. Often these cases are the result of the constructing partner company's repeated failure to show up for purchase in a village after harvest season. While some collection centers are abandoned or put to completely different uses (classrooms, village offices etc.) in such cases, when there is sufficient supply of and demand for a particular crop, strong and entrepreneurial producer groups can take matters into their own hands. Instead of waiting for one particular buyer to come and pick-

up their produce at an agreed time, these groups wait for the most favorable moment to sell their crop at a much better price. Prices of most crops tend to be at their lowest right after harvest and rise overtime as supply falls. Since they possess a large quantity of crops safely stored, these groups are in a good position to take advantage of competition between potential buyers by auctioning their crop and choosing the highest bid (this often happens in front of the collection center that acts as a buying post). This further maximizes the benefits they derive from the collection center. In return, the group has to shoulder the cost of maintaining the building and employing a watchman to guard the stored crop. However, these groups require a certain level of financial security to implement such a model. Most cash-strapped producers cannot afford to wait for the optimal time to sell, as they need the proceeds of their harvest right away in order to pay for school fees and food. In some cases farmers get advanced payments while the crops are still in the field, making this scenario less impossible.

iii) Rental of collection centers to trader

Some collection centers have been rented to agricultural crop traders by the village leadership on agreements to buy crops from producers within (and other) villages. As in the previous case, this situation is often the result of the contracted partner company failing to buy in the village. In such a case the village leadership mostly takes over the building. Renting the facilities out to traders means that producers forfeit the opportunity to take advantage of rising prices. But in return, renting commits the trader to buy in the village, since the trader is paying for the facility. This gives farmers assurance of a secure market for their produce. In addition, the rent revenue can be significant and benefits the village as a whole, it is often used to improve the village school or for other official purposes.



	Type of use	Who owns	Advantages	Disadvantages
1	RLDC implementing partner acting as sole buyer	Often unclear, but buying company is not charged for storage.	Facilitates transaction and establishment of a long-term business relationship with a buyer	No tangible additional revenue for producers.
2	Farmers' group using the centers on their own account to choose timing of sale and stimulate competition	Farmers' group	Allows for timing of the sale and auctioning to maximize income for producers	Producers responsible for maintaining facility and pay for watchman when collection center is full. Producers must afford to wait for optimal sale time after harvest. Only possible in the presence of sufficient demand and supply.
3	Rental of collection centers.	Village leadership	Large cash down-payment for village government. Secure buying commitment from trader. No cost for maintenance and security.	Inability to benefit from rising prices.

Table: Type of beneficial alternative use of collection centres

Case Studies

This chapter will present a few examples of collection centers that have achieved a substantial impact on the communities using them., The impact can take various forms, not always conforming to the original plan devised by RLDC and its partners. Creative and entrepreneurial communities have found a myriad of ways to make the facilities add to the communities welfare and secure their livelihoods.

One such example is the sunflower collection center shown above located in Mriju Juu Village in Singida Region. The facility was built in 2007 by a private sunflower seed processing company called Mandika Enterprises, with the assistance of RLDC. However, the local community made a significant contribution to the construction by building the center's cement foundation using its own cement. The involvement of the sunflower producers in the project from the start is most probably part of the explanation for the success of this project. Soon after the completion



of the Mrijo Juu collection center, Mandika enterprises ran into financial difficulties, it never sent buying agents to Mrijo Juu again. But a local farmer group of 30 members, Nguwumali group, took matters into its own hands and decided to take possession of the center. After a period of experimentation during which the group rented out the building to other itinerant traders, the Nguwumali group decided to use the center on its own account. Members deposit their sunflower seeds, maize and green grams in the center right after harvest. Since only the group chairman owns a key, this deposit involves a commitment to keep the product in the center for a couple of months. The group also allows non-members to use it against a small negotiable fee when capacity is sufficient.

Voice of Adam Ali, sunflower producer from Mrijo Juu Village, member of Nguwumali producer group and vice-village chairman:

“Our group has contributed a lot to the construction of this collection center; we built the foundation ourselves and provided the cement for it. It has really paid off for our group. After harvest, we set aside some seeds for our own consumption and planting for next season, then we put all the remaining bags of sunflower seed into the center, keeping exact records of how much everybody deposited. Right after harvest the price for seed is low, around 15’000 Shillings per bag. Three months later, in September, they can climb to 50’000 Shillings. Come September, we organize an auction in front of the collection center. Since construction of the center, many traders have started coming to the village, since they know that we have a lot of seed for sale that can easily fill a whole truck. Once all the bags in the center are auctioned, every farmer gets the money for the bags he contributed.

Before construction of the collection center, many farmers sold their seeds at an early time and got a low price for it. Now the temptation to sell too quickly is lower, as you don’t see them every day in your home. Once your bags are in the center it is not easy to take them out, our group chairman has the key to the center.



Sometimes non-members or traders want to rent some space in the center. It is always full, so this year we decided to set some money aside to build a second one. The cement foundation is large enough to support a second building, so it is going to be less costly than the first one.”

Benefits are many for the community and especially for group members who get to use it for free. It attracts traders to the village, increases competition, and allows them to wait for the price of sunflower seeds to rise. Whereas the price is usually around 15-20'000TSH/bag, three months later it can rise to up to 50'000TSH.



The collection center serves as a kind of forced saving mechanism, as once deposited the sunflower seed cannot be taken out easily for sale. The group waits for September to hold an auction. Once enough traders are gathered, the bags are sold in bulk in an auction, and the revenue distributed to the group according to each member's quantity of seeds stored.

Since the group owns the collection center and stores its own crop in it, it also has to cover the cost of a watchman. They employ a watchman for 30'000TSH a month. Capacity is scarce, and since the group finds the center so useful, it plans to build a second one with its own funds. Funds should be set aside for this project after this year's harvest.

Another example of an innovative and entrepreneurial community making the best of uses of a collection center is Mageseni Village in Dodoma Region. Unlike in other examples, the collection center in Mageseni is still mainly used by the partner company that built the facility with the help of RLDC, Right Investment. As was initially agreed, the partner company invests in sunflower production in Mageseni Village through contract farming, providing inputs such as seeds for planting and fertilizer on a loan basis, the loan is repaid by the local farmer group at the time of harvest, when the value of the inputs provided is deducted from the buying price. Interestingly, the village never contributed anything to the construction of the center that was entirely driven by the buyer, Right Investment. Every year except for one year of drought, a Right Investment representative came to the village to buy the seeds collectively stored in the center in bulk, about 3000 bags in good years. The villagers never took possession of the center and still consider it to be owned by the company, even though they have free access to the center (the key is with the group chairman) and permission to use a section of the building as the village office. The group also employs a watchman to guard the stored crop.

“We have been in business with Right Investments ever since the owner came here in 2008 to build the collection center. Right Investment provides us with seeds and fertilizer at the beginning of the planting season. At harvest time, we notify the company when the harvest is over and all of our seeds are in the collection center. We then sit together with Mr. Bana (Right Investments Owner) and negotiate the price for the seeds, from which we deduct the cost of the inputs he gave us for free. The building belongs to Mr. Bana,. But he gave us permission to use a section of the building as village office. Usually, after selling our own crop, we start buying bags of sunflower seed from villages nearby and store them in the center. We then sell these seeds for a much better price in December. In drought years like 2009 we have also used the collection center to store and distribute food aid from the government. “



Local producer group, Mageseni Village.

The entrepreneurial group uses the collection center both as a commitment device and to attract the buyer, but also to act as traders themselves. Instead of renting out the building to traders, as seen in other villages, this entrepreneurial group has its own trading business. Once it has sold its own crop, the group also buys up sunflower seed from surrounding villages until the collection center fills up again, and then sell them in December for the much higher price usually prevailing in between harvest seasons.

In this example, success of the project can be traced back to the presence of a committed and trusted buyer, working producer groups, and sufficient seed supply.



Mbogwe cotton collection center- MSK



Kasanii cotton collection center- Biosustain



In some cases however, for a variety of reasons, the interventions failed to produce the intended effects or to contribute in any way to improving market access or ease of crop marketing for producers. This does not mean that the buildings themselves have not found any use whatsoever. Some centers have become classrooms for the local school, or house local civil servants or itinerant construction workers. Others host small businesses like tailoring shops or restaurants.

One such example of a failed collection center is the dairy collection centre in Chibe Village in Shinyanga region that was once used as tailoring mart but is now completely abandoned due to its poor physical state. A typical example of alternative uses for a derelict collection center can be found in Kwadelo Village where the building intended for sunflower seed storage is now used as village meeting room, for provision of health services to children, as platform for committees of political parties during elections and sometimes as storage of world food program food aid in drought years. A milk collection center in Shinyanga Region has never been used at all because the partner company involved failed to complete the construction of an adjacent dairy processing plant, without which the collection facility is useless.

Chapter 3 : Lessons learned

This chapter highlights the underlying causes of success and failure of the market linkage interventions using collection centers. What are the decisive issues one should consider when devising such an intervention? The following section discusses the main lessons from RLDC's experience planning collection centers for market linkages over four years. One should keep in mind that the recommendations are inferred from RLDC's experience with a specific approach, in which the starting point of the attempted market linkage is a partnership with a buying/processing company, i.e. on the demand-side.

1. Selection of private sector partners

Some RLDC partnerships on construction of collection centers envisioned facilities run and managed by a company that would commit to regular purchase and sometimes collaborate with farmers on production using contract farming arrangements. In other instances, initial agreements stipulated that the centers should be handed over to the local community after construction, be it local producer organizations or the village government. Whatever the arrangement and the ownership of a particular center, for it to work demand for bulked commodities is crucial. This demand does not have to stem from the original companies that partnered with RLDC to build a construction center. We have seen that under favorable conditions, others can take their place and rent out the center, thereby demonstrating their purchasing commitment, creating an even more secure outlet for the local producers and generating additional revenues for producers through the rent. Some entrepreneurial producer groups were able to use the centers on their own account to attract one-off buyers and increase the prices their commodities fetch by organizing auctions of the crop stockpiled in the collection centers. The chances of this happening depend on several factors relating to the location of the center and the nature of the communities running them, factors that will

be dealt with in the next sections.

However, when no buyer can be found who is willing and able to buy in bulk, a collection center becomes useless, and the building is usually put to another use. This is why RLDC has found that proper screening and identification of applicant companies for a market linkage intervention is one of the most important factors.

Capacity of buyers

One of the most frequent reasons cited by partner companies for not using the collection centers is lack of money to purchase the bulked crop. Some of the companies engaging with RLDC did not have sufficient working capital to purchase the crops, or their financial situations worsened in the years following construction centers due to the drought that dented their profits. Some also had unrealistic expectations and misunderstood RLDC's role as a facilitator of market linkages. They had hoped for grants or loans to finance their purchases of sunflower seed, sesame, honey etc., but that never materialized. Most of these companies beset by financial problems have not shut down their operations completely. Lacking the necessary capital to buy in bulk and organize transport, they have resorted to buying the inputs required for their processing operations in smaller quantities from itinerant traders and farmers able to deliver the produce directly at their premises.

Buyer preferences

In general, where collection centers have been taken over by producer groups, it seems some buyers prefer not to use the collection center and continue to buy from individual producers separately. It has been observed that in some instances where a particular company is the only large buyer in a village, the reduction in transaction costs made possible by the collection center is outweighed by the loss of bargaining power vis-

à-vis producers. Indeed, groups owning and using collection centers to sell in bulk often feel empowered, and have a more bargaining power than individual producers selling small quantities.

Lesson learnt: *Stable demand for a sufficiently large quantity of bulked commodity is a must for collection centers to fulfill their function sustainably and benefit producers. When selecting a company applying for a grant to build a collection center in a particular location to source produce, the company should be thoroughly screened and disclose its books so that its long-term financial viability and ability to buy produce can be assessed properly. It could be beneficial to link buyers with financial institutions in parallel to the collection center intervention where necessary. Producers should be questioned on the company's track record in areas where it already operates, in order to assess the company's commitment to dealing with strong producer organizations.*

2. Assessment of sector potential and risks

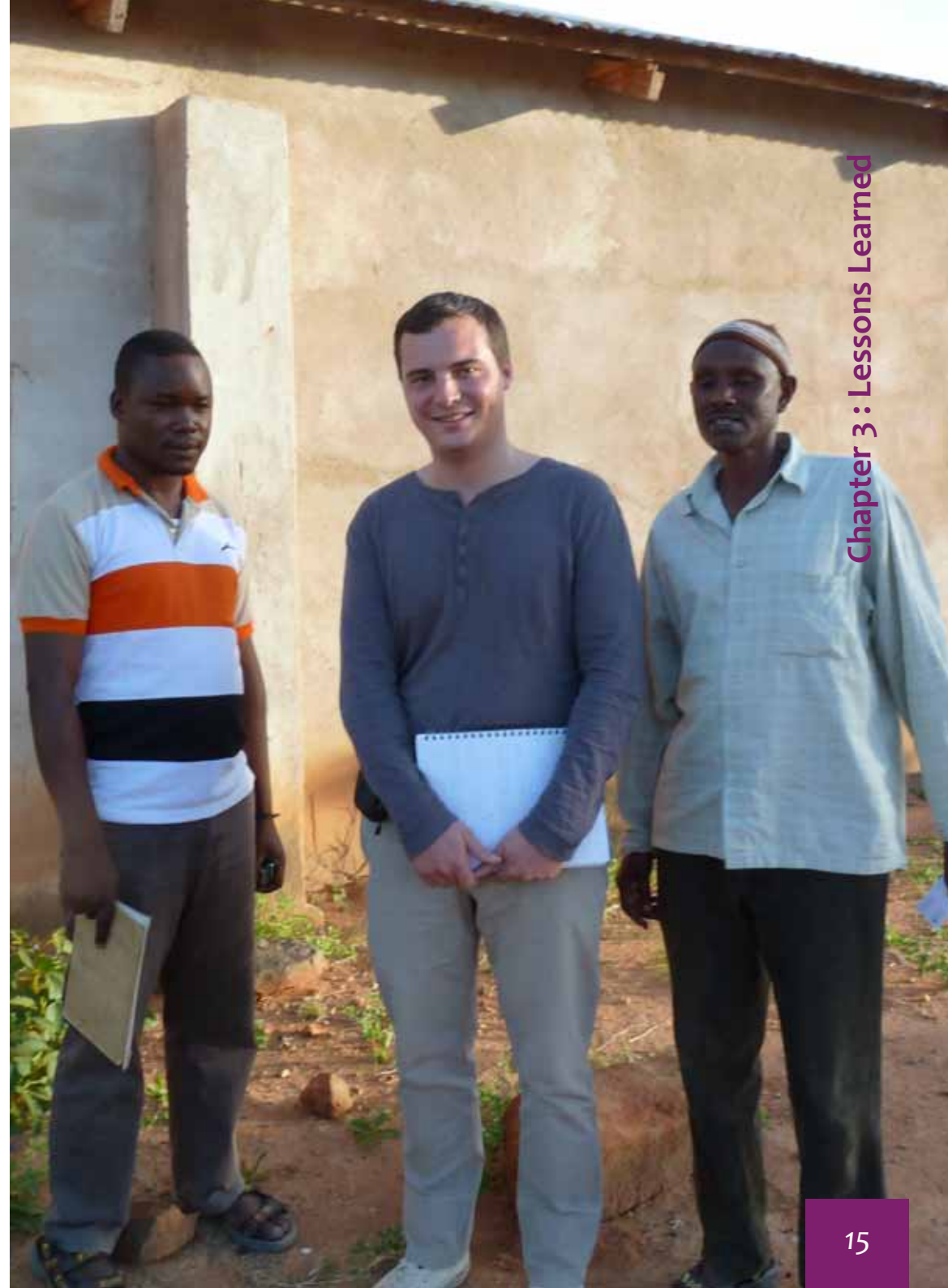
Experience has shown that a thorough assessment of a particular sub-sector's long-term potential and trends is key in achieving a sustainable market linkage using collection center interventions--the reason being that several factors can affect the supply situation of and market for a particular crop. In the central corridor, where episodes of severe drought are very common, the supply of sunflower seed can dwindle to almost zero in some years, causing farmers and buyers to stop using collection centers as the total amount of seed available does not justify bulk sale of the crop. Farmers revert to storing the little crop they have in their homes, and sell them individually. Typically, bulk-buyers then shun the villages and fail to show up after harvest season, so producers have to sell their crop for a lower price to itinerant traders who act as middlemen to end-buyers (i.e. sunflower oil millers). A sharp shift in the relative price of

different crops can have a similar effect, as producers reallocate their time and land to produce different things. If this shift is from sunflower seed to millet, say, this does not have to result in a derelict and useless collection center, as the same building is suitable for storage of both types of crops. But other types of collection centers with specific qualities and possibly a processing component, like the ones RLDC helped build to link buyers and producers of honey, hides and skins, milk or charcoal, cannot easily be put to another use (more on the different nature of collection centers for different products will be said later). Even if the supply and relative price of a product remains stable in the area selected for the intervention, the usefulness of collection centers can be affected by shifts in production patterns elsewhere. Sunflower seed cultivation has greatly expanded over the last years, making it possible for some companies to supply themselves in regions much closer to their processing units, and thus at lower cost. Through such shifts in production levels and location, some villages, even though equipped with collection centers that reduce transaction cost, have become comparatively more expensive as a source of supply and have thus been abandoned by buyers. Finally, a decline in the end market for a final processed product based on the commodity produced in the village will obviously jeopardize the benefits of a collection center (at least when the building cannot be reallocated to marketing of another commodity). The centers erected by RLDC partner companies to be used for storing hides and skins have all been put to alternative uses because of a strong decline in the end-market for these particular goods that has dealt a final blow to almost all companies engaged in processing and trading hides and skins, as explained in the box below.

“After the construction of a collection center in our village, Mr. Daudi Wangwe of Kirobe Investment started buying and training livestock keepers on skin value and how to best treat animal skins. Villagers started adopting these skills and were taking advantage of the ready market he offered. He was reliable, offered a good price and paid in cash, until he announced he would cease to buy towards the end of 2009, due to the decline of the end market of hides and skins. He handed over the premises to the village council and never resumed business. The present value of skins in this area has fallen to one-tenth of the 2008 price, from TZS 2000/- per goat skin and TZS 5000/- per cattle skin to 200/- and 500/- respectively.”

- Adam Jambao- Ward Extension Officer, Puma

Lesson learned: *When planning for the intervention, one should carefully assess the stability of supply of the targeted crop in a particular region. Of course the supply situation can be affected by unexpected events, and it is impossible to predict drought or changes in relative prices. But in regions that are notoriously prone to drought, support to micro-irrigation schemes could help guarantee a minimum supply of the commodity intended for bulking in the collection center. Where low productivity is the main reason for unstable supply, establishing a collection center should go hand in hand with promotion of best crops production practices. While possible future changes in a commodity’s production patterns caused by changing relative prices and costs are largely unpredictable, an in-depth study of the long-term potential of the processed final product made out of the bulked commodity should be the starting point when engaging in market linkage interventions in a particular sub-sector.*



3. Strengthening Groups

The nature of the producer groups or associations has been a determining factor in making particular collection centers useful or not. Where there are strong and well organized producer groups/associations it has been easier to coordinate and plan joint collection of stocks and later arrange for a market or make arrangement with a buyer who uses the collection center as buying post. As we have seen in Chapter 2 when comparing the different types of uses the communities found for the buildings, the benefits derived from a collection center by the local community are highest when the facilities are owned and controlled by producer groups, who can either rent them out to a trader or use them to choose the optimal timing of sale and organize auctions to maximize prices. Well-organized producer groups were also much more likely to proactively search for new bulk-buyers when the initial company that partnered with RLDC to establish a collection center fails for some reason to continue buying in the village. As demonstrated in Chapter 2, some groups have even taken advantage of existing opportunities to engage in trading themselves, buying up crop from surrounding areas to store in their center and sell at the optimal time.

On the other hand, in areas where the producer groups/associations are weak, coordination between producers on bulking, timing of sale, sharing the cost for maintaining the center and for guarding the crop is difficult. In the absence of strong groups, producers often prefer to continue storing at home and marketing their produce individually. Since there is no obligation to coordinate timing of sale with other farmers, individual producers tend to be less cautious about the timing of sale, and are tempted to sell their produce at a sub-optimal time in order to satisfy immediate needs. Saving rates are lower.

The absence of groups also makes it easier for buyers to exploit farmers. A good example of this scenario is a collection center at Ushetu Village in Kahama District that was established alongside the formation of a beekeepers association to increase producers' bargaining power. As explained in the box below, this is a typical case of a buyer's agent choosing to "boycott" the village's collection center, even though continuing to purchase large amounts of honey from the same village.

RLDC interventions in the beekeeping sector focused on strengthening of beekeepers groups, improvement of production methods by using improved bee hives and processing equipments as well as market linkages to a honey buyer namely, Honey Care Tanzania Ltd..

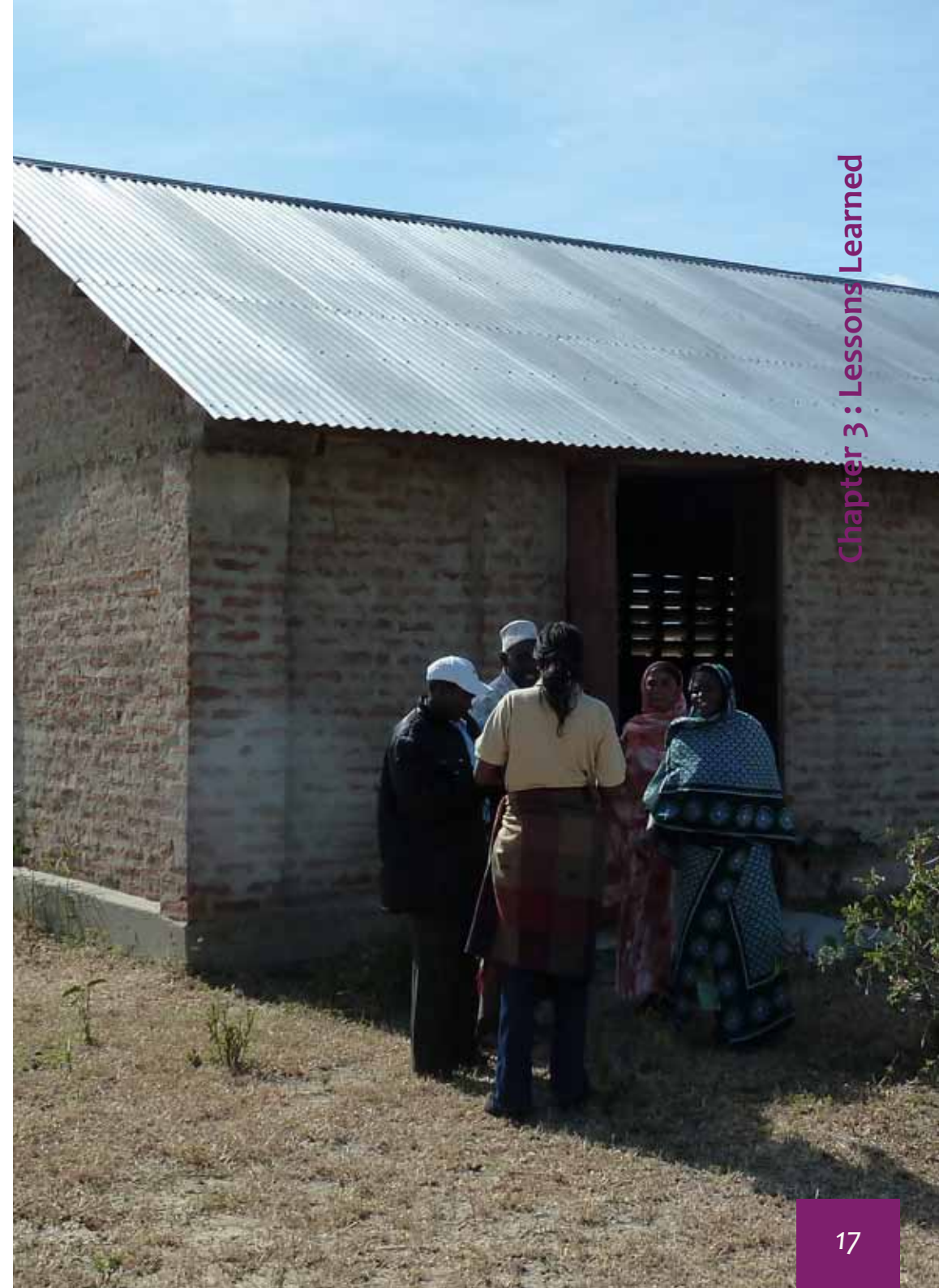
Agents of the buyer located in the honey production areas, prefer to use their own premises as collection centers so that they can manipulate the honey producers. Normally, the agents ask honey producers to fill the 20 liter buckets to the brim. And since the honey is collected at their respective homes, later they reduce the 'excess honey (to 20 liters) and create few extra buckets for themselves. So, the idea of allowing producers to collect honey in their own collection facility will deprive them the opportunity to steal from the producers. This has resulted to collection centers being unused.

Lesson learned: *The presence of a strong and entrepreneurial producer organization makes success of a collection center intervention much more likely. If need be, producer groups selected for using the centers should be strengthened using the human and institutional development approach. Training on business skills and entrepreneurial processes would help producer groups maximize the benefits of having a one-stop selling post in the form of a collection center. Where producers cannot afford to wait for optimal timing of sale, groups should be supported in accessing financial services.*

4. Participatory approach & consultation

Close collaboration and established understanding with the local government of the area where the collection centers are located is crucial for the intervention to produce lasting benefits to the community. Producers to be linked to bulk markets must be associated to the planning of the linkage from the very start. It is essential that they own the project and share a common vision of how the facility will impact their livelihoods in the long term.

Failing inclusion and participation of all members of the local community from the very start of the project causes a higher likelihood of failure. It also was found by RLDC that the non usage of the collection centers is also often associated to uncertainty or conflict over ownership of the actual building. Certainty over ownership and rights and responsibilities pertaining to the collection center of different actors within the community is an important factor that contributes to the success of collection center interventions in linking producers to reliable markets. Pressure for other alternative use due to shortage of public premises in the village has sometimes caused the village leadership to take possession of the collection center before the harvesting and marketing season for use by the community. Complete confiscation by the local authorities was a rare occurrence, but cannot be excluded, especially when the building remains idle for one or more production seasons because of drought or other reasons. These cases occurred mostly where village councils owned and controlled access to the building. The village governments typically prefer to devote the collection centers to other public usage rather than crop storage and marketing. The community uses the buildings were often affected to include classrooms, village government offices, residence of teachers and residence of the local government interns stationed in the village. Once the premises fulfill other social needs in the village, it becomes very difficult for the initial owners to claim it back and return the premises to the originally intended use.



Lacking proper consultation and settlement mechanisms, ownership disputes between the trader/RLDC partner and the producer groups sometimes resulted in the permanent closure of some collection centers. In some instances the premises were open and accessible to producers, but the groups and the village councils did not feel entitled to assume ownership and use the premises to sell or rent to other traders. These cases are probably due to inappropriate handover of the premises during the exit of the project.

Another possible problem from insufficient participation is the selection of an inappropriate location for construction of the center. RLDC experienced this problem in one instance, in Oliboloti Village. If the collection center is too remote from fields and residence of farmers, it becomes more costly for the farmers to transport their crops all the way from the fields to the collection center, and to set up the transaction with the buyers there. Storage security is also compromised as it is more difficult to guard the stocks. In Oliboloti, the reason for the wrong location was a failure to secure land/construction site in the center of the village because the village council was not fully supportive of the project.

Lesson learnt: *Close collaboration and established understanding with the local government of the area where the collection centers are located is crucial for achieving the intended outcome of a market linkage. When adopting the RLDC approach for building collection centers, it is important to make sure the timing and conditions of the handing over of the building are known by everybody involved and respected. Effective communication and sharing of vision is crucial during handing over stage. Local stakeholders (farmer groups or village leadership) need to clearly know the ownership status of the premises and the intended use, and have a way of claiming their right to the building in case of abuse by the partner company. It would be helpful to have an agreed upon conflict settlement mechanism in case of conflict over ownership of the building.*

5. Differences across sectors and implications for facilitation role

Storage and marketing facilities are not equally important for all agricultural products, which explains why all of the collection centers RLDC supported for seed cotton or milk storage have been successful and are all in use, while collection centers intended for sunflower seed or sesame storage and marketing have sometimes been put to alternative uses or abandoned. In order to store large quantities of milk before processing, special cooling tanks are indispensable; there is no alternative way of storing it. In analogy to that, cotton has a high storage risk, as the quality can very easily and quickly deteriorate under improper storage conditions. Cotton is also a very bulky commodity (low density), so that it requires large vehicles for transportation. As a result cotton is usually traded in large quantities, making proper storage facilities that allow bulking together of cotton seeds from individual farmers before transport a necessity.

Milk collection from livestock keepers requires a collection center more than any other agricultural product. A milk collection center requires more than a simple building like sunflower or cotton. Milk collection centers must have an electrically powered cooling facility to keep the milk cold, and stable water supply for automatic and sanitary cleaning as well as testing equipments to ensure the milk delivered meets the required standards. An expert in milk products is also required to ensure all the activities of testing, cooling and sanitation are maintained. This is a costly venture for the livestock keepers to establish and even for the milk trader/processor the economic justification for establishing such premises can only be found when many conditions are met. Under some circumstances outside support to build such a facility is necessary to link smallholder milk producers to processors.

Does that mean that one should prioritize construction of cotton or milk collection centers? In effect, building a dairy collection center is a very different intervention than building a sunflower seed collection center. It has a different rationale and follows a different logic. Whereas a sunflower seed collection center can multiply the benefits of an pre-existing sunflower seed production by lowering transaction costs for buyers and improving producers' bargaining power through collective marketing, auctioning and timing of sale, a milk collection center does not offer the same opportunities to producers for adding value by better organizing the transactions. The dairy collection center is merely the precondition for milk producers to access the market for processed milk. The benefit is that it allows for the creation of a market that did not exist, whereas a sunflower collection seed maximizes the benefits producers can derive from an existing market.

This has implications for a market facilitator. Since, unlike in other sectors, buyers cannot do without that kind of infrastructure in dairy or cotton; they should in principle have a strong enough incentive to invest in that infrastructure without outside support. If a buyer / processor of cotton or milk is not willing to invest in the infrastructure required for him to source in a given region that should be grounds for caution on the part of a facilitator. Very likely the buyer/processor deems the potential of the region as a source of supply too low to justify his investment. In the absence of a commitment from the buyer, grant support from a facilitator is very likely to create "white elephants". On the other hand, if the buyer/processor is willing to commit and invest in collection centers, then financial support merely crowds out private investment and distorts competition between buyers. That does not mean that there is no scope for facilitative collection center interventions in these sectors, as under a number of circumstances one could defend grant support on the grounds that there is clear market

potential but not enough information or too much risk-aversion to "kickstart" investment. One should only carefully assess the situation to avoid any additionality of the grant, and check whether facilitating access to financial services for the buyers could not achieve the same effect as a collection centre grant at less cost and with less distortion.

If well planned and implemented, collection center interventions in sunflower or any other product that can be marketed without that type of facility are not beset by this problem. Ideally, they create win-win situations for both buyers, who can save transaction costs and source more easily, and producers, who can derive additional income from more competitive marketing. However, due to collective action problems or simply lack of information, neither buyers nor producers are willing to invest in the facilities. Outside support can serve as a catalyst: once buyers or processors are able to realize the benefits of the facility, they often start to invest in them themselves, as did the sunflower farmers in Mrijo Juu, Singida region. They are building a second center with no outside support to maximize the profits from their growing sunflower seed production.

Lesson learned: *One should be aware of the different nature and functions of collection centers for products that can be marketed without any storage/bulking facility and those that cannot. More caution is advisable when planning for a collection center intended for a product that cannot be efficiently marketed without a center. In such cases, a facilitator should pay special attention to avoiding the crowding-out of private investment that was going to take place anyway, or to create white elephants that have no economic justification.*

Chapter 4 : Conclusion and Recommendations

Improving marketing infrastructure to better organize markets and link scattered producers to bulk markets is a popular way of addressing the constraints preventing small producers from accessing bulk commodity markets. RLDC has attempted to do just that, establishing market linkages before moving on to a broader more systemic approach that aims at developing the markets now accessible to smallholders by making available business development services and lobbying for improvements in the business environment at large, including laws and regulations. Several years later, well into its new phase, RLDC took a look back to see what has become of the marketing infrastructure it helped build. Three things have emerged clearly:

1. That while many of the facilities still serve a useful purpose, some have evidently failed to contribute to better market access.
2. In the Tanzanian context, where markets are weak and thinly spread, it is hard to establish lasting market linkages. Infrastructure is often not the main bottleneck. Changing patterns in both supply and demand makes assessment of marketing infrastructure needs in the long term difficult.
3. The added value collection centers can generate for a particular area depends on the nature of markets there and of the producers using them. Since these are subject to unpredictable changes, real ownership by the local community is crucial to allow for flexibility in the way the facilities are used.
- 4.

Organizing transactions more rationally through the use of collection centers has the highest poverty-reduction potential in an environment of thriving markets, in which high transaction cost of marketing/purchasing is the main bottleneck preventing market access of small producers. In order to maximize benefits from such improved marketing infrastructure,

producers themselves need to be well-organized, have sufficient business skills and entrepreneurial spirit as well as financial security allowing them to postpone immediate consumption for increased future gains. When these conditions are not given in a particular area, collection centers are very likely to be put to other uses, or to generate very little benefit for the community. If such places, organizational development to strengthen producer groups, capacity building to increase productivity and management as well as provision of financial services should be prioritized before considering construction of a collection center and linkage to bulk buyers. Ideally, if time and resources allow, the users of the collection center, both buyers and producers, should be advised and accompanied over several seasons and provided with a conflict resolution mechanism in case of differences between producer groups, local authorities, traders and end-buyers.







Rural Livelihood Development Company (RLDC)
2nd floor, NBC Building, Kuu Street
P.O. Box 2978, Dodoma
Tanzania, East Africa
Tel: +255 26 2321455, Fax: +255 26 2321457
Email: info@rldc.co.tz | Website: www.rldc.co.tz

This document is the third of a series aimed at sharing the experience of, and the lessons learned by the Rural Livelihood Development Programme (RLDP). It is a product of a “capitalisation of experience” process, meaning giving value to the experience made, which can also be called “evidence- based learning”. While releasing this publication, the objective is to inform relevant development organisations and partners about what worked and what did not in the frame and context of RLDP interventions. Certainly, at the time of publishing this document, things are already changing in the field or at policy level. But the aim is to keep institutional memory what was done, as well as to share experience. This document will be followed by others like quality seeds, facilitation role, etc.

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