

End of Project Report (October 2009 – November 2010) - Draft

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Executive Summary

The main objective of this grant was to “improve the grain marketing systems through establishing group-based Model Satellite Stores (MoSS) to enhance marketing opportunities for small-scale farmers” The storage facilities were to act as model centres for grain bulking, quality control and as hubs for market information. The grant sought to address the challenges of fragmented / individualized marketing, high post harvest losses, inadequate market information and over-reliance on maize as a staple food. The project area was the districts of Trans Mara (Kenya) and Kongwa (Tanzania).

The project used the Smallholder Producer Group (SPG) approach, using both newly established and existing FBOs to realize the project goals. A total of 55 Farmer Based Organizations (FBOs) with a total of 3,370 (1,819 or 54% of them being women) have benefited from the project. 14 and 6 of the 54 FBOs are composed purely of women and youth respectively.

A total of thirteen (13) Model Satellite Stores three (3) of them being in Tanzania have been established against a project target of four (4). The combined storage capacity of the MoSS is 5,650 MT (1,500 MT in Kongwa and 4,150 MT in Trans Mara). One store with a capacity of 800 MT is leased from the Tanzanian State Corporation National Ranch Company (NARCO) by ACE Audit Control and Expertise Company for Warehouse Receipting System (WRS) purposes. On the strength of a recently signed Memorandum of Understanding (MoU), the WFP P4P has loaned CGA Wiikhalls with a combined storage capacity of 2,450MT which forms part of the 4,150 MT storage capacity in Trans Mara. All the stores have been equipped with basic grain post harvesting handling equipment such as moisture metres, weighing scales, gunny bags, electric generators, sieves, tarpaulins etc. Some of the equipment has been loaned from WFP P4P alongside the Wiikhalls as part of the said MoU. The MoU aims at CGA facilitating smallholder farmers to supply quality grain to the P4P project of WFP.

Through the established MoSS, a total of 5,707.82 MT has been bulked in the last 14 months. A total of 4,319.87 MT valued at US\$ 1,115,676.6 have been jointly marketed, 1,994 MT worth US\$ 549,519.68 (or 46 % being sales to WFP P4P). As at the end of the project, 22 FBOs were still servicing a 4,500 MT maize supply contract in Trans Mara area part of which has already been delivered. A balance of 1,308.95 MT is still held in the various stores in Trans Mara while more maize was still expected at the Panda Mbili stores.

Market linkage initiatives backed by comprehensive training have led to the farmers accessing diverse market outlets to supplement on their traditional market outlets. These additional markets include: the WFP P4P, National Cereals and Produce Board (NCPB) and Kenya Seed Company. Though maize still dominates the volumes produced and marketed by the FBOs, diversification into sorghum, millet and beans has started taking root.

A total of 395 FBO members have been trained at ten (10) Training of Trainers (ToT) with 142 of them or 36 % of them being women. Seven (7) of the ToTs were in Trans Mara benefiting 285 FBO members while three (3) of them were in Kongwa and benefited 110 FBO members. A further 3,332 (1,469 or 44 % of them being female) smallholder producers have been trained in 22 grassroots training (at the FBO level). The training sessions were on the broad themes of FBO governance, quality management and marketing skills.

Details of Accomplishments for the period

1. Newly Established farmer groups and increased membership of SHAs

Twenty (23) Farmer Based Associations (FBOs) were newly established against a target of five (5) and a further thirty one (31) other FBOs that were already in existence were mobilized during the project life. This has brought the number of FBOs that CGA is working with in the project area to 54 in Trans Mara, Kenya, from 27 at the beginning of the project. Fifty three (53) out of the 54 FBOs with 1,578 members (724 female; 854 male) are in Trans Mara district while the other one is in Kongwa District, Tanzania. Of the Trans Mara groups, 14 are made up purely of women members while 6 are made up purely of youth. In Tanzania, the project worked with the FBOs in the Kongwa area to establish one umbrella group (Cereal Growers Association of Kongwa (CGoK) for 135 sub-groups with a total of 1,792 members (1,095 female and 697 male).

The total number of farmers that have been mobilized in the project area is 3,370 with 1,819 or 54% of them being women. Of the total, Trans Mara District accounts for 1,578 (724 female; 654 male) while Kongwa District accounts for 1,792 (1,095 female; 697 male).

Viewed against a baseline of 714 members (656 in Trans Mara and 58 in Kongwa) in October 2009, the new FBO membership numbers represent a 370% growth against the set target of 15% members. The number of women benefiting from the project has also increased from 305 in December 2009 to 1,819 as at November 2010 representing a 496% growth against a target of 5%.

2. Establishment and Enhancement of Available Storage Capacity

In view of the limited access to suitable storage structures that smallholder farmers suffer in the project areas, CGA sought to identify available structures that could be renovated into suitable grain stores. A total of thirteen (13) Model Satellite Stores three (3) of them being in Tanzania have been established against a project target of four (4). The combined storage capacity of the 13 MoSSs established so far is 5,650 MT (1,500 MT in Kongwa and 4,150 MT in Trans Mara).

In Trans Mara, the available structures are of diverse designs: in some cases, former grocery stores were identified, renovated and equipped for use by the FBOs e.g. in Romosha Satellite

Store. The Keiyan Satellite Store is a set of timber structures that had been built by a farmer cooperative. In Angata, there were no suitable structures and CGA with the support of the project approached the WFP who agreed to lease 4 Wiikhalls (purpose built tents) with a combined capacity of 200 MT to the FBOs in the area during the March harvest season. Since then, a further 2,250 MT worth of Wiikhalls storage space has been installed in the entire Trans Mara area bring the total Wiikhalls grain storage space to 2,450 MT. The balance of the 1,700MT storage space in Trans Mara is an assortment structures made up of timber, bricks, stones or iron sheets and are either rented or owned by the FBOs.

In Kongwa, as a result of a Government initiative in earlier years, dozens of village based stores are available. The project identified two such structures: one at Panda Mbili (500 MT) and one in Songa Mbele (200 MT) for use by the FBOs in the area. Later, a National Ranch Company (NARCO) owned facility (800MT) leased by the ACE Audit Control and Expertise Company for Warehouse Receipting System (WRS) purposes was also put under the use of the CGoK.

All the MoSSs have been equipped with basic grain post harvesting handling equipment such as moisture metres, weighing scales, gunny bags, electric generators, sieves, tarpaulins etc. and security provided. At times when the FBOs have needed fumigation services for stored grain, the project has worked to link them with qualified service providers. In addition, all the bulking centres have been facilitated with inventory management documents such as Goods Intake Receipt (GIR), Goods Release Voucher (GRV) and Stock Card. Training on how to use the said documents and application of other recommended warehouse management best practices has been offered to all FBOs.

Summary details for the 13 MoSS Grain Bulking Centres established during the project life:

	Name of Bulking Centre	Capacity (MT)	Type of store	Ownership	Bulked Commodities
1.	Angata MoSS	1,050	Wiikhalls	Loaned	Maize
2.	Oldonyo Orok A	900	Wiikhalls	Loaned	Maize
	Oldonyo Orok B	200	Stone walled	Rented	Maize
3.	Olopi Kedong'e	250	Iron sheets	FBO owned	Maize

4.	Kondamet	50	Stone walled		
5.	Enoosaen	450	Wiikhalls	Loaned	Maize
6.	Keiyan	1,000	Timber walled	Rented / FBO owned	Maize, sorghum, millet, beans
7.	Romosha	100	Stone walled	Rented	Maize, beans
8.	Oloiborsoito	50	Wiikhalls	Loaned	Maize
9.	Isokon	50	Mud walled	Rented	Maize, beans
10.	Ngararu	50	Brick walled	Rented	Maize
11.	Panda Mbili (Kongwa)	500	Stone walled	Community owned	Maize
12.	Songa Mbele (Kongwa)	200	Stone walled	Community owned	Maize
13.	NARCO (Kongwa)	800	Iron sheets	Government owned	Maize
	TOTAL	5,650			

3. Strengthening Capacity of FBOs

In a bid to strengthen the FBOs capacity to access organized markets, reduce transaction costs and reduce post harvest losses, CGA facilitated a range of training sessions during the project life. The training was group based and was delivered at two levels: Training of Trainers (ToT) and Grassroots Level Training (GLT). The ToTs were a 2-3 day session and targeted FBO leaders and other opinion leaders with the capacity to train others and who reside within the communities where the FBOs are found. The GLTs were half day training sessions organized around the bulking centres and would target a group of 3-5 FBOs in a certain area and even members of the public.

a) Training of Trainers (ToT) Facilitation

A total of 395 FBO members have been trained at through ten (10) ToTs with 142 of them or 36% of them being women. Seven (7) of the ToTs were in Trans Mara with 285 (94 female; 191 male) FBO members participating. In Kongwa District, three (3) ToTs were conducted with 110 (48 female; 62 male) FBO members benefiting.

The topics covered under the ToTs were: group dynamics, FBO management, resource mobilization, credit mobilization and access, records and record keeping, entrepreneurship and business planning.

b) Grassroots Level Training (CLTs):

A total of 3,332 (1,469 or 44 % of them being female) FBO members were trained in 22 GLTs (at the FBO level). Five (5) involving 500 (311 female and 189 male) members of CGoK of the GLTs, all of them on post harvest handling (PHH) skills, were conducted in Matongolo, Hogolo, Hembahemba, Lenjulu and Songa Mbele Kongwa District. The rest of the GLTs benefited 2,832 FBO members (1,280 female; 1,552 male) and took place in Trans Mara. The topics of discussion during the GLTs were:

- Stores Management and Warehousing
- Records and Record Keeping
- FBO Leadership and Management and
- Post Harvest Handling Skills.

Table showing a summary of the grassroots trainings conducted during the last 14 months

Title of training	No. of sessions	No. of participants		
		Female	Male	Total
Stores and warehouse management	3	191	104	295
Post harvest handling	10	542	796	1,338
FBO leadership and management	5	431	504	935
Records and record keeping	4	305	459	764
TOTAL	22	1,469	1,863	3,332

All the trainings were conducted by both the project staff and or drawn from the CGA pool of well trained, experienced and tested Consultant trainers drawn from the CGA pool of trainers. ToT beneficiaries would in all cases be given chances to train under the supervision and guidance of the consultant trainers so as to hone their skills.

4. Joint Produce Consolidation and Selling

Both Kongwa and Trans Mara experience two planting seasons falling roughly around the same months. The main harvesting season in both Kenya and Tanzania is in the months of July-August. There is then another harvesting season in February to March. The February – March (2010) harvesting season in Tanzania failed on account of drought but Trans Mara has experienced fair weather during the entire project period except occasional above average rain episodes at the time of harvest which has both lowered the quality of bulked grain and made key feeder roads impassable. In Tanzania therefore, the main produce bulking effort for started in the second season (July – August).

A total of 5,709.82 MT has been bulked in the last 14 months. Trans Mara has contributed 5,045 MT while 664 MT was bulked in Kongwa. A total of 4,319.87 MT valued at US\$ 1,115,676.6 have been jointly marketed. Trans Mara accounted for 3,736.87 MT and Kongwa 583 MT (13.5%). October 2010 was the first season for the FBOs in Kongwa to jointly sell their produce while it was the 3rd season for the FBOs. This was on account of late project take off and poor weather conditions in the November 2009 to February 2010 crop season. Of the 583 MT sales by CGoK, 276 MT was sold to WFP for US\$ 74,914.68 while the rest of the volume (307 MT) was sold to traders at a value of US\$ 60,561.89

At 2,013.87 MT, sales to traders and institutions constitute the largest component of the joint sales followed by sales to WFP P4P (1,994 MT). At 97.6 % of total volume jointly sold, maize remains the dominant commodity that the FBOs trade in. With the introduction of the other staples, particularly sorghum, it is expected that this dominances will not last for long. Effort will in coming days go into building the volumes of the other staples other than maize and also identify other large scale buyers.

a) World Food Programme (WFP) P4P

In the last 14 months, a total of 1,994 MT worth US\$ 549,519.68 (or 46 % of total joint sales by FBOs in the project area) has been sold to WFP P4P. Sales to WFP P4P have shown steady growth in every subsequent season in spite of significant challenges with logistics and

procedural issues relating to this market. In the first season (October 2009), only 145 MT was supplied out of a 250 MT tender awarded to just one FBO (Angata Widows Group) which works out to a 40% default rate. In the February selling season, 9 FBOs were awarded a 1,019 MT tender and there was nil default. In the current selling season, the number of participating FBOs grew to 22 (out of 26 applicants) in a 4,500 MT tender award to the Trans Mara FBOs. So far, about 552 MT out of the 4,500 MT contract have been supplied.

There was an additional 276 MT worth US\$ 74,914.68 out of a possible supply contract of 800 MT have so far been supplied in Kongwa by the CGoK in November 2010. WFP P4P Tanzania had originally awarded the 1,400 MT supply contract to Kibaigwa SACCOs who were unable to supply. CGA then approached WFP P4P to consider CGoK as a supplier of the required volumes. After a number of meetings involving the three parties in addition to National Microfinance Bank (NMB) who had financed the SACCO and also given CGoK a TZS 150 million (US\$ 102,041) as a part of WRS arrangement, the CGoK were asked to supply 800 MT of the total order. The WFP P4P (Tanzania) buying price was 271.43 while the prevailing maize prices in the market at the time of the Kongwa sale was US\$ 197.27 per MT reflecting a price advantage of 38 % or an extra USD 28,467.6 to the 431 (140 female; 291 male) FBO members who participated in joint sales.

Registration of SHAs as WFP Vendors

A total of 26 FBOs in the Trans Mara area have been successfully registered as WFP vendors. There was none before the project started. The CGoK application is still under consideration.

The Delivery Forward Contract (DFC) concept by WFP is still on the cards and it is hoped that it will be implemented in the 1st Quarter of 2011. The farmers are very optimistic about this given that the DFC they will more or less assure them of a market as they go into production.

b) Warehouse Receipting System (WRS)

The CGoK is waiting for a response from the Tanzania Warehouse Licensing Board on their application to get the Panda Mbili MoSS licensed as a warehouse. In the current season, due to unavailability of such a licence and the fact that they had already secured the loan facility from NMB, they were forced to use the ACE Audit and Control Expertise managed facility at

NARCO, Kongwa. Eighty one (81) MT went through it. The credit arrangement emanating from this facility was US\$ 133.3 per MT or TZS 196,000 per MT of maize). This worked out to 75% of the market price then and the interest rate applicable for participating farmers was 14%.

In Kenya, no volumes were sold through any WRS arrangement.

Summary Details for Bulked and Jointly Sold Produce

Crop	Bulked Volume (MT)	Sold Volume (MT)	Value of Sales (US\$)	Available Balance (MT)
Maize	5,594.45	4,218.30	1,057,936.6	1,295.15
Sorghum	70.60	67.00	35,733	3.60
Beans	35.57	27.57	17,340	10.00
Millet	7.20	7.00	4,667	0.200
TOTAL	5,707.82	4,319.87	1,115,676.6	1,308.95

Notes:

- ✓ *The available balance is at end of November 2010.*
- ✓ *Exchange rates – US\$ = KES 75 = TZS 1,470*

The contribution of WFP P4P has continued to rise and by the end of the project, sales to the UN agency were 46 % of the total. Effort will continue to identify other possible large scale buyers of a similar mould. WFP P4P has also contributed by way of facilitating some trainings and loaning significant amounts of grain handling equipment to the farmers. These included: Wiikhalls as mentioned earlier, tarpaulins, weighing scales, moisture metres, stitching machines, and packaging materials (branded bags).

Summary table for buyer category contribution in the joint sales

Crop / Buyer category	WFP P4P		NCPB		Other traders		Kenya Seed Company	
	Vol. (MT)	Value (US\$)	Vol. (MT)	Value (US\$)	Vol. (MT)	Value (US\$)	Vol. (MT)	Value (US\$)
Maize	1,994	544,091	238	81,015	1,986.30	427,402		

Beans	-	-	-	-	27.57	17,340		
Sorghum	-	-	-	-	-	-	67.0	35,733
Millet	-	-	-	-	-	-	7.0	4,667
TOTAL	1,994	549,519.68	238	81,015	2,013.87	444,742	74.0	40,400

Note:

Other traders includes: institutions such as Schools, Hospitals, Prison Services,

5. Summary of Project Impact and Results

Through the support to FBOs under this grant, the following is the summary of the impact and results based on project indicators:

i) ***Increased income to farmers*** - with the provision of the storage facility / equipments and WFP providing an alternative market for the small scale farmers, there has been improvement in the quality aspects of maize received at the stores and storage period has increased from a situation where farmers were selling at farm gate immediately they harvest to even 6 months down from four months last quarter. The 75% reduction in sourcing time for the buyer from four weeks to a week has remained constant. This has been possible through the awareness that maize stocks are available at the stores. On the other hand, there has been a 68% reduction in transaction costs by farmers, where farmers are on average incurring transaction costs of about Kshs 70 per bag of 90 kg compared to the normal Kshs 220 – 300 per 90kgs bag when farmers individually market their maize as individuals.

As a result of improved capacity to maintain quality of harvested grain an access to improved storage facilities, the storage period for the last batch of grain to be collected was 6 months.

ii) ***Greater capacity to access organized markets*** – the various trainings (on record keeping and quality management) and establishment of grain bulking centres have made the FBOs participating in the project attractive to top end buyers. This is due to the fact that such buyers are now assured of economical volumes of grain meeting the necessary quality standards. On the other hand, the farmers are now well versed with the procedural

requirement that go with dealing with such key buyers as the WFP. Additionally, the farmers have adopted a traceability system that allows them to track each individual bag of produce delivered to the MoSS to an individual member. This has encouraged all members to strive for quality during the bulking exercise.

iii) ***Improved access to credit services*** – better financial management practices have built trust among the FBO membership. For instance, all the SHAs have bank accounts through which all financial transactions are managed. All participants in joint sales exercises have bank accounts in the same branch as the group to eliminate the need for the group officials to physically handle funds owing to individual members.

iv) ***Linkage to other business support services*** – the FBOs' networking capacity has been enhanced through the various market linkage initiatives. In addition to the storage and market linkage services, the project is also working with a number of agric related firms and service providers both in Kenya and Tanzania. These include: output buyers (WFP P4P, NCPB, traders, schools and other institutions, Kenya Prison Service, millers), Input / service providers / consultants (fumigation service providers, seed companies, Financial services providers, institutions of higher learning e.g. Sokoine University of Agriculture, Government departments.

6. Challenges faced during the Quarter and Recommendations

The main challenges in implementing the project included:

- i) ***Inadequacy of the available storage capacity*** – available space and equipment was at times stretched given the expanded group of beneficiaries. Sometimes the spare parts and replacement items such as threads to the stitching machines are unavailable within the immediate vicinity of the Project area. This delays operations at the stores.
- ii) ***Slow pace of WFP procedures*** - at times frustrates the farmers' efforts and discourages others. There has been a noted delay in issuing farmers with contracts, re-

bagging bags, which consequently causes delays in uplifts and payments for delivered produce. Delay in implementing critical steps of the process: tender floated late during the season, long gap between tender opening and award of contracts, bags delivery, uplift etc.

- iii) ***Leadership wrangles after initial success*** – it was through this project that most of the FBOs were engaging in joint sales. As a result, a lot of them did not have adequate management systems in place in how to manage group finances and resolve conflicts. There was a number of FBOs that got into conflicts mostly due to fight for leadership positions and inadequate records and disclosure on group expenditure.
- iv) ***Price volatility*** – this is particularly so for maize and leads some large scale farmers believe that, at most times, uncompetitive to buy from small-scale farmers in Kenya. The volatility would sometimes lead to a situation where the contracted price turns out to be lower than the one offered to farmers even by middlemen as the season progresses.
- v) ***Lack of commitment to contracts by farmers*** - due to need for rapid cash and late contracting with WFP, this has led to some FBOs getting contracts for which they deliver nothing. The slow pace of WFP internal procedures may have contributed to this too.
- vi) ***Unreasonable farmer expectations*** – on account of misconceptions on WFP buying procedures and the role of different development partners, there were times farmers would expect that either price offers would be above market rates or that there would be donations of different kinds.
- vii) ***Weather and poor infrastructure*** – Trans Mara has throughout the project period experienced above normal rains which has led to high post harvest losses in spite of regular training. This has been compounded by poor roads that have at times delayed the uplift of bulked and certified produce. Sometimes this led to re-infestation and hence need to carry out extra fumigation activities at the farmers' expense.

7. Lessons Learnt

- i) ***Need for many alternative buyers*** – there is an urgent need to develop other market outlets so that farmers can avoid frustration when inefficiencies emerge with any one of the large buyers. This happened in Trans Mara in the just concluded quarter when WFP

delayed maize pick ups and / or payments to some of the FBOs.

- ii) ***Need for programs to work together*** - We also learned that development partners working in the same area with same interest should work jointly so that farmers don't get confused in addition to the obvious fact of efficient utilization of resources.
- iii) ***Farmers willing to buy own grain handling equipment*** - with an assured market farmers are willing to invest in grain handling equipment among other agricultural investments. Already, CGA is working on a plan to graduate the farmers from donation and intense support to sustainability of project interventions through FBO capacity enhancement.
- iv) ***Involving government officials is essential in trust building*** – in all aspects the project has ensured that the relevant Government officials remain part of the process. This has mainly been the District Commissioner and Ministry of Agriculture officials. This acts to give confidence to the smallholder producers who, due to either lack of exposure or past negative experience, may be unwilling to consolidate their produce together for joint selling.

8. Recommendations

- i) ***Better communication and coordination*** - in coming days, the project needs to work on better communication and coordination between the different units (P4P, programme, FBOs and CGA) to avoid frustrations. Forward contracting can be a solution but it has its own challenges, particularly in Kenya and for maize due to the price volatility mentioned earlier.
- ii) ***Warehouse Receipt System (WRS)*** – due to lack of sufficient storage at the FOs/AD level which has at times led to delays in grain uptake from the FBOs, the project needs to remain engaged in the national effort of getting WRS functional in the two countries.
- iii) ***Commercialization of training services*** – the ToTs beneficiaries are the closest to the FBO members and need to be supported to hone their skills further. The farmers encouraged to engage their services on a commercial basis.

