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Performance of Farmer-based Organizations in Ghana

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INTRODUCTION

In recent years, there has been renewed interest among both public and private organizations to establish farmer-based organizations (FBOs) in Ghana (Salifu et al. 2010). This interest is based on the premise that FBOs give farmers bargaining power in the market place, enable cost-effective delivery of extension services, and empower FBO members to influence policies that affect their livelihoods. A recent study by the World Bank notes that FBOs provide farmers with opportunities for income generation through microfinance schemes as well as security and protection in times of shocks through mutual insurance schemes (World Bank 2007). Similarly, Place et al. (2004) argue that FBOs allow farmers to better cope with risks, particularly when the private sector, government, NGOs, and donors fail to provide safety nets or insurance against their risks. The overarching incentive for farmers to organize themselves originates from the social and economic benefits that cooperation will generate for them (Shiferaw et al. 2011). Although many farmers in Ghana have organized themselves into FBOs, it is not clear whether FBOs have achieved these objectives, or if they even they have the capacity to do so.

No consensus currently exists concerning the total number of FBOs in Ghana, although a database created by the Ministry of Food and Agriculture (MoFA) through voluntary registration gives total number of 3,328, of which over 60 percent are involved in crop production.¹ Based on a compilation of four different sources, Salifu et al. (2010) estimated a total of about 10,000 FBOs in Ghana—including those both registered and unregistered as well as those registered as cooperative societies.

To gain insights on these issues, a study was conducted to examine how FBOs are functioning in Ghana. Using data from a survey of 501 FBOs and a set of case studies of 24 FBOs, the study focused on processes: the motivations behind forming an FBO, internal management, the nature of collective activities, and incentives for individuals to participate in collective activities. This brief is based on the findings of this study, but the full

GSSP working paper is in the publishing process and will be made available upon request.

COLLECTIVE ACTIVITIES AND MOTIVATION

FBOs in Ghana are involved in a wide range of collective activities and often engage in more than one activity at a time. Common collective activities include production, processing, marketing, input procurement, and community development. Other collective activities long practiced in Ghanaian rural society include internal credit schemes, mutual labor support, and welfare services. Both welfare services and labor pooling have roots in pre-colonial Ghanaian society. More than two thirds of FBOs engage in mutual labor support and nearly half offer welfare services to their members. Often, members of an FBO will have a timetable in place so that all members of the group benefit from labor support on their farms for clearing, tilling, sowing, transplanting, raising seedlings, weeding, pruning, and harvesting. Welfare services include in-kind or monetary contributions to meet costs of health care, school fees, funerals, weddings, naming ceremonies, and other important social activities.

Less than half of FBOs engage in economic activities with the potential to deliver reduced transaction costs and improved access to various markets. About 45 percent engage in collective production, usually of staple crops, although some are involved in beekeeping, pig farming, and vegetable production, and other activities. Production is typically undertaken on a collective plot using inputs received free of charge or contributed by members. Seventeen percent of FBOs engage in agro-processing—the transformation of raw agricultural products into other forms. Common examples are cassava to *gari*, oil palm to palm oil, shea nut to shea butter, and paddy to rice.²

FBOs often own processing equipment originally provided to them by government agencies or NGOs. If they do not own equipment, they rent from someone in their community. The inputs for collective processing may come from collective farms (e.g. cassava or oil palm fields) or from individual farms. About

¹<http://fboghana.org/fbomain.php?pid=4>

²*Gari* is a granular flour made from fermented gelatinized cassava. Shea butter is a natural fat extracted from the nut of the African shea tree by crushing, boiling, and stirring.

13 percent of FBOs jointly sell farm produce. Typically, members collect their products at one place and invite buyers to purchase in bulk.³ Alternatively, in some groups, a few members will collect the produce, transport it to a marketing center, and sell it on behalf of the group.

In terms of motivation for forming groups, many FBOs are formed with the hope of receiving free services or handouts from development programs, especially among the groups that produce collectively. Those engaged in processing and marketing, on the other hand, are often based on an identified market—making the benefits for collective marketing or processing clear from the beginning. Of the 24 case study FBOs, the 16 involved in collective production indicated that group farming was the best way to ensure that community members receive training from agricultural extension agents (AEAs). Our survey validates these expectations, as about 75 percent of the FBOs actually received training from AEAs and others. They may also receive support, typically in the form of land preparation (plowing), inputs (fertilizer, herbicides), or storage facilities.

CHARACTERISTICS, COSTS, AND BENEFITS OF COLLECTIVE ACTIVITIES

Although most FBOs claimed group production to be an important source of revenue, very few groups actually viewed their enterprises as profit-oriented (including a women's rice group and a rice, pig, and maize group, both in Volta Region). For the rest, group farming appeared to be a way to keep members active in order to receive potential support from external agencies. This may be a response to strategies employed by various development programs, since the majority of FBOs were under the impression that they needed to be registered, have a bank account, and meet regularly in order to receive any support from external agencies.

As a result, investments in group activities by members are relatively low in comparison with their efforts in individual farming activities and members see few benefits from group participation. With one exception, all production groups were successful in capturing some form of external assistance, particularly training. Six of the groups received trainings from the US-funded Millennium Development Account (MiDA) on record keeping, business management, business proposal writing, loan application, and conflict resolution. In several cases, groups received packages from MiDA that included various inputs like fertilizer, seeds, rubber boots, and spraying masks.

Seven of the 24 FBOs in the case study processed collectively. Collective processing takes different forms and the groups benefit

in different ways. Some come together to fill bulk orders too large for individuals. For example, the members of two separate rice processing groups in Northern Region usually process rice individually, but work as a group when they receive large orders. In such a case, the group does not own the equipment and members simply meet at one member's house to process the large order quickly.

LEADERSHIP AND MANAGEMENT OF COLLECTIVE ACTIVITIES

Good leadership has long been recognized as one of the critical elements in the effective functioning of community organizations (Rowland 1997). While most FBOs claim to use democratic principles in selecting their leaders, the actual leadership structure is very similar to that of Ghana's traditional leadership system. The most important factors in selecting a chairperson are age, socio-economic status, and the role the person played in the group's formation. Often, the member with the highest level of education in the group is elected to be the secretary because literacy rates are frequently quite low. The treasurer position is usually a reserved for a female member of the FBO unless the group is male only. The majority of leaders offer their services without any compensation. Nonetheless, we observed isolated cases where gifts (e.g. group farm produce) and labor support from members were provided to leaders out of respect.

Collective organizations such as FBOs are often confronted with two interrelated problems: the rules on which the organization should be based and the effective monitoring and enforcement of such rules (Ostrom 1990; Stockbridge et al. 2003). Although the case studies suggest that neither leaders nor members appear to know a great deal about what is contained in their own laws and constitutions, most FBOs were able to manage themselves in a way that was suited to their specific collective activity. For example, most production FBOs required all members to make equal contributions for group activities, whether in cash, inputs, or labor. In these groups, members (including the leaders) must participate in land clearing, plowing, sowing, weeding, pest and insect control, harvesting, and postharvest management. By requiring equal participation and obligations, these groups reduce the level of management and oversight needed for individual members. The only observed exception to this rule was the exclusive application of herbicides and insecticides by men. Women were never involved in spraying chemicals and instead carried water for the group's activities or prepared meals.

For FBOs engaged in profitable activities, particularly processing, the group is able to minimize enforcement issues by providing members with financial incentives. Many of the processing groups organize their activities in a way that allows mem-

³ Some FBOs have been certified by EUROGAP to sell to international buyers. EUROGAP is a certification process for export to the European Union market that allows smallholders to be certified as groups.

bers to combine their own inputs the group's effort and proportionally split the profits.

POLICY IMPLICATIONS

Although it is logical to expect that FBOs initiated by members would be more effective in working together than those initiated by outsiders because they are self-driven, this distinction is blurred because many farmers organize themselves anticipating handouts from government and development organizations. The motivation behind the formation of an FBO is therefore a better predictor of its effectiveness than the individual(s) who started the group. Many farmers organize themselves into FBOs primarily to improve their chances of receiving training, grants, and loans and to collectively engage in economically beneficial activities. When farmers come together with the primary goal of capturing resources, they are less likely to generate revenue. While it is possible that processing and marketing simply offer higher returns than production, it may also be that the processing and marketing FBOs began with a clearer purpose than production groups—founding members identified an opportunity on which they wanted to capitalize.

FBOs that craft rules and management styles that uniquely suit them are able to successfully manage themselves. Many FBOs work in sub-groups to encourage competition within the group and are reasonably successful in enforcing rules. In most groups, financial sanctions are in place for missing meetings or failing to work in the collective activity. Many groups also have built-in mechanisms to recover unpaid dues from members. While fines are common, it is very rare that members are expelled from the group. Due to social pressure, however, group members tend to leave voluntarily when they know they are not meeting requirements for participation.

CONCLUSION

Despite the dramatic rise in the number of FBOs, the majority of them have not become bankable in the sense of being able to raise resources on their own to for their collective activities. FBOs waiting for additional help are not necessarily maturing into groups capable of functioning independently. Despite limited progress, however, FBOs primarily engaged in production continue to work together in anticipation of more benefits, suggesting that they have benefited from services received. The fact that the vast majority of these groups have succeeded in attracting trainings and other external assistance may be one factor keeping members in the groups. FBOs also serve as an informal insurance mechanism where members can get help from the group to meet health care costs or for funerals of family members. Although they appreciate trainings and are keen to receive external assistance, it is likely that this welfare aspect is responsible for keeping many of the members in these groups.

If the goal of an FBO is to improve its members' financial wellbeing, guiding them to economically viable activities may be more beneficial than building capacity through trainings. The most common trainings received by groups are in agricultural practices, bookkeeping, and leadership. However, given the generally successful management of most FBOs, leadership trainings in particular may not be a high priority. Trainings that go beyond bookkeeping, and focus on business skills, such as future projections, profit-loss analysis, and entrepreneurial skills may be more beneficial. Because the group activity is generally determined by what members are doing on an individual level, more consideration should be given initially to whether or not the collective activity is economically feasible.

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