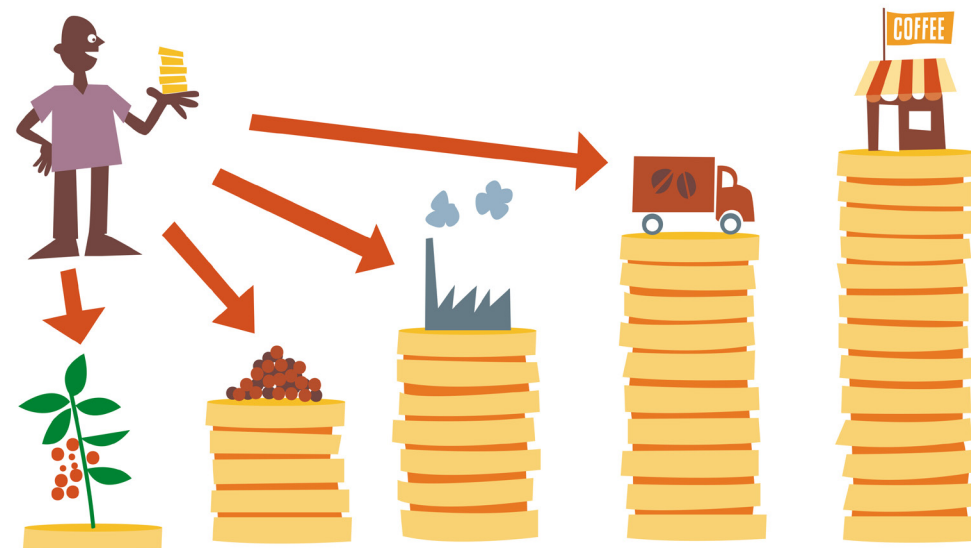


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The Farmer Ownership Model

A guidebook to
wealth creation



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Top 20

Innovations that
Benefit Smallholder
Farmers

Summary

The importance of the Farmer Ownership Model is about unlocking the tremendous economic potential of agricultural commodities to give farmers a chance to move out of poverty and engage at higher levels of an agricultural commodity value chain. The Farmer Ownership Model not only increases incomes, but brings fairness and equitable power relations along the value chain, leading to the creation of shared value for all involved actors to be winners to ensure sustainability. This new approach redefines the role of farmer organisations and transforms them from being merely organisational buyers of produce to facilitators, who serve farmers and increase the value that farmers receive from product sales. Commodity processors are involved through a new, win-win relationship with farmers whereby, instead of buying raw produce from farmers at low prices and selling it on to the next player in the chain, they offer their value addition expertise and facilities to farmers at a fee. In doing so, processors enjoy higher operational capacity of their processing equipment and increased revenue. Simultaneously, this value addition allows farmers to retain ownership to sell a more valuable form of product that earns a higher return in the market.

Challenge

According to the International Labour Organization (ILO), over 220 million working people in sub-Saharan Africa live on only US\$2 a day, the majority being involved in primary agricultural production. While agriculture is the dominant employer in Africa, involving over 60% of the population, agricultural value chains currently deprive farmers of over 90% of the retail value of their produce, leaving most of them unable to make savings, reinvestments and improvement in their livelihoods. The separation of agricultural production from value addition processes cuts farmers off from the potentially significant profits that are achieved in the later stages of the value chain. Enhancing and expanding farmers' roles and responsibilities along the commodity value chain can therefore play a critical role in jump-starting economic transformation.

Right: Specialty coffee from the Lake Victoria basin and Mt. Rwenzori in Uganda



In particular, investment in commodity-processing infrastructure can lead to the development of businesses that create both jobs and income.

In implementing the Farmer Ownership Model, the challenge is threefold:

- to empower farmers to develop downstream agribusiness value addition services, as well as upstream activities (such as supplying inputs),
- to enhance productivity, and
- to support farmers to operate in the most profitable value chains within a conducive policy environment.

Description

The Farmer Ownership Model is an inclusive business model, which enables smallholder farmers to create and retain ownership of more valuable forms of their agricultural produce. With support from other partners, farmers graduate from depending on sales of raw commodities to more added value products. In this case, farmers are social entrepreneurs working with other stakeholders - academia, research, public extension and civil society organisations among others (Fig. 1) - as service providers who do not take ownership from farmers.

Central to the Farmer Ownership Model is the idea that farmers, by changing how they understand their role, can take control of their own future. In this new model, the farmer is at the centre, as illustrated (Fig. 1), using the example of the National Union of Coffee Agribusinesses and Farmer Enterprises (NUCAFE) as a farmer organisation within the coffee value chain.

Farmers organise themselves to assume as many roles and responsibilities as possible at different nodes of the coffee value chain (Fig. 2) in order to increase their social and economic power. This includes establishing partnerships with customers at different stages of the value chain. Individual farmers are organised into groups, and groups

are then organised into associations/cooperatives (Fig. 1).

The associations/cooperatives in the innermost ring provide some services, such as bulking, primary processing of coffee and delivery to the central hub at the level of the national farmer organisation (e.g. NUCAFE) in the second ring. NUCAFE then facilitates further value addition and other business services, such as secondary processing and manufacturing, training, marketing, information dissemination and advocacy.

Under the Farmer Ownership Model, the role of the farmer organisation and its member associations and partners is different. Rather than buying coffee, the focus is on being process facilitators, providing services

that enable farmers to take part in the profitable segments of the coffee value chain so that they can satisfy the tastes and preferences of different consumers. As a facilitator, NUCAFE and its partners do not buy coffee in order to take away ownership from farmers. Instead, they provide farmers with affordable services, which would otherwise be extremely hard for them to get from conventional middlemen, the buyers of raw materials. The principle of not buying helps to avoid a conflict of interest. The aim is to increase the value of the coffee to the farmer by allowing farmers to remain the owners of the coffee during the value addition process, whether this is done by outsourced service providers or in-house processing.

Value chain approach within the Farmer Ownership Model

Farmers will only be fairly rewarded for their farming output if they are ready to take responsibility for processes that occur at the top of the value chain. The coffee value chain illustration below (Fig. 2) shows that when farmers have ownership, which involves taking responsibility, making investments, collective entrepreneurship, performance-related pay, patience, and working in a conducive policy environment, they increase their profitability several fold, depending on their level of empowerment.

Fig.1 Farmer Ownership Model

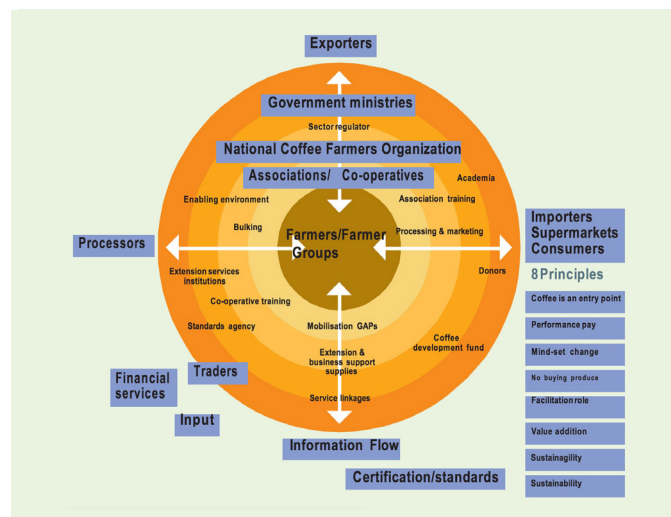
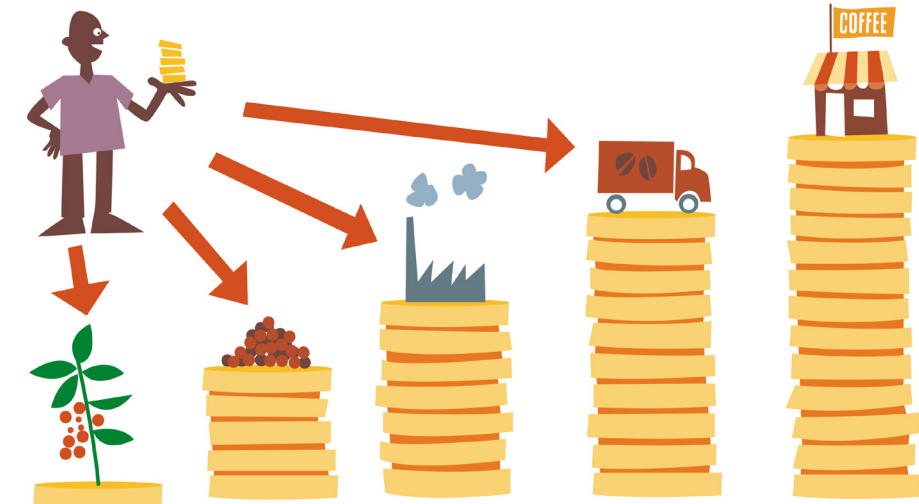


Fig.2 Value chain approach



Benefits

The Farmer Ownership Model:

- Encourages farmers to take responsibility for their own development.
- Is an inclusive model, regardless of the size or scale of the farmer.
- Avoids conflicts of interest by defining the role of the farmer organisation as a facilitator.
- Is applicable to any agricultural commodity.
- Promotes performance-related pay.
- Enhances collective (social) entrepreneurship.
- Promotes high product quality.
- Increases productivity.
- Promotes traceability.
- Promotes market-driven, climate-smart agricultural practices for environmental sustainability.
- Reshapes power relations in the value chain and increases the sustainability of the chain through a fairer sharing of benefits.
- Increases farmer incomes several fold for each value added unit.
- Leads to the creation of well paid jobs for many people.

- Encourages partnerships with academia, researchers, regulatory agencies, development organizations and policymakers.
- Empowers farmers to be masters of their own destiny.
- Influences policymakers to create a conducive business environment.

Recommendations

Farmers should adopt this model in order to:

- Empower themselves to add value to agricultural commodities. This will enable them to unlock the huge economic potential of value added products and thereby move out of poverty.
- Tap into the business opportunity of feeding the world population of 9 billion by 2050.
- Create shared value along the value chain.
- Influence public policy.
- Deliver services, earn sustainable income and justify their existence to their members.

Putting into practice the above recommendations, farmers become masters of their own destiny.

How do we develop the Farmer Ownership Model for empowerment and sustainability?

The farmer ownership development process is divided into five main phases, consisting of 13 detailed steps.

Phase 1: Marshaling support

- 1) Baseline and fact-finding (value chain analysis).
- 2) Introducing the rationale or relevance of the model.
- 3) Identifying and prioritising targeted farmers and geographical location.

Phase 2: Mobilising and organising to build the base

- 4) Farmer organisation formation.
- 5) Leadership selection and capacity development.

Phase 3: Stimulating action

- 6) Developing the vision.
- 7) Developing a simple, vision-based business plan.

Phase 4: Implementation

- 8) Registration of the farmer organisation.
- 9) Bench-marking and piloting programmes.
- 10) Empowerment through consolidation and deepening of activities.

Phase 5: Sustaining action

- 11) Developing a medium to long-term strategic agenda.
- 12) Integrating and linking farmer organisations.
- 13) Reflection and evaluation.