

SUSTAINABLE BUSINESS LEADERSHIP AND MANAGEMENT IMPROVEMENT MODEL FOR FARMER ORGANIZATIONS

A Case of Mwala Fruits Growers Cooperative Machakos County

BACKGROUND

According to Ministry of Agriculture 2017, agriculture is the mainstay of the Kenyan economy, contributing 29% to the GDP directly and another 27% indirectly through services and linkages with other sectors. Transformation of subsistence farming to commercially-minded agriculture depends on an effective extension and advisory service, linking production to value chains and markets. However, these services are constrained by declining human resources, uncoordinated pluralistic extension service delivery and low funding¹.

In 2015, the Drylands Development Programme (DryDev) assessed agribusiness cooperatives, Community Based Organisations (CBOs) and Self Help Groups (SHGs) in target areas of Kitui, Makueni and Machakos. The assessment revealed that most groups were faced with numerous challenges in carrying out business activities due largely attributable to capacity limitations. Key among these was inadequate leadership and business management skill).

One of the DryDev programme targets was to establish enduring farmer groups through leadership and management capacity enhancement. However, DryDev observed that the government extension system within the programme sites lacked enough staff to sufficiently support farmer organizations improve their Business leadership and management capacity. Most groups in target areas are registered under The Ministry of Labour and Social Protection as SHGs and CBOs; or through The Ministry of Industry, Trade and Cooperatives for cooperative formations. The two institutions are grossly under staffed and poorly funded to help the groups to even comply with laws establishing them. For instance, the cooperative officer in-charge of incubating and mentoring Mwala Fruit Growers Cooperative Society Ltd is also in charge of training monitoring and regulating all cooperatives in Mwala, Mavoko and Yatta sub-counties.

This overwhelming state of affairs on the part of officers has contributed to skill gaps on leaders of the Farmer organizations leading to poor state of governance and management challenges for these groups.

Despite the challenges stated above, DryDev has managed to broker a working relationship between the supported groups, the relevant government offices and private sector. The process has been successful because most of the groups have been organized in two tier systems (1st tier comprises of producer organisations who coalesce to form 2nd tier organization) hence by providing government officers and project staff interventions at the leadership level to impact many farmers downstream through two tier systems explained in section three, DryDev has established an extension model to improve functioning, leadership and management of these groups.

One farmer organizations (FO) that underwent substantial positive transformation in the area of leadership and business management is Mwala Fruit Growers Cooperative Society Ltd.

ABOUT MWALA FRUIT GROWERS COOPERATIVE SOCIETY LTD

Mwala Fruit Growers and Cooperative Society Ltd started in the year 2015 as a self-help group and was formally registered as a CBO in 2016 before being transformed into a cooperative. It was initially started by a group of mango growers within the Mwala region but expanded to include farmers from the entire sub-county. Currently, the organization include 9 self-help groups with a total membership of 402 (157 Women). The initial focus of the organisation was to bring mango growers together for the purpose of exchanging ideas and pulling resources together in order to improve on mango and citrus fruits production and marketing. In addition to the flag ship mango value chain organization has also integrated other drought tolerant value chains in its business model to expand its product and service portfolio. The most common value chains which members engage in for both household consumption and commercial purpose include (mangoes, citrus fruits (oranges), green grams, cow peas and pigeon peas. The organization has grown over time positions to become producer and marketing organization as well as a service provider:

i. Marketing organisation: Markets members' produce by aggregating (bulking), processing (value adding), and selling raw or processed product in retail or wholesale markets on behalf of members.

¹ Government of Kenya (2017) Guidelines and Standards for Agricultural Extension and Advisory Services (GoK / Ministry of Agriculture, Livestock and Fisheries: Nairobi) 22pp



ii. Service organisation: Provide farmers with services related with production and marketing of their produce. Such services include facilitating access to credit, inputs (seeds, agrochemicals, farm equipment) insurance, artificial insemination, crop spraying, extension services, and training among others.

IMPACT STATEMENT

Through facilitation by DryDev and technical support by the cooperative officer the farmer organization transitioned from a CBO to a Cooperative, an entity enables them do business in wider area and is more accountable to stakeholders. Using the DryDev two tier model, Governance both at the CBO and Cooperative levels was improved and the relationship with market, government, financial institutions was enhanced. Financial management practices were improved and a three year strategic plan was developed.

After transformation of the organization by DRYDEV the private sector market actors were more willing to engage the cooperative in trade transactions because of new legal business status. Since 2017..incomes from selling mangoes increased by 40%, for instance, in 2017 they collectively sold 100,290 pieces of mango, at Kes 6 per piece, worth Kes 601,740 to an exporter, Sonic Fresh when their tradition market was buying at Kes 3.5 per piece from the farmers. Through DRYDEV initiatives in 2018 the cooperative was linked to Vert Ltd a new mango processing plant in Machakos town and are currently in discussion on how Vert Ltd will use the new collection center for aggregation and marketing. The organisation is perfecting their business model with mango and other fruits before integrating the drought tolerant crops such as green grams.

ABOUT THE SUSTAINABLE BUSINESS LEADERSHIP AND MANAGEMENT IMPROVEMENT MODEL

The business leadership and management improvement model has been key in the enhanced market access experienced by the farmers in DRYDEV Mwala.

This model brings together the leaders of Farmer Organisations (FOs) and officers from the relevant government ministries (cooperatives, social services etc.) to develop and implement business plans. The government officers, being custodians and enforcement agents of the law that governs these farmer groups, are involved as trainers and mentors to the group leaders who make guided business management decisions. In Mwala Cooperative the cooperative officer was key in training

and mentoring the leaders of the CBO on how to transform their formation into a Cooperative. The officer works with the leaders who are organized into subcommittees in the 2nd tier with various roles for the reaching down to members of the cooperative as well as those of the CBO.

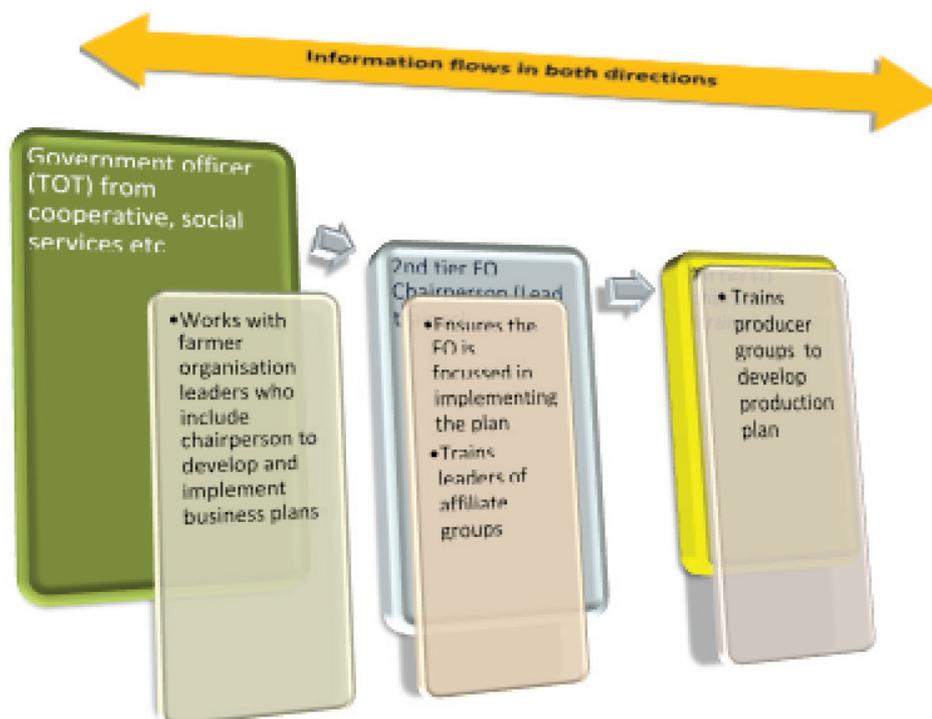
In the model, an action plan is developed to ensure compliance with the law/by-laws, business planning and implementation and financial management including audits. The development and implementation of business plans is cascaded down to tier one (SHGs) through key agents or leaders: from government officer (TOT) to chairperson and other leaders of 2nd tier organization (Trainers) and then to chairperson and other leaders of 1st tier organization (Trainers). The meetings are held at least once per month. The leaders of Subcommittees known as TOTs work closely with leaders of CBO constituent groups in the dissemination of critical knowledge and skills on governance, marketing, production and finance. During the training sessions of leaders in the 1st tier by the 2nd tier TOTs information is also gathered from the 1st tier groups on such issues as volumes ready for market, financial requirements skills gaps which is relayed back to the relevant subcommittee and ultimately to the Cooperative management committee and government officer for necessary intervention.

KEY INTERVENTIONS

i. Transformation from CBO to Cooperative: The cooperative formation has a structured legal framework (Cooperative Societies Act cap 490, 2005 -revised 2015) to guide and support leadership and governance of business organization. The framework mandates the cooperative officers to act as key advisors to the groups. DryDev trained and sensitized through forums and meetings, the leaders of the 2nd tier (CBO) and 1st (SHGs) tier about the advantages of becoming a cooperative and worked with them by guiding, mentoring and conducting linkages in transformation process while working closely with the cooperative officers from the Ministry of Trade and cooperatives. Using the cooperative Act framework the cooperative officers to review the constitution, guide the establishment of democratic leadership through holding elections of leaders of the new formation, governance and management systems.

ii. Training on governance and financial management: The programme ensured that capacity in governance and financial management was developed. Financial management focused on developing simple financial management systems that concentrated on all the activities carried out by the cooperative). The members of the cooperative were trained in financial literacy to ensure that cooperative members understand farming as a business in a bid to transform their mindsets from subsistence farming. The Programme also

Here is a diagram illustrating the business leadership and management improvement model:



focused on strengthening the structures of the cooperative to ensure effective production and marketing of their products.

iii. Development of a 3 year strategic business plan.

Mwala Fruit Growers Cooperative Society Ltd adopted the 3 year strategic business plan developed by the programme with the CBO which helped the organization to understand their business model and to focus on business activities that will generate enough revenues for self-sustainability. The business model advanced by the business planning process positioned the cooperative a three-pronged service provider; as a marketing organization, input access organization (seeds and agrochemicals), and financial service access platform. 9 constituent groups received loans worth Kshs 900,000 from various financial institutions for mango production. Additionally, production planning was also facilitated for affiliate producer group to enhance production for critical volumes realization.

iv. Exposure visits: DRYDEV facilitated farmer representatives (leaders) from the cooperative to participate in exposure tours focusing on developing capacities in aggregation and financial management. The selected farmer representatives visited model aggregation centers certified for warehousing and working well with the markets (buyers). They visited Makueni Fruit Growers Cooperative Society in Makueni, Ng'arua Farmers' Cooperative Society Ltd in Nyandarua, Meru Herbs SACCO, and Tharaka Cereal Growers Association in Tharaka Nithi, Mtito Andei SACCO Society Ltd, Ndithini Community Development Association. Farmers learnt how to manage their contracts and structure their organization well to benefit from collective marketing,

affordable credit and inputs. The exposure visit developed Cooperative's interest in the development of a Charcoal cooler facility that they have now realized in partnership with DryDev programme.

v. Support to establish a charcoal cooler: the cooperative has received financial support to establish a mango cooler on cost sharing basis to minimize post-harvest losses. The mango charcoal cooler, once functional, is expected to enhance collective marketing approach that has been the vision of the Cooperative.

vi. Linkages with markets and input suppliers: with markets to promote market led production, selected farmer representatives from marketing and production committee visited various buyers so that they can understand market needs. They have been linked to Vert Ltd (pulping capacity of 5 tonnes per hr.), Sonic Fresh, and Makueni County Fruit Processing Plant where farmers have sold individually or collectively to these markets. The cooperative has also interacted with input suppliers during field days and stakeholder forums such as Osho Chemicals, Kenya Biologics, ICIPE, Syngenta, Kentainers, Dryland seeds, Simlaw seeds, Kenya seed etc.

vii. Linkages with financial institutions, platforms, value chain associations, Water Resource Users Associations (WRUAs) etc.: The business and leadership model has enabled the Programme to facilitate linkages between farmers and financial institutions, value chain association and WRUAs.

SCALING UP

The model is being scaled up in all DryDev sites targeting 11,004 (6,746W) farmers from 16 second tier groups formed by 363 first tier groups.

Take home message

- i. The cooperative society's legislation which is anchored on the act of parliament (Cap 490), supports the officers as enforcement agents to guide leadership and management of the group. Leveraging this opportunity through two tier DryDev model can help strengthening community-based organizations. Also, ongoing support from these government officers in development and implementation of the business plans is critical.
- ii. Democratically elected leaders who worked closely with ministry of cooperative to set up effective leadership and management systems and structures contributed greatly to the positive results. Trust in leaders is of paramount importance.
- iii. Transformation from Community Based Organization (CBO) to the more business oriented Cooperative Society is greatly inspired by group objectives and capacity to carry out operations and should be a collective decision by all the relevant stakeholders.
- iv. Training on leadership and management only cannot unlock business potential of a group. Other support such as business modeling, exposure and mentorship is equally important

BRIEF STATEMENT ON DRYDEV

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