



Organisational intelligence in collective action

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The Farm Risk Management for Africa Project (FARMAF) aims to improve food security and livelihoods of the rural poor in Africa by enhancing smallholder farmers' access to sustainable tools and instruments to manage farm risks.

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Collective action is essential for agricultural risk-management and rural development

The role of farmer organisation has received increasing attention in recent years, both from governments and donors. To lower coordination and transactions costs in markets, smallholder farmers should operate in an organized manner. However, such processes are not easy to achieve. Coordinated action, in whatever form, will encounter inherent tensions caused by possible opportunistic behaviour by individual farmers towards the group, and/or opportunistic behaviour by the group towards the group members.

Especially when a group is organized around economic or financial activities there is a need to establish rules, trust and discipline. Collective action to improve risk-management in agriculture is impossible without a good internal organisation of groups. Innovative insurance systems, appropriate storage facilities, better market information systems and advocacy for better policies, may all fail when the group does not find the right balance between the interests as a group versus individual interest of member or subgroups of members.

The potential of farmer organisations to provide economic benefits to its members is partly determined by the 'room to manoeuvre' provided by institutional environments. The institutional environment – the amalgam of rules and institutions in a society that define the 'rules of the game' – facilitates some types of collective action and constrains others. Many farmer organisation have found ways to organize themselves to overcome existing constraints. However, more enabling institutions and/or less constraining policies can make life easier for farmer organisations and as such contribute to agricultural development and risk mitigation.

Collective action is a continuous struggle

The capacity of farmers organisations to adapt their internal organisation in a way that the collectively undertaken activities do not fall apart requires organisational social capital. The development of effective rules to achieve this is a learning processes that takes time and resources. Most studies on collective action relate to common pool resource extraction, especially forest management (Ostrom, 1990).

Surprisingly, the issue of how farmer organisations cope with these challenges in collective marketing has not been paid much attention to in social research. Most conceptual literature is centred on highly capitalized cooperatives with professional management (Bijman, 2002; Cook, 1994), not on smaller groups in developing countries that generally lack significant member investments in group patrimony. Robbins et al (2004) give many examples of learning processes related to collective action in markets. Other good studies on marketing-oriented groups of smallholders are Donovan, Stoian and Poulton (2008), on non-timber forest associations, and the review of Shiferaw, Hellin and Muricho (2011) on African producer organisations. Bingen and Simpson (2015) present a useful overview of differences in farmer organisations and reflect on the linkages to agricultural support services and the need to address the issue of self-reliance and group governance.



Photo: Bulking sunflower seed in Uganda

Example 1: Collective marketing

Smallholder farmers need institutional arrangements that facilitate their access to markets. Since smallholder farmers are scattered, they need to aggregate (“bulk”) their produce for transport in a cost-efficient way to urban or regional markets, or to the processing industry. The arrangements vary, from contract-farming, trader-agent-networks, to collective marketing by farmer organisations. The essence of these different arrangements is that they need to be effective in bulking with acceptable financial and managerial costs. The major incentive for farmer organisations to engage in collective marketing is that, by doing so, members may have lower marketing costs and higher on-farm prices. Ton (2010) identifies ten inherent tensions related with collective action for bulking, processing and marketing. Field-tested in Bolivia, the tool has been adapted to Tanzania to monitor organisational strength of economic farmer groups.

CORE TENSIONS IN COLLECTIVE MARKETING GROUPS	LEAD QUESTION TO ASESSE THE TENSION CONTAINMENT CAPACITY OF THE GROUP
“Regulating member supply”	Members sometimes complain that the organisation does not buy all their produce?
‘Quality Assurance Systems’	Some members try to deliver products that are below the required quality?
“Reduce the need for working capital”	Do members press for cash payment for their product even when the organisation has not yet sold the product?
“Prevention of disloyal behaviour”	Do some members sell their produce to other buyers even when they promised to sell it to the organisation?
‘Ways to Dispose of Profits’	Do the members accept that the organisation does not distribute all its profits but retains part of it to reinvest?
“Differ benefits and services to members and non-members”	Is there preferential treatment (e.g. price difference) when the organisation buys from members compared with non-members?
“Delegating and supervising marketing tasks”	Do members accept that others take decisions on prices of products sold without prior consult of the general assembly of members?

Example 2: Managing wholesale markets

In Tanzania, MVIWATA co-established several wholesale markets in rural towns with the objective to improve prices and access to services like credit and health. The management of the markets can be seen as a form of collective action. The market boards consist of 5 members, representatives from farmers, traders, saving and credit cooperatives, road maintenance groups and local governments. The market board members receive training on leadership, management and accounting. They manage the day-to-day operation of the markets.

In addition to providing a market place and road infrastructure, the markets also provide several services for which financial contributions need to be collected from the users of the market. The markets will only be sustainable if the services are affordable and add value to the stakeholders (e.g. farmers and traders). The market board collects various fees for services provided: fees paid by traders, fees for storage, rent paid by small shops around the markets, mobile phone charging fees.

An evaluation of the project (Gabagambi, 2013) demonstrated that these markets have generated gains to the stakeholders. It uses as an indication that these markets are a sustainable form of collective action the 10 years that the market have operated. However, a prominent issue that affects the governance of these markets, mentioned in the evaluation, is the fact that the revenues from the market are collected by the local government with little reinvestment in the markets, while the market board lacks resources and needs capacity building to properly run these markets. A better balance needs to be found between the owners of the markets (local government) and the management of the markets (market boards) to keep the market attractive for traders and farmers, and prevent the market to collapse.

For instance, issues related to access to land and water are especially relevant for farmers with insecure access to these resources. Price policies or international trade agreements are especially relevant for exporting farmers and importing processing firms, or farmers who compete with these imported products.



Photo: MVIWATA initiated wholesale market

Similar governance issues – finding a balance between the owners and the managers of a joint business operation – may become relevant in the initiative of ZNFU in Zambia establishing so-called AgriService Centres (ASC). These are facilities for input and output marketing and are intended to become centres for agribusiness companies that will provide services to the farmers in the area, and pay rent to the ZNFU.

Organisational intelligence is needed to design effective governance structures, with fair rules and regulations that permit sustained collective action, and strike a balance between the collective interest and the individual interests of each of the stakeholders involved in these ASCs.

Example 3: Collective action in advocacy

The challenges of collective action are also 'inherent' in national farmer organisations in their decision making on their advocacy strategy. Generally, policy instruments and institutional arrangements emerge from a political arena in which smallholders have limited power compared to other interest groups. Farmers organisations play a key role in influencing this political arena to the benefit of their members. However, certain policies are often only relevant for specific members of the group.

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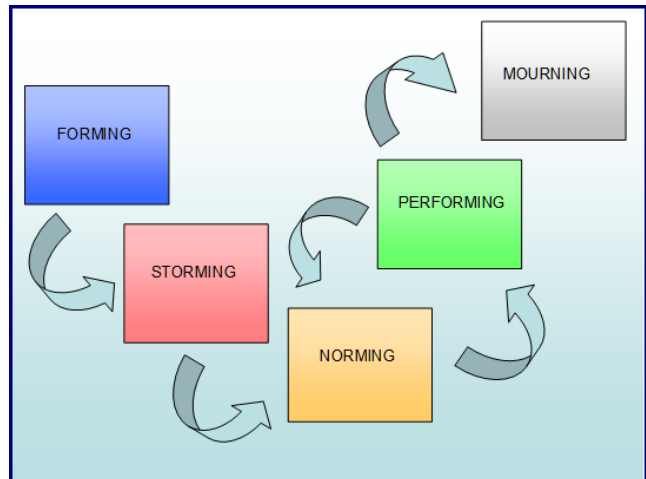
This heterogeneity of interests creates the need to discuss policy issues in the farmers’ organisation and decide on which strategic advocacy agenda to pursue. Some issues may benefit all, like better roads or less road blocks that result in off-the-books payment to government officials, or better social services. Other strategic policy issues may benefit one group of the members while negatively affecting other groups in the membership. Strong farmer organisations usually have the capacity to make decisions on these more contentious issues. They use information, evidence and participatory processes to pro-actively address these issues.

One of the intelligent solutions to this problem of competing interests within the farmer organisation is the organisation of commodity-specific subgroups. This makes it possible to concentrate the analysis on those policies, rules and regulations that influence the sector and make a more focussed sector-specific advocacy agenda to address these. It might not be necessary to give these groups a separate legal status, because this would jeopardise the advocacy strength on shared issues.

In Latin-America, there have been several experiences with round-tables to discuss the factors that affect the competitiveness of the sector. These round-tables were made up of people who represented organisations or companies in the commodity sector. The value added of such a platform is to establish communication between different groups and to develop a group culture with common perspectives and joint action, but in a flexible and not necessarily formal organizational structure (Ton and Vellema, 2008). With such a set-up, the platform will experience a cycle of stages of development (Tuckman and Jensen, 1977). Such platforms are effective, and often temporary, forms of collective action that are able to address certain tensions or problems in a commodity sector.

Example 4: Collective action and warehouse receipt systems

The management of warehouse-receipt systems, like the ones piloted in Burkina Faso and Tanzania, will have to address specific challenges in collective action.



- In the **FORMING** stage, the platform comes together. People get to know each other. Discussions tend to be unstructured and on a wide range of issues, not always entirely relevant to the whole group.
- The **STORMING** stage is when differences in ideas on what to do with the platform emerge. Expectations can be high and discussions tend to become more tense. Some resistance to other ideas will become manifest during discussion.
- In the **NORMING** stage the platform become cohesive and define functions that prove to be of common interest. Roles in the platform are defined, usually differently from the original division of roles in the first stage of platform development.
- The **PERFORMING** stage is when some functions are performed by the group, building on good inter personal communication between the different members of the group.
- After some time, the function of the platform may change, especially when some tasks have been completed successfully and new challenges have to be addressed. The platform may reformulate objectives and working methods in a **LEARNING** cycle.
- Later on, alternative networks and platforms may appear to be more functional for the participants. When the platform decides to split up, this is called the **MOURNING** phase.

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In Burkina Faso, the national farmer organisation CPF contracted three construction companies in 2011 to build seven 60-tonne capacity warehouses in seven communities. The most critical access barrier was found to be the limited capacity of the depositors to comply with grain quality standards adopted by these buyers. Grain quality assurance and compliance systems need to be lean and effective. This calls for effective rules and sanctions but, even more importantly, incentives to participants that they can trust each other without making use of these rules or sanctions. Disputes about quality between the farmer and the quality controller are unpleasant, take time and may turn out to be expensive. So, for cost-effective quality assurance some organisational intelligence is needed.

- High trust levels, built up in previous activities of the group, may make quality control cheaper. For example, in Uganda, some smaller groups that were using a collective storage system had members from the same church, clan or church choir (Ton et al., 2010). The embeddedness of the storage in these local social networks results in multiple social ties that join members together. The possibility to use additional informal sanctions may open possibilities to use less costly, sporadic quality control instead of doing the control on a continuous basis
- Formal standards that define quality standards are helpful in reducing the problems of quality control in warehouses. These objective, formally described, standards reduce the tensions between the quality controller of the warehouse and the supplying farmer, and reduce the costs of collective action.

Better quality measurement instruments may also make a difference. Time and effort needed to sanction deviant behaviour can be reduced with control instruments that give 'on the spot' results.



Photo: Quinoa selection in Bolivia

Enabling policies for collective action

In many countries, farmer organisations have only a very limited choice in legal forms. Often these are limited responsibility firms, cooperatives or civil associations. Each legal form has its advantages and disadvantages when considering the possibilities to find effective governance mechanisms. Governments may reduce the administrative costs and increase the flexibility of these legal forms to incorporate rules and regulations that help to resolve the inherent tensions in collective marketing, like allowing profit sharing mechanisms for members, reducing the tax burden and related administrative paperwork.

Governments may also work more with commodity-specific platforms to discuss sector policies. While the voice of smallholder organisations tend to be present on the local or even national level, the sector representation is often a weak point. Governments can facilitate the participation of smallholders in these sector policies, and prevent that the seats at roundtable discussions are taken primarily by the larger specialized farmers and agribusiness.

Government policy can make it more easy to find cost-effective organisational solutions to sustain collective action. Even when, as argued above, legal dispute resolution is the least attractive way to resolve tensions between members and the group, a reliable legal system is an asset.

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