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CAPM OVERVIEW: CONSULTANT'S REPORT

COMMERCIAL PRODUCTION AND MARKETING PROJECT

Contract Number 645-0229-C-00-9019

Prepared in association with:

United States Agency for International Development

and

The Ministry of Agriculture and Cooperatives
Mbabane, Swaziland

Submitted By:

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December 3, 1992

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SECTION I
INTRODUCTION

The Chief of Party Candidate arrived in Swaziland November 11, 1992 and interviewed the following day with the Government of Swaziland (GOS), and USAID for the position of Chief of Party/Training and Technical Assistance Supervisor. Present at the interview with Ministry of Agriculture and Cooperatives (MOAC) were Frank Buckham, Principal Secretary, and Patrick Lukhele, Director of Agriculture. Interviews at USAID included one with Ed Baker the Agricultural Officer and Steve Goertz the Project Manager, and one with the Mission Director.

The Consultant was notified Friday, November 13, 1992 that he was selected for the position and asked to remain in-country for approximately three weeks on a short term consultancy to facilitate the transfer of project responsibilities.

The Consultant assumed the position of Chief of Party upon the departure of Kimball Kennedy, Sunday, November 29, 1992 and served as such until December 3, 1992 when he returned to the U.S. Doyle Grenoble, the project Horticultural Specialist was designated as Acting Chief of Party and will serve as such until the Consultant returns in early January, 1993.

This report is presented to USAID as the major output set forth in the Scope of Work of the short term assignment, namely:

> "prior to departure, present to USAID a draft document outlining a strategy for successful development of the annual plan of work. It is anticipated that this document, which will identify critical issues to be considered, will be reviewed by USAID and "reality checked" by the TA Team during the month of December and will serve as a framework for developing the annual work plan..."

SECTION II
BACKGROUND AND OVERVIEW

CAPM functioned during its original years at more-or-less the policy level on the premise that if the policy and program environment in Swaziland were improved and agribusiness development was facilitated, commercialization of agriculture would occur.

The implementation strategy which characterized the project's redirection in late 1991 and early 1992 included the following thrusts: providing training and direct technical assistance to develop linkages between small-scale farmers and private sector Swazi marketing firms; concentration of efforts on fresh horticultural production and marketing; penetration of domestic, regional and export markets; and the demonstration of the viability, sustainability as well as replicability of the concept of linking Swazi fresh produce marketing firms directly to commercial Swazi horticultural producers through programmed production.

Operationally the new strategy required recomposition of the CAPM technical assistance team, and an extension in the termination date of the technical assistance contract. This was all finalized and initiated between December of 1991 and January of 1992. By February of 1992, a LOP Plan of Work had been developed and the staff hired and fielded.

In October 1992, the position of Chief of Party/Agribusiness Specialist was split in order to increase the amount of technical support to the participating marketing firms. The new Agribusiness Specialist was fielded October 30, 1992.

The new Chief of Party was selected in mid November, 1992. After an initial three week STTA, the COP returned to the U.S. to mobilize for the long-term assignment in early January 1993.

At the present time, the redirected CAPM project is in the second half of its first annual Plan of Work. This plan, covering the period October 1, 1992 - March 31, 1993, focuses the CAPM team primarily on moving the marketing firms into a closer working relationship with the small scale farmers. Technical assistance and training efforts are being directed and focused on specific activities to create conditions under which the firms and small scale horticultural producers can operate on a sustainable basis, without direct intervention from CAPM. The change in the TA Team's composition reflects this focus. Bringing aboard a full-time Agribusiness Specialist and a new Chief of Party with Training and Technical Assistance Supervision responsibilities strengthens the team's ability to work more intensely in specific areas that are critical to the project's success.

There are essentially five major areas of concentration in the project: 1) farmers, 2) marketing firms, 3) down-stream markets receiving the produce and the two linkages between. This can be thought of as five links in a marketing chain with the weakest links being the one between the farmers and the marketing firms and the marketing firms themselves. The addition of the Agribusiness Specialist will allow the project to work more directly inside the marketing firms on an almost daily basis, strengthening the management capacity from within. It will also free up the Marketing Specialist to explore and facilitate development of new markets and Marketing Advisor to work on the ever-critical link between the farmers and marketing firms.

In addition to administrative responsibility for the CAPM TA Team, the Chief of Party/Training and Technical Assistance Supervisor will be responsible for working with the other team members, helping them to identify training needs and arranging for training to take place. This will allow for a coordinated implementation of a comprehensive training program.

SECTION III
ISSUES AND STRATEGY

To develop the annual plan of work, a number of important issues, constraints and mitigating factors must be examined. Much of the strategy of the new plan of work will depend upon results of this examination.

Kimball Kennedy, in his End of Tour Report, examined a number of critical issues that the project must face in the near future. Rather than review all of them here, the Consultant refers the reader to that document for an additional perspective. Having carefully reviewed this document, many of these issues have been recast and are discussed below within the context of the development of the next annual Plan of Work.

A. Competition with Hawkers

One of the perennial constraints to programmed production, is the traditional role of the hawkers, who come to the farm in their bakkies and purchase produce for cash. The farmer receives instant payment and does not have to worry about when and how his produce will be transported to market. The hawkers, because of low overhead, are able to pay spot-prices often substantially higher than the programmed price.

The problem with this system is that the hawkers are very unreliable. A farmer cannot count on regular service from them. They are readily available during the beginning and end of the seasons when volume is low and the prices are high, but when production increases and the markets become well supplied, they are not to be found.

As the existence of hawkers will remain a fact of life, two approaches must be made to overcome the negative impact of the hawkers on programmed production. These two approaches must be implemented together and closely coordinated.

- Production must be programmed and be at the projected levels as soon as possible within the season, to allow for the hawkers activity while ensuring enough product flow into the programmed production system.

- The farmers must understand that greater overall profit can be made by continuing participation in programmed production. Although spot prices may be higher during some parts of the season, overall they will be able to sell throughout the season, and make a greater total profit. Ideally, they would also grow first for the programmed market and sell excess or inferior grades to the hawkers. The only way to accomplish this is through increased training efforts with the farmers, and some selected on-farm demonstrations, as well as increasing reliability of the marketing firms and lessen the chance of a vendor sales decision.

B. Weak Links between the Farmers and Marketing Firms

One of the weakest links in the marketing chain supported by CAPM is that between the farmer and the marketing firm. The weakness of this chain, apart from the transport issue which is covered below, is due in part to inadequate communication between the marketing firms and the farmers. It also is due to a lack of understanding of the realities of produce marketing. This has often led to misconceptions and unrealistic expectations on both sides.

Ideally, the solution to this problem is that the firms would have adequate field staff to closely work with their participating farmers. To date, these fledgling firms have not had the resources to provide this type of support, and the responsibility has fallen on the CAPM team. The CAPM team has not been as successful as hoped in improving this linkage. The recent reorganization of the team is seen as a giant step in the right direction. While most of the team's Field Assistants are concentrating on production oriented tasks, one Field Assistant has recently been assigned full time to the Marketing Specialist to coordinate the harvest forecasts and verify volumes.

Additionally, the addition of the Agribusiness Specialist to the Long Term team, will free up the time of the Marketing Advisor who has until now been concentrating on the day-to-day operations of the marketing firms. The Marketing Advisor will now be concentrating specifically on strengthening this linkage, and addressing how it can be institutionalized within the firms. These efforts will be backed up by training, coordinated by the COP/Training and Technical Assistance Advisor.

C. Sorting and Packing of Produce

To date most of CAPM's efforts in sorting and packing have focused on it being done in the field by the farmers. The major problem has been getting consistent quality of the pack. Often, poor quality packing quality has resulted in significantly lower prices. In designing the annual Plan of Work, alternatives to field packing must be explored. There are three approaches that can be taken. The most likely outcome will probably be a mix of two or three.

1. Field Packing Operations

Increase efforts to improve the quality and consistency of field packing operations. This will require a major training effort and constant monitoring. Field packing is probably most suited for certain crops. Peppers is a good example of a crop where field grading is likely to succeed.

2. Establish Collection and Grading Points

Attempt to establish localized central collection and grading points. Rather than try to work on every farm, follow up on utilizing the scheme-associated packing areas provided under the IFAD irrigation program. If properly implemented, this would help solve a lot of problems, including transportation to the

marketing firms, and efficiency in training and monitoring. A problem exists, however, when this concept is taken out of the irrigation schemes. Farmers could have trouble getting their unsorted and ungraded product to whatever point is designated. To overcome this problem, the project will consider establishing central collection sites, relying on farmer groups collaborating to concentrate product to ease the logistical constraints.

3. Packing Shed Option

For certain crops, tomatoes and sweet corn included, there is an argument to be made for a centralized packing shed. Mr. Kennedy discussed this in his paper and the Consultant agrees that this is an issue that must be approached with careful thought. To add another level or link to the marketing chain will require additional efforts to "institutionalize" it in order to assure sustainability. Whether CAPM supports this type of intervention will be based on determining the best use of it resources.

Another factor to be taken into consideration would be the location of such a facility. In the case of tomato production location would depend upon decisions made as to where the winter programmed production will take place. If production is to be concentrated in one area, then the facility should be located there. If production is to be from scattered areas, then the location should be centralized, probably in the Matsapha area. In the case of sweet corn, the perishable nature of the crop and critical times of harvest argue that production be in close proximity to the project headquarters to ensure adequate monitoring. Centralized packing in Matsapha makes sense for this crop.

These three approaches will be analyzed over the next month and final decisions will be made during the development of the plan of work.

D. Management Weakness within the Marketing Firms

The marketing firms vary considerably between one another in the volume of business they transact and in their financial and human resources. The one common denominator is very weak management. The addition of the Agribusiness Specialist to the CAPM team with a scope of work that focuses on the day-to-day operation and management of the companies is an important step taken to correct this shortcoming.

The completion of business plans for three companies in December will be another step toward achieving sustainability. These plans will be implemented with the assistance of the Agribusiness Specialist.

Additional support will be provided by Short Term Technical Assistance. Mr. Mannion is scheduled for January. Working under the technical direction of the Agribusiness Specialist, he will sit daily with one or more of the companies. If this format proves successful, the project will look into utilizing more of the same type of assistance. Use of management training courses

offered in-country will also be explored. These type courses can be selected to provide either general management motivation and/or to improve specific skills of the managers such as personnel management, finance, etc.

E. Transport from Farm to Marketing Firm

Perhaps the greatest challenge faced by the farmers and consequently by the project is the lack of adequate transportation of product from farm to marketing firm. Most farmers are not well off enough to own bakkies and therefore have to rely on the marketing firm for pick-up. The under-capitalized marketing firms don't own adequate transport and will not likely to be able to purchase new equipment in the near future. They have often relied on the subsidized transport provided by NAMBoard. These trucks must make long pick-up routes. This often results in some farmer's crops not being collected, particularly early in the season when individual daily harvests are quite small.

This problem becomes more urgent due to the uncertain future of the heavily subsidized NAMBoard transport. The TA team will explore various approaches.

If production is high enough season long, some feel that the transport will be there because it is economically viable to pick-up full loads. One way the project can try to increase the size of loads is to work with all farmers within an irrigation system. System wide production, tied to localized collection points will make transport much easier and more cost effective.

The project, working with the firms, will attempt to find financing for these firms to purchase transport. The more direct control a firm has on its ability to collect product and otherwise service the farmers, the more reliable they will become in the farmer's eyes.

A third method that will be explored, particularly if NAMBoard transport is abolished, is the participation of private trucking firms. It is difficult to locate trucks when needed. Perhaps one or more firms, if they understand the need, will become actively involved in produce transport. They might even be able to purchase the NAMBoard fleet, should it be sold. An active transport serving the needs of the marketing firms would be of tremendous importance to the projects efforts towards sustainability.

F. Ever-changing Environment in which the Project Operates

The redirected CAPM Project, less than a year into implementation finds itself operating in an environment that in many ways is at a cross-roads. Various government and donor agencies are either undergoing change or are undertaking activities that can have a direct effect on the project.

1. Changing role of NAMBoard

A recent study of NAMBoard reportedly has made recommendations affecting the operation of the Swaziland Fresh Produce Market. Whether these recommendations are adopted as a whole or in part, could seriously effect the operations of the NAMBoard trading companies. Since three of our participating companies are NAMBoard traders, these changes will affect the nature of our work with them. One aspect mentioned above is that of the subsidized transport currently offered by NAMBoard.

2. International Fund for Agricultural Development (IFAD)

IFAD currently has a team in the country to put the final touches on a design for additional work to be carried out in the irrigation schemes. This work could overlap efforts currently carried out by CAPM or approaches currently under consideration to increase the cooperating farmer base in the schemes. With the limited amount of resources and time left, it is important that CAPM design its interventions to compliment those of the IFAD project. The closer the two projects work together, the better off both are. Once the IFAD implementation team is in-country, it will be very important for CAPM to try to enlist their support of the concept and develop an integrated implementation strategy.

3. Possible Extension

The project, currently scheduled to terminate in November of 1993, has been proposed for extension until 1995. Both the Mission and the Government of Swaziland are keen to see this happen. The implications on the project are enormous. In the short period of time since project re-direction, much has been accomplished and much, much more has been learned. These lessons, many covered in Mr. Kennedy's close-out report, can be valuable in shifting the approach taken during an extension.

More importantly, however, are the implications of closing the project out in November 1993. To successfully complete the project early, a plan of work will have to be developed to focus project resources on fewer areas in order to ensure sustainability. This could require hard choices as to the number of participating farmers and companies, the types of interventions and utilization of project resources such as STTA and training budgets.

Before an annual plan of work can be completed, CAPM will need to have a much clearer idea of the intentions of the agencies involved in these issues. Hopefully, things will be much clearer by January when the team begins a concerted effort to develop its Plan of Work.

G. The Future Role of the Project Field Assistants

There has been much discussion of the role of project field assistants and whether or not they should be more closely aligned with the marketing firms. The issue of changing the role of the field assistant by attaching them directly to the firm has major

implications to the project and is central to the future development and sustainability of the project. Major advantages and disadvantages are outlined in Mr. Kennedy's End of Tour report. These must be considered carefully before a decision is made and implemented.

H. The Role and Timing of Short Term Technical Assistance (STTA)

A number of factors will be considered when scheduling STTA in the plan of work. The major factor, of course, will be the likelihood of an extension. If no extension is forthcoming, then the project will come under considerable pressure to field STTA in a manner that will benefit the sustainability of the companies most. In obtaining STTA, CAPM will explore all options, local and expatriate, including use of volunteer organizations. Determination and scheduling of specific STTA requirements will be developed and presented in the plan of work.

I. Number of Participating Farmers

The project is currently trying to balance the need to expand the participating farmer base and the need to concentrate activities into geographical areas that can be adequately monitored. We have seen over the past two seasons, largely due to drought, the number of farmers who enter a seasonal production program, drop out part way through. This winter, a conscious effort was made to work with fewer farmers who had skills and drive to succeed. It is critical, now, that we concentrate in smaller areas so that our efforts with the farmers will have greater impact.

One strategy for this is to work with fewer irrigation schemes but to try to involve all farmers in each scheme. This not only solves problems of providing farmer support, but allows for more centralized collection points for the produce, thereby eliminating some of the constraints on transportation.

If the project is to close out in November, however, it might be necessary to further reduce the number of farmers participating in the project or concentrate in fewer areas in order to focus enough support to ensure the sustainability of our efforts.

J. Size of Participant Farms; an Adequate Mix

While the mandate of the project is concentrated on the small farmer, primarily on Swazi National Land, there are a number of growers who have considerably larger acreage and yet still be classified as small growers. It is these growers that will be able to produce enough through-put to ensure the health of the fledgling marketing firms. With adequate through-put to grow and survive, not only will the sustainability of these companies be increased, as will their ability to invest more in working with the primary CAPM beneficiaries. Critical to the next Plan of Work is to decide how much CAPM wants to and is able to work with these larger growers.

SECTION IV
CLOSING COMMENTS

The Consultant would like to thank the many officials of USAID and the MOAC for sharing views and insights about the project. He would also like to thank all members of the CAPM for their assistance and participation in many discussions about the status of the project and possible directions it can go. He would also like to thank the Chemonics home office for their assistance logistically as well as providing him with critical background information prior to his departing the U.S. for the interview.

This document has been prepared to stimulate thinking about these crucial issues as well as generate additional issues which will need to be considered in formulation of the next annual Plan of Work. In January, the team will begin a collaborative process whereby it will discuss these issues among themselves and with other principals involved in the project. An outline of the overall Plan of Work and expected outputs will be drafted. Each member of the expatriate long-term field team will draft an individual action plan to be attached to the Plan of Work. A finalized annual Plan of Work will be submitted to USAID before March 15, 1993.