

Collective Marketing Through Community-Managed Collection Centers

Enhancing Livelihoods of Smallholder Farmers in Central Terai District of Nepal (ELIVES)

Enhancing Livelihoods of Smallholder Farmers in Central Terai Districts of Nepal (ELIVES) project is a 3 year project funded by DFID and co-funded by ADRA UK and is implemented in four districts of Central Terai region (Bara, Rautahat, Sarlahi and Mahottari) from April 2015. The ELIVES project combines key strengths of project partners - ADRA Nepal, iDE and FORWARD Nepal and district based partners (LNGO) to enhance livelihoods and income for poor and marginalized smallholder farmers with a focus on women and socially excluded groups in particular, Dalits, Janajati and Madhesi.

The project aims to bring tangible change in poor people's lives through interventions on goats, vegetables/lentil and market access/promotion. The project worked with 600 farmer groups comprising 13,000 HHs. The project's work in developing local service providers and building market systems has ensured that the beneficiaries continue to get services and access to market and also benefitted the wider community. The end line survey revealed that skill enhancement in vegetable and goat production, coupled with increased access to services and markets increased annual income by £80 for 66.5% of beneficiaries.

Agriculture marketing in Nepal is considered to be inefficient due to high number of market intermediaries between producers and consumers. If this chain can be shortened and made more efficient by establishing a direct functional relationship between producers and wholesalers/large scale buyers through community collection centers, both parties will benefit. These collection centers can serve as the platforms to gather produce from small-scale farmers and supply amalgamated produce to buyers. Individual farmers cannot individually produce a large volume that meet market demand, but collective and coordinated marketing gives them the possibility by reducing transaction cost for producers to sell small volume produce. Similarly, buyers get rid of high transaction costs of dealing with many small-scale producers.

The ELIVES project supported farmers and farmers' groups in establishing collection centers in order to achieve the following objectives: creating new avenues for farmers to sell their products nearby their farms at fair prices, reducing hassle and increasing profits through collectively bargain with traders, and

Background

Smallholder farmers in Terai region produce little surplus vegetables from their farm which are either sold in local markets, including weekly and bi-weekly haat bazars or they have to travel to district headquarter or trading points along the east-west highway. Local markets can only absorb only a small volume of produce. On the other hand, there is a strong possibility of buyers colluding and manipulating the price when farmers travel to market without proper information on market demand and price. In addition, travelling to markets to sell small volume of produce involves high transaction and marketing costs. As a result, producers fail to get fair prices for their produce which disincentivize farmers to make further investment in vegetable farming. Instead, the major chunk of profit is bagged by middlemen who buy the products for a low price and resell them at a high price. This system places both producers and consumers in a loose-loose position. The ELIVES project promoted vegetable farming as an income generation option for smallholder farmers including leaseholders. Those farmers also needed effective and efficient marketing to secure their benefits.



fostering sustained market system in the community for efficient and effective marketing of local products at local, regional and national levels.

Methodology

1. ELIVES project implementation begins with forming interest groups (vegetable producer or goat producer groups) in areas where the potential of specific marketing exists. The project oriented farmers on the importance of having market access through training, workshop and exposure visits.
2. A Market Planning Committee (MPC) was formed with representation of a number of groups.
3. MPCs identify the strategic location to establish collection centers. The project coordinated with district level government line agencies (DADO/DLSO) and local governments for collaboration and linkage.
4. 18 Collection Centers (CC) were established and linked with district level government line agencies. Only the 41% support in the total cost of established came from the project which attracted 59% support from local government authorities and communities.
5. The MPCs were supported in the formulation of CC operation procedures through training and coaching. MPCs were also responsible for networking between sellers (farmers) and buyers; keeping records of sales; coordination payment to farmers etc. They collect nominal charge (NPR 0.50 to NPR 1 per kg for vegetables; NPR 5 per kg from both buyers and sellers for goats) to operate CC sustainably.
6. The project provided the CCs with tools and equipment like crates, weighing scale, sales record keeping register, sales passbook, etc., for efficient operation.
7. Participatory Market Chain Approach (PMCA) approach was facilitated at CC to have a regular dialogue among MPCs, farmers, service providers and traders to discuss opportunities, constraints and to devise win-win strategies for all parties.
8. The project also provided market management training, market-led vegetable production training and business plan preparation training to MPCs/collection centers. An exposure visit was also organized to observe marketing mechanism adopted by MPCs in other areas.



Outcomes and Impacts

Linking buyers and sellers for win-win gain

CCs are currently functioning as market centers for bringing together buyers and sellers in a common place for business. The centers are facilitating smooth payment to the farmers and building trust with producer farmers. Some of the centers have already started expanding their scope and coverage of local products by assessing the demand and supply situation of different products and scope out business opportunity in different market hubs.

Facts and Figures

CCs involved in Vegetable Sales

- Number of CC= 13
- Number of Groups= 130
- Number of Farming HH served= 2791 (group members) + 1235 (out of group)

CCs involved in Goat Sales

- Number of CC= 5
- Number of Groups= 106
- Number of Farming HH served= 531 (group members) + 602 (out of group)

Operating at scale and diversifying products

The establishment of CC has encouraged farmer groups to increase the scale of their production and diversify products grown on the farm. They are able to produce different types of vegetables throughout the year, while in the past they didn't grow any winter and off-season vegetables. The support of tools and equipment like crates, weighing scale, scales, record keeping register, sales passbook, etc., have made farmers' farm operations easier. The training and exposure visits provided to farmers and MPC members have improved their knowledge and motivation to further this agriculture produce collection and marketing efforts. With more experience, they are sure to attract more members (farmers) interested to work in collaboration with them, as demand for expanding membership is coming from previously excluded households.

Table 1. collection centers established by the project

District	Number of collection center and location
Bara	4 (Ramnagar vegetable CC, Haraiya; Jaitapur goat CC, Manaharwa; Namuna goat CC, Kohlbi; Shivamandir vegetable CC, Fattepur)
Rautahat	4 (Kankali Vegetable CC, Gujra-4, Kanakpur; Sakhuwa Dhamaura vegetable CC, Brindaban-7; Dumariya Vegetable CC, Dumariya-10, Chetnagar; Goat CC, Chandrapur-6)
Sarlahi	5 (Maharani Bazar vegetable CC, Gaurishankar; Ishwarpur agriculture product CC, Ishwarpur; Bhole agriculture product CC, Bhaktipur; Agriculture product CC, Basantapur; Shree Hanuman CC, Dhankaulpurwa)
Mahottari	5 (Fresh vegetable CC, Bardibas-5; Hanuman CC, Bhagha-6; Kantibazar agriculture CC, Gaushala-12, Belgachhi; Baba Tuteshwor goat CC, Bardibas-5, Maisthan; Laxmi vegetable CC, Gaushala-8, Belgachhi)

Market efficiency and effectiveness

Since the CCs are established nearby the villages, farmers need not to travel long distance for selling their products unlike in the past, saving farmers valuable time. Since the produce isn't exposed to outside weather for several hours, as in haat bazaars and other local markets, the quality of produce is also maintained. The CC reduces the cost of transaction and chances of non-payment, delayed payment, low payment, etc. Smallholder farmers also need not to worry about small volumes of their produce as, once combined with other group members, they can be treated as large producers, receiving more reasonable prices.. Buyers also benefit from this intervention, since they can collect a required bulk of product from one place and reduce the cost and hassle of assembling and transportation. They can also choose required goods from the wide variety of products available at CCs.

Key Learning

- Since it is first year of operation, there is still a lot to improve in most of the CCs. More awareness and coordination is required to increase the number of producers taking part in marketing agricultural produce so that a higher volume can be collected at CC and transacted to big cities to secure more profit.
- Multiple options of marketing is a hindrance for collective marketing in Terai as small farmers can sell in the hat bazaar or cycle to nearest road head market if they think that they will get a slightly higher price than offered locally in the collection centre. Therefore, coordinated effort is necessary, which requires appropriate system, mechanism and policies.
- There is a need to make farmers understand the value of collective and coordinated marketing. This will enhance the bargaining power for better prices. At present, sales volume of most CC is not sufficient and hence MPCs have not been able to attract many buyers and as a result, have a little say on price negotiation.
- MPC members need to be further capacitated in motivating farmers and expanding network with other entrepreneurs. More support on capacity building and cross-learning may help MPCs to perform better in the future. For this, however, the volume of transaction needs to be increased and this is where member farmers should play a role.

- Sizeable volume of products will attract businesses from distant markets. Low product diversity has prevented markets from being able to attract more customers (wholesalers) that have demand for different products.
- The CCs are also not able to attract goat farmers since goats are relatively high in demand and are readily sold from farm gate. Farmers are losing money since such sales are made without actual weighing and based on assumptions or lump-sums. So, there is much opportunity to raise awareness and promote business of goat CCs.

Case study 1: Krishi Sankalan Kendra Laxamaniya, Kantibazar, Mahottari

Established: December 2016

ELIVES beneficiaries involved in vegetable production realized the need of collection centre in Laxminiya and formed MPC. The project contributed NPR 260,000 for materials (crates, weighing machine, sales recorder, sales passbook, etc.) and DADO supported NPR 969,000. The local community was able to generate NPR 145,880. With this total cost of NPR 1,140,880, a CC building was constructed in the project site. In this collection center, four vegetable groups and fourteen goat-raising groups are involved, along with 100 members from outside these groups. The collection center operates on Saturdays and Tuesdays every week.

The community has also formed a cooperative for saving and credit activities, which also manages the financials of CC. The MPC members are actively engaged in expanding CC's business network as far as Narayangadh, and plan to reach out to Kalimati market in Kathmandu. However, the low volume and limited diversity of products is a challenge since even not all of the members from the 18 network groups have joined CC. Their production is also seasonal (June to October; December to February months). However, in the very first year they have been seeing average sales volume of 1.2 MT and up to 2.5 MT in the collection day and see hope in their business. CC charges NPR 0.5 per kilograms of vegetables sold in order to bear the administrative costs. The income is deposited the earnings in the cooperative itself, so it generates interest from the credit given to group members. They are now concerned to expand their membership, increase awareness of benefits of APCC, promote off-seasonal vegetable, and further diversify products further in order to expand economy of scale.

- Due to bordering area, Indian merchants also buy a large chunk of products at cheaper price since farmers are involved individually in such sales. With appropriate intervention from MPC, both farmers and businesses from India may benefit.
- Little loyalty of small producers is a problem in product aggregation. Collection centers should be able to offer multiple services (production planning, input supply, advisory services, market information etc.) to its suppliers in order to build suppliers' loyalty.
- It is difficult for farmers to transport their produce to collection centers and they prefer to sell to traders directly from their farm. Farm gate purchase facility would further encourage farmers to participate in CC business. Even in such cases, CCs can link farmers with buyers, record transaction and facilitate payment.
- An intensive and continuous facilitation is needed to build the capacity of collection centers in marketing produce. Project duration was realized to be too short to have a meaningful impact in marketing linkage for smallholder producers.
- Early establishment of CC may not align well with the production pockets that will eventually develop during the project period. Therefore, making MPCs aware on complexities of fresh produce marketing and building their capacity to undertake basic market research are important before investing in CC. If the demand of CC comes at this stage, it is more likely to be sustainable.

For further information:

ADRA Nepal Country Office, Sanepa, Lalitpur, Nepal
 Phone: (+977)-1-5555913/14; Fax: (+977)-1-5554251
 Email: info@adranepal.org; Website: www.adranepal.org
 Published Date: June 2018

The project was implemented by ADRA Nepal in partnership with iDE Nepal and FORWARD Nepal. Four district-based NGOs- JJYC/Bara, RDC Nepal/Rautahat, Chetana/Sarlahi and CDAFN/Mahottari implemented the project in respective districts. ADRA Nepal acknowledges the service of GrowInnova Pvt Ltd in documentation of this practice.

