1 Introduction

The villagers of Enomis[1] *were annoyed. No – they were angry. They had found out that the traders who bought their cattle were making a killing. The traders drove a hard bargain – they found fault with perfectly healthy animals, underestimated their weight, and haggled down the price until the livestock raisers felt they were giving their animals away. Then they loaded the cattle onto lorries and trucked them to the capital, where – the livestock raisers had heard – they sold them for a huge profit.*

"We can do better ourselves", thought the farmers. "All we have to do is to get enough animals together, hire a truck, and we can share that profit between us."

But they quickly found that things were not so easy. Enomis was remote, and hiring a truck was expensive. Some of the animals were injured when the lorry hit one of the many bumps in the road. The abattoir graded the animals as "Economy" class – even thought the farmers were sure they were "Choice". The abattoir did not pay for several weeks, so the farmers who accompanied the animals had to stay in the city to wait for the money. They had to pay for food and accommodation, and missed important work back home. When they counted up the money that was left, they found they were not that much better off.

"Maybe the traders offer a useful service after all", the farmers decided. "Perhaps we can work together rather than against each other." They approached a group of traders to discuss how to improve relations.

For their part, the traders realized that they had to do things differently. They realized they needed the farmers just as much as the farmers needed them. How could they work together to smooth things out?

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In large parts of Africa, smallholder farmers face serious difficulties in selling the produce that they have grown with so much effort and care. At the same time, the people who specialize in marketing the produce are treated with great suspicion, not only by farmers themselves, but also by extension officers, development practitioners, policymakers, researchers and consumers. Ask one of them

1 The village of Enomis is imaginary, but the farmers' experience is real (see page 50). All other names and locations in this book are real.

what they think about traders, and the words "manipulation", "exploitation" and "speculation" will soon crop up.

This book argues that the lack of market access for smallholders in Africa is closely related to this limited respect for the role of traders. Hindered by adverse policies and popular attitudes, traders cannot run their businesses properly. More respect and support for traders would enable them to develop markets, find new customers, add value to products, invest in new businesses, and improve the efficiency of the food distribution system. This would generate demand for more and better farm products, and thus help to improve the incomes and livelihoods of the rural population. In sum, traders can multiply development, not only for their own benefit, but also for that of farmers and consumers.

Traders not respected...

Many people tend to see traders as redundant. They think traders take an unfair amount of profit, without adding value or providing services in return. Traders are accused of taking advantage of uninformed farmers: offering low prices, cheating on quality, swindling with weighing, not paying after taking products on credit, and making price agreements with other traders procuring in the same region. Traders are also accused to take advantage of consumers. They are said to create artificially high food prices through informal cartels which control the supply of foodstuffs entering the markets, limiting the number of traders allowed to sell, and preventing others, such as farmers, from selling in the market.

There are some elements of truth in these accusations. In many situations traders do indeed coordinate amongst themselves to regulate the flow of trade in a particular marketplace. But this is not necessarily bad: nobody benefits when too many tomatoes enter the market and they rot away. Furthermore, there are indeed traders who cheat to take advantage of farmers. But then again, many farmers swindle on quality, for instance, by putting overripe tomatoes at the bottom of the crate. Unfortunately in any economic sector there are fraudulent "free-riders" who damage the reputation of the majority of hard-working businesswomen and men. In other words, swindling traders are as much a problem to honest traders as they are to farmers.

In judging so quickly, people fail to understand the trader's point of view. They often neglect that the trader's business is full of risks, problems and uncertainties – like those encountered by the villagers of Enomis. It can be a long way from the farm that grows the food to the marketplace where consumers buy, and a lot can happen in between. In most countries there is no reliable information on the supply and demand of produce. Traders may spend a lot of time searching for produce to buy, sometimes without success. When they do find some merchandise, it may be ruined by bumpy roads, unreliable trucks and poor storage facilities. Formal systems for quality grading and contract enforcement tend to be weak, so traders may face unpleasant surprises. Products may not be properly graded and selected, or customers may fail to pay their debts. Additional costs may arise from "informal taxation" at roadblocks, or from theft. On top of all that, traders are subject to physical insecurity, as they travel and sleep at low cost, exposed to dangers with natural and human causes. This particularly affects women traders, who in large parts of Africa dominate the trade in food products.

Even in this adverse business environment, traders somehow succeed in providing consumers in the cities daily with fresh fruits and vegetables, at affordable prices and in the right amounts. Farmers are spared from the trouble of travelling large distances under harsh conditions to sell their products. Instead, the traders come to their villages to buy the products on the spot, often paying in cash. In particular situations, traders may provide the farmers with credit, inputs and information about market prices. So we can say that African traders fulfil vital functions for their countries. Traders are not only the principal channel through which farmers send their produce to the market, but they are also crucial in ensuring food security for the people in the cities. The difference between the price the trader pays farmers and the price he or she sells the produce for reflects the high costs and risks of trading, as well as the significant expertise and time that the trader contributes.

... farmers without a market

As their businesses are not properly understood, traders' needs and wishes get little attention from governmental and non-governmental agencies. Authorities may raise market tolls or implement new measures without consulting the traders who work there day after day. Ministries and product boards may require licenses or impose regulations which small-scale traders are unable to comply with. It is seldom that traders obtain credit from formal financial institutions, and only a handful of donor agencies work with traders, as compared to farmers who receive the bulk of support for rural development. Farmer organizations, development agencies and rural services providers tend to go even further, implementing marketing strategies which simply cut traders out.

It is not just traders who are handicapped by this anti-trader bias. It is also a problem for consumers and farmers. Value chains (Box 1.1) are only as strong as their weakest link. When one link in the chain is not respected, the whole chain does not work properly. The various actors in the chain mistrust and seek to take advantage of each other. The chain becomes inefficient, as the business processes of one actor are not well tuned to its partners in the chain. It becomes hard to improve products, processes and markets, and gaps emerge in support services and infrastructure.

In other words, when the midstream segment of the chain (trading) does not work properly, it has negative repercussions upstream in the chain (farming) as well as downstream (consumers). Inefficient trading inevitably leads to higher consumer prices and fewer market outlets available for farmers. In conclusion, if traders cannot run their business properly, food supply systems will be inefficient and African agriculture can hardly be expected to become truly market-oriented.

Box 1.1 Chain actors, supply chains and value chains

Chain actors

Chain actors are those involved in producing, processing, trading or consuming a particular agricultural product. They include direct chain actors which are commercially involved in the chain (producers, traders, retailers, consumers) and indirect actors which provide financial or non-financial support services, such as bankers and credit agencies, business service providers, government, researchers and extensionists.

Supply chains

A supply chain is a set of linkages between actors where there are no binding or sought-after formal or informal relationships, except when the goods, services and financial agreements are actually transacted. We are all part of a supply chain: as consumers, we buy tomatoes from a retailer, who gets them from a wholesaler, who buys them from a trader, who gets them from a producer. Unless you are one of those very few people who makes or grows everything you produce yourself, you are part of numerous supply chains that provide us with everything that we eat, drink, wear and use. But if you are one of those rare individuals, you are probably not reading this book.

Servicing the supply chain itself are a multitude of other players: those who provide transport, processing, finance, packaging, quality control, book keeping, and so on. And let us not forget government and private agencies that provide information on prices and quantities, that set the rules that govern the market, etc.

At each stage in the chain, the price of the product goes up. That is because each actor in the chain adds to its value – by growing, harvesting, sorting, grading, packaging, processing, labelling, transporting, storing, and putting it on shelves for us to buy. Each of these steps costs money, which the actor recoups by charging for the service.

Some supply chains are impersonal: traders buy from farmers through an auction, then sell to wholesalers through another auction. The actors may not know one another, they may never meet, and they may never do business with each other again.

Value chains

A value chain is a specific type of supply chain – one where the actors know each other well and form stable, long-term relationships. They support each other so they can together increase their efficiency and competitiveness. They invest time, effort and money to reach a common goal of satisfying consumer needs. That enables them to increase their profits.

Traders as agents for development

Traders have the potential to efficiently multiply development throughout the market system. Expanding agricultural markets can generate development of other markets such as finance, food processing and rural employment. Farming can gain much in efficiency and value-adding if products are traded and marketed more effectively.

In recent years the development potential of traders has been acknowledged and capitalized in various interesting pilot experiences. In various countries traders have organized themselves in formal trader associations, in order to improve dialogue with farmers and market authorities (see the cases on trader associations for tomatoes in Ghana (page 62), yams in Ghana (page 132) and livestock in Kenya (page 181)). Some donor agencies have set up projects that support a handful of traders in order to improve the livelihoods of thousands of farmers (see the cases on wool in Lesotho (page 146) and coffee in Tanzania (page 205)). Other projects aim to boost business relations between farmers and traders by establishing systems for market information and business matchmaking (see the cases on the commodity exchange in Kenya (page 159) and the market information system in Ghana, page 108). Some donors have ventured into setting up their own commercial trading houses as a strategy to improve the businesses of smallholder farmers (see the cases on mangoes in Burkina Faso (page 168) and soybeans in Ghana (page 194)).

Though young and still emergent, these pilot experiences may provide pathways for the future development of African markets. It is vital to take a closer look at these experiences and assess their potentials and limitations, their positive aspects and bottlenecks. This will provide important lessons to guide policies and practices elsewhere. By learning from these innovative experiences, we are better able to build cooperation between traders and farmers in Africa, and "trading up" the business for the benefit of all.

What is this book about?

This book explores how to unleash the potential of African traders in developing markets and enhancing rural development. It tells the stories of traders, how their businesses are operated, the challenges that they face, and their attempts to get organized and improve trading conditions. The book also tells the stories of farmers and how they get organized to develop better markets. Sometimes they find that they can bypass the traders, sometimes they find that things are worse without the traders' services, and sometimes they find ways to improve their relations with traders.

The book is about how to create mutual understanding between farmers and traders, and build relationships of cooperation. It is about how to create a better business environment for trading, by building stronger market institutions that facilitate trade. We believe that the combination of stronger chain relationships and stronger market institutions will benefit all actors involved: farmers, traders and consumers.

The book is about real people who are trying to build better markets to improve their businesses and livelihoods, irrespective of what they trade. The book does not analyse specific commodity sectors, assess macro-economic conditions of trading in Africa, or clarify the position of Africa on the world market. Rather it tells the stories of farmers and traders in Africa who are struggling to overcome poverty by organizing themselves and jointly find new business solutions.

The book has the following objectives:

- Create awareness about the role of each actor in the chain, particularly traders, who tend to be regarded as redundant or exploitative.
- Create awareness about opportunities for more cooperation in the value chain.
- Provide strategies and practical solutions for improving chain cooperation and market institutions.
- Influence policymakers, donor agencies and the private sector to provide supportive policies and services.

Who is the book for?

The book is written in easy-to-understand language so that it will be used by:

- Extension officers and development practitioners working with farmers and traders.
- Farmers and their organizations wishing to improve their markets.
- Traders and their associations wishing to professionalize and improve their reputation.
- Civil servants and policymakers, especially at local level such as city councils, dealing with food markets and trade policies.
- Decision-makers at donor agencies supporting rural development.
- Banks and micro-finance institutions interested in traders as a new client group.
- Students and teachers at agricultural colleges and universities.
- Researchers and NGOs advocating sound policies.

Parts of the book

The rest of this book is divided into seven chapters:

Chapter 2, Understanding African markets, focuses on the challenges facing agricultural markets in Africa, and the role of traders in ensuring that the markets function.

Chapter 3, A framework for trading up, explores how marketing can be made to benefit both farmers and traders more. It outlines two broad strategies to improve trading relations: strengthening chain relations, and strengthening market institutions. It also describes how to interpret the tables and diagrams (at the end of each case in Chapters 4–6) showing value shares and market structures.

Chapter 4, Strengthening chain relations, presents five cases where the focus has been on strengthening the relations between actors in the chain. These cases depict experiences with marketing livestock and fertilizer in Zimbabwe, tomatoes in Ghana, and milk and tomatoes in Kenya.

Chapter 5, Building market institutions, turns our attention to how creating and strengthening market institutions can improve the market system. It presents five cases on marketing onions and yams in Ghana, coffee in Tanzania, wool in Lesotho, and various commodities in Kenya.

Chapter 6, Fostering chain partnerships, combines the two strategies of strengthening chain relations and market institutions. It contains a further five cases: on mangoes in Burkina Faso, livestock in Kenya, soybeans in Ghana, coffee in Tanzania, and green beans in Ethiopia.

Chapter 7, Strategies for trading up, pulls experiences from the cases together to identify their main lessons and insights. It defines strategies and guidelines for promoting trade and cooperation between farmers and traders in Africa. It also suggests policy implications for various stakeholder groups: farmer organizations, trader associations, local authorities, national governments, and non-governmental organizations and donor agencies.

Chapter 8, Resources, lists organizations, websites and publications that focus on the issues raised in this book. It also gives the contact details of the many people who contributed to the book.

How was the book produced?

This book is part of wider efforts to generate practical knowledge for organizations that work on the development of markets, value chains and financial services in Africa. In 2006 KIT, IIRR and Faida MaLi jointly produced a book, *Chain empowerment: Supporting African farmers to develop markets*, that reflected the experiences and views of many organizations assisting African farmers in value chain development. The book was well received as many organizations found it useful as a guide in their programmes and activities with the farmers.

We soon found, however, that we needed a special book on the role of traders in value chains. Many organizations working on value chain development are unfamiliar with how to deal with traders. They therefore encourage the farmers to do the marketing themselves, which in many cases has yielded disappointing results. This book intends to show that cooperation with traders is indeed possible, and can bring benefits for all.

For this book, KIT played an overall technical coordination role, developed a conceptual framework and raised funds, while IIRR advised on the overall process, assembled the technical team, facilitated the writeshop, organized the logistics, and took charge of the book editing and printing. Cordaid, Oxfam Novib and ICCO funded the writeshop. Others, including IFDC and Self-Help Development, contributed by supporting the participation of their staff.

The body of this book was produced through an intensive participatory "write-shop" from 29 August to 5 September 2007 in Nairobi, involving over 30 traders, farmers, development professionals, researchers, facilitators, artists and editors.

Potential cases were identified through an open "call for cases" sent around the partner networks of KIT, IIRR and the donor organizations. On the basis of one-page case abstracts, 15 cases were selected for participation in the writeshop. The participants were sent guidelines on how to write their case, as well as a sample case to use as a model. The participants were also asked to bring with them other printed materials and photographs relevant to their case.

Each contributor brought to the writeshop a draft manuscript describing a change in the marketing system for a particular commodity. Each case focused on how a particular group of farmers or traders had faced and overcome a problem in marketing produce. The change may have been the result of a donor-funded intervention, with a development organization in some kind of facilitating role, or the result of an indigenous organization responding to specific needs.

As might be expected, many of the cases did not conform to the guidelines that had been sent out before the writeshop (and the final form of the cases emerged only during the writeshop itself). So a lot of rewriting was necessary to incorporate new information, eliminate unnecessary text, and analyse the case in light of the writeshop discussions. This was done during the writeshop.

The writeshop process

The writeshop began with an introduction to the process to be used, followed by a presentation of the first case. The author presented the manuscript, and the other participants were then given an opportunity to ask questions, make comments, and critique it.

The framework that underlies this book – a matrix showing how chain relationships and market institutions can be improved – was then described, using the first case as an illustration. This framework enables an understanding of the types of interventions that may improve the functioning of the marketing chain to benefit farmers and traders alike. It is described further in Chapter 3.

On the second day, participants presented and discussed three further cases, using the framework to analyse them. Now they were familiar with the framework and the style planned for the book, they divided into teams to rewrite their own cases, with assistance from the resource persons and editors. This gave them the opportunity to include further relevant information and provide details of the marketing system before and after the change described in their case.

The participants then presented their revised manuscripts to the plenary (or to one of two sub-plenary groups). For each case, the other participants provided comments and critique, and the author and editor took notes. After each presentation, the author, editor and one of the team of resource persons discussed the manuscript, revised it to incorporate the comments, and commissioned one or more line drawings from the team of artists.

The participants then presented their revised drafts to the group a second time, along with the illustrations, which allowed other participants to make further suggestions. The editors and artists again helped revise the text and illustrations.

By the end of the writeshop, the participants had completed drafts of their manuscripts that required relatively minor editing before they could be published. These cases form the bulk of the book – Chapters 4 to 6.

Also during the writeshop, the participants divided into several smaller teams to brainstorm and write drafts on the other chapters and boxes in this book. These drafts were also presented to the plenary, and participants were able to provide comments and suggestions on the text.

One day of the writeshop also included a "traders' forum", where government officials, researchers, traders and development professionals discussed policy issues relating to the marketing of agricultural produce in Africa. One day was also devoted to a field visit to vegetable and livestock wholesale markets in Nairobi.

After the writeshop, considerable restructuring and rewriting were necessary to ensure the style and content of the various chapters was clear and consistent. The chief editor in collaboration with KIT and IIRR was responsible for finalizing the book.

Throughout the writeshop process, the initial manuscripts were revised substantially or were completely rewritten. The information they contained was selected, sifted, and combined with ideas from other sources, and was distributed throughout the book. A single chapter may contain information provided by many different participants. This means it is not possible to label a particular chapter or section as the work of a particular participant. The "authors" and resource persons of the book are thus the contributors listed on pages xvii–xviii.

Writeshop advantages

The sequence described above is an adaptation of the writeshop approach pioneered by IIRR at its headquarters in the Philippines. IIRR–Africa has used this approach to produce extension and information materials on a wide range of subjects. Writeshops have several advantages over conventional methods of producing a publication. They speed up the production process, taking full advantage of the participants' range of expertise. The process of writing, getting comments, revising and illustrating takes place at the same time, considerably shortening the often-difficult process of writing, editing and publishing. A large number of participants contribute to each topic: in effect, the writeshop provides an opportunity for technical peer review by a large number of reviewers, as well as pre-testing for understandability and field relevance by a group of the intended readers.

In addition, writeshops bring together a large number of people from various institutions and walks of life, each with different perspectives and expertise. They are an excellent training and networking opportunity, with individuals learning about each other's work and exchanging ideas and experiences that will be of value for them when they return home. It is hoped that the relationships and networks forged during the writeshop will continue long into the future.