

N2Africa is a large-scale, research and development project focused on putting nitrogen fixation to work for smallholder farmers growing legume crops in Africa. N2Africa Phase II is implemented in Zimbabwe, Malawi, Mozambique, Kenya, Rwanda, DR Congo, Nigeria, Ghana, Uganda, Tanzania and Ethiopia.

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Putting Nitrogen Fixation to Work for Smallholder
Farmers in Africa

N2Africa



**Farmers' handbook for
agricultural marketing**
Manual for Trainers

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This manual has been compiled by Byron Zamasiya for the N2Africa project in Zimbabwe based on the following references:

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An earlier version of this manual was drafted and tested by Byron Zamasiya under the “Increasing smallholder farm productivity, income, and health through widespread of adoption integrated soil fertility management (ISFM) in the great lake regions and Southern Africa” project funded by IFAD.

Disclaimer:

The project entitled “Putting nitrogen fixation to work for smallholder farmers in Africa” – N2Africa is funded by The Bill & Melinda Gates Foundation through a grant to Plant Production Systems, Wageningen, the Netherlands. The content of this booklet does not represent the official position of Bill & Melinda Gates Foundation, Wageningen University or any of the other partner organisations within the project and is entirely the responsibility of the authors.

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Final editing & Lay-out: Judith de Wolf

THE BASICS OF MARKETING: INTRODUCTION

What is marketing?

- Delivery of customer satisfaction at a profit
- Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Definition of terms:

- Demand: quantity of goods that consumers are willing to buy at a given price at a particular time.
- Market: is a physical place where buying and selling of goods takes place.
- Marketing: involves finding out what your customers want and supplying it to them at a profit.
- Supply: quantity of products that suppliers are willing to offer for sale at given price and a particular time

Table 1: The Marketing Mix: the 4 Ps

Marketing variable	Definition	Aspects of the variable
Product	What we sell to satisfy a need or want	Variety, quality, brand, sizes, characteristics
Price	The monetary value that a seller seeks from the buyer	Price list, discounts, price margins, credit conditions
Place	Distribution and marketing channel	Sales points, locations within market, inventory of products
Promotion	Convincing or persuading the audience of the quality or features of the product or services offered by the group.	Advertising, personal sales, trade and consumer promotions and public relations.

Market research:

- It is the process of investigating a market about a product which farmers want to sell so that the farmers can get the sales prospects of a product and how to achieve success with it.
- It is the set of activities necessary to obtain information on price trends, the buyers, quality wanted, quantity wanted and when product is required

Basics of Market research – issues to find out:

- Where to sell?
- Who requires the product? (do we have contacts of the buyers)
- What is the price (minimum and maximum)
- What is the level of quantity demanded by a particular trader?
- What is the quantity supplied in the market?
- Who to sell to? (what kind of buyers are in the market)
- What transport is available?
- Condition of the roads
- Expected crop yields in the rest of the country
- Government plans on importation

Benefits of market research:

- Reduces risk of producing what is not wanted by consumers
- Helps to identify the right packaging size
- Informs on the right quality
- Helps to inform on the quantities required
- Informs on when the product is needed and who needs it

Question: Why is it that smallholder farmers are not successful?

In the interim, smallholder farmers are producing what they want and not what the market wants (They are doing farming and not

agriculture). The ideal scenario: Can we make money by producing this crop and if so how much can we produce?

The blind leading the blind

What happens without market research? What are the risks?

1. Consumers may not like the product or do not like the way it is packaged.
2. The price which the producer wants maybe way too high than what consumers may afford.
3. The price offered by buyers may be too low to cover production and marketing costs.
4. The quality may be unacceptable
5. The quantity required may be lower than what is produced or quantity produced may be higher than what is what is required.
6. The farming enterprise will run losses.

The market chain

Actors and organizations that enable the transfer of goods and services from the producer to the final consumer. Who are the players in the marketing chain?

- Suppliers (farmers)
- Rural traders
- Processors
- Urban wholesalers
- Retailers
- Consumers

What do we consider when analysing a market?

- The product: what do we have for sale?
- Quality of product: how good is the quality we have?
- Volume of produce: how much quantity do we have

- Price: value that we attach to our product
- Promotion: convincing and persuading buyers that your product is the best

Questions for discussion:

1. What constraints do we face when marketing our produce?
2. How do we negotiate with buyers at different levels of the market chain?

TRAINER NOTES:

MARKET INFORMATION

Market information is information on the following items:

- Prices of produce by different buyers
- Quantities wanted by buyers
- Quality of produce
- Volumes of commodities coming in and coming out
- New crop varieties in market
- Weather conditions in areas where produce is coming from.
- Seasonal tendencies like harvest or planting time.
- Prices of produce by different buyers

There are different types of price information:

- Farm gate prices
- Off lorry prices
- Wholesale/Processor prices
- Retail prices

Why is market information important? (Group discussion)

- Helps farmers in making a wise decision on where and when to sell.
- Alerts farmers about the price to pay.
- Helps farmers negotiate prices (Minimize cheating by buyers and margin available to other market chain actors).
- Helps farmers to decide what to do with their produce (sell or store).
- Give farmers an opportunity to choose on what crops to grow for next season.
- Helps farmers to decide whether to grow crops out of season.
- Helps farmers to decide what form they want to sell their commodity. (i.e. shelled, unshelled, processed).
- Enables farmers to know which crops have a higher demand than others.

How can farmers access market information? (Group discussion)

- Radios
- Newspapers
- Markets (asking traders and buyers)
- Village notice boards
- Extension officers
- Government agents for schools, hospitals
- Neighbours, friends, people who visit the market
- Relatives in distant towns
- Lorry drivers
- Mobile telephones
- Farmer information centres (for instance Lower Guruve Development Association has established one in Guruve district)
- Farmer representative groups (for instance Zimbabwe Commercial Farmers Union)
- Traders (get to know what they are selling at)

Market intelligence: Information relevant to a business' markets (farming enterprise); collected and analysed specifically for the purpose of accurate and informed decision making in choosing market opportunities, market penetration strategy and market development issues.

Questions for discussion:

1. How do you know if a price offered by a trader for your commodity is the best price a trader can pay?
2. How do you bargain with a trader?
3. Among the various traders (vendors, middlemen, wholesalers and processors) in the market, which ones would you target as collective marketing groups and why?

4. Why do prices go up or down?
5. What do you do as collective marketing groups to maintain high prices?

TRAINER NOTES:

MARKETS AND PRICES

Price refers to the monetary value of a commodity that the seller receives when exchange takes place. There are different types of prices in markets:

- Farm gate price
- Off-farm prices

Why are prices important?

- Provide the incentive to produce for market or own consumption.
- Provide incentive to sell excess produce.
- Help farmers to check if they are making profits or losses in their farming enterprises.
- Inform producers to time their sales.
- Inform farmers on how to cost their produce.

Pricing strategies

- *Pricing for profit*: selling product above cost of production and delivery and marketing costs.
- *Pricing for value*: selling more quantity by giving price breaks when volume of the product purchased increases. For instance \$4 each or 3 for \$10. This strategy 'pricing for value' can be used when selling to processors and it can also be used at day end when farmer does not want to take the produce back home
- *Pricing against competition*: this is done through selling a differentiated product above market price by establishing good reputation for quality packaging, presentation and high quality products.
- *Loss leading*: selling products at purposely low prices that are below cost of production, delivery and marketing costs (real value) to attract customers to buy other products at higher prices.

Points to note

Sellers' markets: very few buyers but plenty of sellers. There will be high supply and low demand. Prices will eventually fall as sellers outbid each other to attract buyers.

Buyers' market: there will be many buyers but very few sellers. Supply will be very low but demand will be very high. Prices will rise as buyers bid each other.

Questions for discussion

What determines a price? (Group 1)

- Interaction between demand and supply.
- Quality of the products (size, grade/quality, shape, colour, taste).
- Cost of production, the higher the input cost, the higher the asking price.
- Marketing costs
- Cost of family labour involved in production and marketing.
- Price of product in other markets
- Price of similar products.
- Location of produce. (long distance to market increases transport and marketing costs).
- Personal preferences.
- Government regulations for instance price controls.
- Pricing strategy

Why do prices fluctuate? (Group 2)

- Patterns of supply and demand
- Effect of rainfall patterns on yields
- Importation or exportation of produce
- Changes in global supply and demand
- Location of market (cities versus rural areas)

- Seasonality
- Crop diseases
- Food aid deliveries
- Availability of credit
- Economic conditions
- Poor quality of commodities
- When transport costs rise
- Value addition

What can farmers do to benefit from price fluctuations? (Group 3)

- Storage of product after bumper harvest
- Value addition i.e. shelling groundnuts
- Diversify crops (do not produce too much of a crop)
- Spread risk between food and cash crops
- Avoid selling too much after harvest if you will have to buy the same crop at a higher price.
- Organize transport to produce markets that offer higher prices.
- Use different prices when calculating gross margins (do not use average prices).
- Spread production throughout the year

TRAINER NOTES:

THE BASICS OF COLLECTIVE MARKETING

By the end of this chapter farmers should be knowledgeable of:

- What collective marketing is.
- The purpose of forming collective marketing groups.
- The merits and demerits of collective marketing.
- The right size of a collective marketing group.
- Gender relations in collective marketing groups.
- Management of group finances.

Benefits of marketing as a group

- Helps farmers to discuss the problems or challenges of marketing their produce together.
- Helps farmers to share post-harvest handling and delivery costs.
- Farmers benefit from better quality products to take to the market.
- Farmers get higher prices through negotiation.
- Farmers can eliminate the middlemen and sell directly to processors.
- Personal contact with processors saves cost and time.
- Farmers can increase production and improved their livelihoods.

Advantages of operating as a collective marketing group

- Lowering costs by sharing risks
- Ease of training
- Improving access to credit
- Obtaining communal equipment and services
- Improved negotiation with buyers
- Improved access to market information
- Improved access to remunerative markets
- Better decision making on timing sales

- Higher prices to produce
- Better returns to farming enterprise
- Social reasons (helping other farmers with problems)

Challenges of group marketing

- Can be time consuming through regular meetings
- Expensive to construct storage facilities
- Difficult to reach consensus in a group especially large groups.
- Trustworthiness among members may be lacking
- Bad record keeping may lead to losses of money or produce
- Delayed selling

Drama on collective marketing

The following drama is about unorganized farmers who are paid a visit by a middleman soon after harvesting their sugar beans crop. Although the rain season was bad, most sugar beans farmers in this district realized a bumper harvest. As is the norm with middlemen when harvest time comes, they flock to this district to reap the unsuspecting farmers. Upon arrival in the district, the middleman seeks temporary accommodation for a week at the local councilor's homestead. This builds a picture to the subjects that the middleman's activities are above board. Each day, the middleman goes to meet the unsuspecting farmers at wells, boreholes, homes and beer halls telling them that the sugar beans markets are very poor this year. He even warns them that if they do not sell their crop quickly to him, they run the risk of losing their crop to post harvest losses. The middleman further tells the farmers that the only reason he is buying the sugar beans from the farmers is that he feels for them and would not imagine what life would be for the farmers if they fail to sell their produce in that year. As days pass by, the villagers buy into the sweet talking middleman's trickery and sell to him at \$750 per tonne.

Ironically, the middleman was selling the sugar beans at \$1500 per tonne to a processor in Harare. By the end of two weeks, the middleman has gathered over 30 tonnes of sugar beans from the farmers. Some of the farmers who delivered their produce to the councilor's house where the middleman lodged were paid their dues while the rest were promised payments at a later stage. The middleman claimed that he had run out of money but would pay them once he takes the produce to his buyer in Harare. However, once the middleman leaves the district with the sugar beans using a hired haulage truck, his mobile phone becomes unreachable and he never returned to pay the farmers. Efforts to contact the middleman were fruitless as the transporter claimed that he was only hired.

Role of the Local Villagers: (3 to 4 actors or actresses)

Enter onto the stage 3 to 4 participants who take on the role of the local villagers of Guruve. Those villagers have sugar beans which they are selling but have no idea of who to sell to or what price to charge for their sugar beans. In this drama, they have just harvested their crop and are in desperate need to sell their sugar beans.

You as villagers are at the time of year when you have harvested sugar bean and you will be contacted by a buyer interested to purchase sugar beans. After exchanges of greetings, he's going to want to talk to you about "business" – you selling all your sugar beans to him. The buyer will sweet-talk you into selling to him at a low price. He paints a very gloomy picture about the prices and the absence of buyers for sugar beans in that year. He also knows that you will be in desperate need for cash such that you will eventually sell to him.

Role of the Buyer

You play the role of a buyer who buys sugar beans. In this case you are contacting villagers in Guruve and you want to buy sugar beans.

When you arrive at the village, you seek for a week's accommodation at a councilor's homestead. You then visit farmers at assembly points for instance village meeting places and set up a meeting with the local population. Greet them warmly and ask them what quantities of sugar bean they have for sale. Tell the villagers you are concerned that they will be fortunate enough to sell their sugar beans.

Tell them that prices in Harare are really bad. Tell them that this year markets are flooded with cheap imports from South Africa and Zambia. And besides, imported sugar beans are of better quality than locally produced sugar beans. It's a bad year for Zimbabwe farmers who grew sugar beans. Now complain that just to get their sugar beans to Harare means you will have to pay transport, loading and off-loading fees, toll and even bribes. It's a bad year indeed.

Do all you can to get them accept your price of \$750.00 per tonne. Make sure you obtain a low buying price. After you buy the sugar beans from the villagers for a pittance, take it to the processor/wholesaler in the city and get a good price for it. Be creative and make sure you get a good price for the sugar beans maize you bought in the village. Pay some of the farmers and promise to pay the rest when you come back from your buyer.

Role of the processor/wholesaler

Your role is to represent the wholesaler who buys and sells sugar beans and other crops in large quantities.

At your warehouse you will be contacted by an intermediary who is selling sugar beans. The quantity of sugar beans being offered, the quality, and the price proposed satisfy your needs, and you decide to buy all the sugar beans that he has. You end up offering and paying \$1 700.00 per ton.

Process Questions for the Drama

1. What did you observe in this drama?
2. Who were the actors in the drama?
3. What did the local villagers want to do?
4. What did the middleman want to do by coming to the village?
5. At what price did the local villagers sell their sugar beans? Why?
6. What did the middleman do with the sugar beans?
7. Between the producers and the middleman, who ended up with the more profit?
8. To what extent does what happened in the drama happen in your villages?
9. How do buyers interact with villagers with regard to buying agricultural products?
10. What did you learn from this drama?
11. What could have been done to get a better price from the buyer?

Questions for discussion

1. What is the purpose of your collective marketing group?
2. What are the benefits of marketing together?
3. What are the costs involved in being in a group?
4. How do we resolve conflicts in our farmers groups?

5. How do we elect our group representatives (chairperson, treasurer, marketing committee, auditors)?
6. What other markets might your group investigate as potential recipients of your products?
7. How can you get better at acquiring market information?
8. What would be the advantage of having accurate market information?
9. How do we manage group finances?

TRAINER NOTES:

BUYERS IN THE MARKET

Who are the Buyers?

- People who buy our commodities in exchange for cash or in kind
- They are our customers
- They are the link between us as producers and the consumers
- In most cases they set the price for farmers or give them an indication of what the price is.

Points to note:

- When there are many buyers in search of a product, in most cases you are likely to get a higher price as buyers will bid each other and push the price up.
- When there are fewer buyers in search of a product, in most cases you will get a low price as the sellers/producers will bid each other and in so doing push the price down.

Farmers should know the type of buyer they are dealing with to establish the trend of the purchases or the form of the products which a particular buyer prefers. For example, some buyers prefer unshelled nuts, other shelled nuts, while others prefer Alphatoxin free nuts. Knowing the buyer helps to make a decision on how much to sell to that buyer and the payment terms involved.

There are different types of buyers:

A. Farm gate buyers

- Agents or traders who move around the village buying produce at farmers' homes
- Usually buy small quantities
- Offer low prices but bulk and resale at high prices.

- They have no fixed location.

B. Wholesale buyers/Processors

- Buy from farmer groups or other traders
- Usually offer higher prices
- Buy bigger quantities
- Normally process our product

C. Retail buyers

- Normally consumers who buy for personal consumption for example other villagers or urban dwellers

Characteristics of all buyers:

- They all want continuity of supply
- They demand certain product specifications i.e. quantity, grade, quality, packaging
- They offer different payment terms
- They also buy varying quantities with their position on the market chain.

What can the group do to target more buyers?

- Organize good grading
- Organize factory visits
- Conduct market research before making the selling decision
- Supply consistently to establish rapport with buyers.
- Bulk their produce and practice good post harvest handling.
- Sell produce in breaks

Questions for discussion

1. What kind of buyers have you been selling your products to?

2. What is the difference between the different buyers you have been selling to?
3. If we want to do farming as a business, what kind of buyers should we sell our products to and why?
4. How can we improve our relations with the buyers?

Drama: Negotiating with Buyers

Drama 1: In this scenario, we have a member of a well-organized collective marketing group who goes to an identified processor with a sample of the group's products on behalf of the group. On getting to town, the representative goes straight to the processor's site where he/she meets the buyer for the company. They start a conversation and the buyer starts by offering a low price for the product. He claims that they already have a warehouse full of the same product. However, upon being presented with the sample of the product, the buyer realizes that the product's quality is superior to what he has in stock. The group's representative realizes that the buyer is interested in their product and negotiates for a higher price. The buyer asks about the quantity which the group has and when he can get it. The marketing representative checks in his/her notebook and gives the buyer the information. Although the group's representative computes and sees that the price being offered by the buyer is lower than what they had expected, he/she realizes that they can still make a good profit at that reduced price. As is the norm in this group, the group's marketing representative calls the chairperson and the treasurer to inform them of the new price. They also compute the profit and agree that they can supply the required product at that price. Impressed by the quality and the organization of the group, the buyer makes an order for the product and even offers transport in addition to cash on delivery.

'Tabudirira Tries to Make a Sale'

Tabudirira = the sales representative of 'Kupfuma Kushanda' collective marketing group

Madhora = buyer for Muvhu Mune Mari Food Processors.

Tabudirira: Good morning Mr Madhora!

Madhora: Good morning to you too Mr Tabudirira, and thank you for your visit. How can I be of service to you?

Tabudirira: Our collective marketing group would like to market or sell our sugar beans to you. We have a very good quality crop of sugar beans and the two varieties we have do very well in sales.

Madhora: Could this be true? It's a bit strange because there is no type of sugar beans that I have not come across this year. Let me have a sample to examine.

Tabudirira: Here is the Speckled ice and Purple Cardinal samples that I brought. I must tell you that these two varieties are fantastic. And besides the market demand, the two varieties are tasty and make good thick soup.

Madhora: And...The price? Are they much cheaper than what people pay for in the markets today? What is your price for us a 15 tonnes just for a start?

Tabudirira: This would indeed be a good start. According to our group calculations, we wanted a price of \$1800 per tonne. I will guarantee you though that this product is very good and your distributors will be satisfied with the results.

Madhora: Whoop, that sounds a bit high. Considering that my warehouse is already full, I wanted to take at \$1400 per tonne since its good quality and provide transport.

Tabudirira: Well, I have to conduct my group chairmen and treasure to agree with you on the discount. (Tabudirira asks to be excused to phone his group members. He returns after a few minutes and says they have agreed \$1700 per tonne)

Madhora: Tell me one thing.... Are your sugar beans true to type? I hear that some farmers mix varieties, wet their produce and even stones to cheat on weight? Does your group not do the same? We normally do not buy from smallholder farmers because of these things.

Tabudirira: Thank you for approaching me concerning this. Our group has a quality control committee which ensures that all our products are true to type. Furthermore, we have a collection point where we keep our produce before we sell it. We have sold to established companies in the past. You can also check with them for the record. I assure you that you will be pleased with our quality.

Madhora: I can imagine how difficult it is to have to sell a product that is sub-standard. Anyway, your group looks organized, if I give you an

order for 30 tonnes at \$1700 per tonne, when can I expect my product?

Tabudirira: Thank you very much Mr Madhora. Since you are providing the transport, I only need to inform my group and in two days you can get your product. Our collection point records show that we have 120 tonnes in stock.

Madhora: Here is your order. I will pay cash on delivery. Thanks for doing business with us.

Tabudirira: Thanks very much for giving us business. I assure you that we will not disappoint you. In two days you will get your product. Please give your transporter my cell phone number for directions.

Discussion question

1. Who are the actors in the drama?
2. What can be said of this collective marketing group?
3. How would you compare the organisation of this group with your own group?
4. What are the things which you would copy and implement in your group?
5. What does this drama teach us about the negotiation process?

Negotiating with buyers is a tactic that farmers need to learn. The farmer is faced with the dilemma of asking for a higher price while trying to convince the buyer to buy his/her produce but is worried

that the buyer may refuse to buy. On the other hand the buyer the lowest possible price for the price. Informed negotiation by farmers/producers should be based on market information as to who are the buyers, what prices are they accepting, what quantities are needed, what are the weather conditions in the producing areas, what is the price trend and how is the availability of transport and its cost.

Drama 2: In this scenario, we have a member of an unorganized collective marketing group who goes to town visiting her son to see his newborn baby. While on her way to see some other relative, the member sees a billboard on the fence we read we buy product xx at a good price. The bill catches the woman's attention and she immediately remembers that her rural community grows and would like to sell the product which the company is looking for. The member goes to the company and starts talking to some cleaners that she is selling the wanted product from her group. One of the alert clerks notices the member and invites her to her office. Upon enquiring from the representative, the clerk realizes that that maybe the member is selling a product which the company is interested in buying. The clerk invites the buyer who then starts conversing with the member. The member starts talking about her visit to town and how she was happy that at last there was a heir apparent to her husband's chieftainship in the village. The buyer takes the member to the company's warehouse which is fully stocked with the product which the group is selling. During the conversation, the buyer asks the member if she had brought a sample of their product. The member did not have a sample but mentions that their product is very good and the company would surely like it. She does not know the variety that her group is selling. As the conversation ticks on, the buyer asks the member what quantities they have and when they can deliver to

the company. The member stammers and starts counting her fingers representing some farmers which the member thought had the product and the probable quantities. The buyer offers a price below the cost of production and the member ululates and exclaimed that the price was very good. In fact, no buyer had offered them such a good price. She claims that the buyer would get the entire product from their village because their price was very good. The buyer hesitantly issued an order which the member claimed the group would fulfill in a week's time. The member claims that since the price is so good, the group would deliver the product to the site of the company. The conversation ends and the buyer escort the member out of his office.

Mai Bvanyangu = group representative for an unorganized group

Chop chop = Buyer for Zuva Rabuda Food Processors.

Clara = Clerk at Zuva rabuda Food processors

Rhodie = Cleaner at Zuva Rabuda Food Processors

Mai Bvanyangu: Good morning my daughter

Rhodie: Good morning mother

Mai Bvanyangu: My child, I came to town to see my son who now has a baby boy. However, as I was passing by this place, I saw a sign written, 'we buy sugar beans'....(Clara notices Mai Bvanyangu and brings her to her office.)

Clara: Good morning mother. How may I help you mother?

Mai Bvanyangu: My child, I came to town to see my son who now has a baby boy. However, when I was passing by this place, I saw a sign

written, 'we buy sugar beans'. (Immediately, Clara calls the buyer who takes Mai Bvanyangu to her office).

Chop Chop: Good morning to you Mrs Bvanyangu. How can I be of service to you?

Mai Bvanyangu: My child, I came to town to see my son who now has a baby boy. However, as I was passing by this place, I saw a sign written, 'we buy sugar beans'. My farmers in the village would like to market or sell our sugar beans to you. We have a very good quality harvest of sugar beans. I know you will like them because they are nice.

Chop Chop: Which varieties do you have? How come I do not know your area as a sugar beans growing area? I know all the sugar beans producing areas in Zimbabwe. Anyway, can I have a look at your sample?

Mai Bvanyangu: Sorry my son, I did not bring one. However, we have very good sugar beans. Would you think someone of my age with grey hair can lie? The sugar beans that we have are very good. My children like them especially my youngest one and I am sure your customers will like them too.

Chop Chop: Anyway mother, how much are you selling them per tonne for a start?

Mai Bvanyangu: My son, whatever price you give us is good. You are a big company and we trust you. Remember that you will be paying in US dollars and that money buys a lot. My people trust me and whatever price that we agree on in here, they will not refuse. Infact, I tell them what to do. I am the only one who knows how to read and write in the group.

Chop Chop: So mother what if we start at \$600 per tonne? Considering that my warehouse is already full, I will just be doing you a favour.

Mai Bvanyangu: Thank you my son that is a very good price. You will surely get all the sugar beans in my area. We will certainly deliver here at your company. Some of my friends who grew up in the communal areas will have a chance to see Harare. All my farmers will like it and they can not wait for me to go back to the village. Some will even be waiting for me at the bus stop when I travel back.

Chop Chop: (In great disbelief, ...) So mother, how many tonnes can you sell to our company?

Mai Bvanyangu: Ok wait, Mai George has 4 bags, Mai Tito has 3 bags, Murehwa has 10 bags, Jena has 6 bags, that lazy Madhuve has 2 bags and Gogo Mlambo has 8, and... (She keeps counting her fingers). I think twenty tonnes.

Chop Chop: Here is your order for ten tonnes. I will pay cash on delivery. Thanks for doing business with us. So when can I get the delivery for ten tonnes?

Mai Bvanyangu: Thank you very much my son, ten tonnes only! You will get your delivery once I get to the village. I want to make sure that my daughter in law can take care of my son's child before I go back. Anyway, trust me my son. You will even get more than what you asked. My farmers are good farmers. You will see for yourself.

Chop chop: Thanks very much for giving us business. I look forward to the delivery.

Discussion questions

1. Who are the actors in this drama?
2. What did we see?
3. In your opinion, what did the member do which you would do differently?
4. Do these things happen in our groups? How can we avoid such cases?
5. What does this drama teach us about the negotiation process?

What buyers do during the price negotiation process?

- May not tell the farmers the correct market price of the product.
- Most of them claim that the quality is not up to standard.
- May threaten not to do business with the farmers unless if farmers agree to a lower price.
- May collude with other buyers in the area to offer a lower price to the farmers.
- Always pretend that they know many other farmers selling the product at a much cheaper price.

What weakens farmers' position in the price negotiation process?

- Lack of market information on:
 - prices offered by other traders
 - quantities on demand
 - market supply (quantities available for sale)
 - price trends
 - weather conditions in other producing areas
- Desperation for money
- Fear of failing to sell and ending up dumping the product.
- Condition of product for instance if quality is deteriorating

Questions for discussion

1. What can we do as farmers groups to get better prices in the negotiation process?
2. It is believed that farming does not pay yet we see buyers making more profits than those who do the actual farming. What then can be done to make farming profitable to the producers?
3. If you were given a choice to become a buyer or a farmer, what would you become and why?

TRAINER NOTES:

CALCULATING MARKETING MARGINS

Marketing margins inform us the extent to which the production costs are covered by the price which the producer gets and the share of profit which is shared by non-producing market chain actors. There are two key margins which a farmer should consider before agreeing to sell his/her products to the buyer. The use of these two margins allows the farmer/producer to set a price that adequately covers production and marketing costs and to also get a bigger share of the price realised from producing and selling produce. The two fundamental margins that are used are the Gross Marketing Margin to Producer (GMMP) and the Total Gross Marketing Margin (TGMM).

Gross Marketing Margin to Producer = GMMP

The Gross Marketing Margin to Producer measures that part of the total cost paid by the final consumer that belongs to the producer. Therefore, the GMMP is that portion (measured as a percent) of the price the consumer pays that will go to the producer.

$$\text{GMMP} = \frac{\text{Price paid to Producer}}{\text{Price paid by customer}} \times 100\%$$

Producers should try to achieve an on-farm price that is at least 35% of the price paid by the final consumer, therefore the GMMP > 35%.

The rule of thump for the GMMP

If the GMMP calculated using the farm gate price is less than 35%, it means that the producer can attempt to take the product further up the market chain to capture a greater margin. This means that the product must be sold off farm.

Example: Sugar beans sell as follows along a supply chain in Zimbabwe:

Product Name	Producer Price (USD)	Transporter Price (USD)	Wholesaler Price (Processor) (USD)	Retail Price (USD)
Sugar beans	0.60 / kg	0.85 / kg*	1.10 / kg*	1.50 / kg

* = Prices are for illustrative purposes only

What is the GMMP for sugar beans as per table above? Remember:

$$\text{GMMP} = \frac{\text{Price paid to Producer}}{\text{Price paid by customer}} \times 100\%$$

$$\text{GMMP} = \frac{\$0.60}{\$1.50} \times 100\% = 40\%$$

Total Gross Marketing Margin = TGMM

The Total Gross Marketing Margin is the profit margin available to the players or intermediaries other than the producer who participate in a supply chain. It is calculated by subtracting the Price to Producer from the Price by Final Consumer and then dividing by the Price Paid by Final Consumer (expressed as a percent). The three “middle men” can be considered to be: Transporter, Wholesaler and Retailer. If the product is transformed (processed), then there will also be a processor in the supply chain. Total Gross Marketing Margin:

$$\text{TGMM} = \frac{(\text{Price paid by Consumer} - \text{Price paid to Producer})}{\text{Price paid by Customer}} \times 100\%$$

Question: What is the TGMM for sugar beans? (use the table above)

$$\text{TGMM} = \frac{(\text{Price paid by Consumer} - \text{Price paid to Producer})}{\text{Price paid by Consumer}} \times 100\%$$

$$\text{TGMM} = \frac{(\$1.50 - \$0.60)}{(\$ 1.50)} \times 100\% = \frac{\$0.90}{\$ 1.50} \times 100\% = 60\%$$

NOTE: The sum of Total Gross Marketing Margin + Gross Marketing Margin to Producer = 100%. The formula is: TGMM + GMMP = 100%

Points to note

1. As a general rule, producers should try to achieve an on-farm price that is at least 35% of the price paid by the final consumer meaning that the GMMP should at least be above 35%.
2. Although the 35% is an arbitrary percentage, it is considerably acceptable to players on the market chain.
3. When the GMMP is below 35%, farmers should evaluate the changes in GMMP if sales are done to another actor on the market chain. An alternative is to wait until prices pick. In some cases, the farmers can also add value to their produce for instance by shelling in the case of groundnuts or processing in the case of soy beans.
4. The sum of Total Gross Marketing Margin and Gross Marketing Margin to Producer = 100%.

Net Marketing Margin = NMMP

The Net Marketing Margin indicates the price or margin received by the producer after subtraction of her cost for transport and

transactional costs associated with taking the product further up the supply chain (not taking payment at the farm-gate and delivering the product to market, processor, wholesaler or even retailer). The NMMP is determined by subtracting all the marketing costs from the point (and price) in the supply chain where product is to be delivered. This formula is applied only when we have precisely calculated the marketing costs.

Net Marketing Margin Producer (NMMP)

NMMP =

$$\frac{(\text{Price of Delivery in Chain} - \text{Total costs marketing for producer}) \times 100}{\text{Price paid by consumer}}$$

Example: Maize sells as follows along a supply chain in Zimbabwe:

Product Name	Producer Price (USD)	Transporter Price (USD)	Wholesaler Price (Processor) (USD)	Retail Price (USD)
Maize	0.15 / kg	0.23 / kg*	0.38 / kg*	0.50 / kg

* = Prices are for illustrative purposes only

Suppose the cost per ton of delivering maize to Harare is \$60/ton, then the price of delivery in chain is \$0.06/kg. The calculations for NMMP are using prices per tonne.

NMMP =

$$\frac{(\text{Price of Delivery in Chain} - \text{Total costs marketing for producer}) \times 100}{\text{Price paid by consumer}}$$

$$\text{NMMP} = \frac{(\$230 - \$60)}{\$500} \times 100\% = \frac{\$170}{\$500} \times 100\% = 34\%$$

Comment on the GMMP from the two calculations of GMMP.

Examples of some market chains in Zimbabwe all in USD

Product Name	Producer Price (Farm-gate price)	Transporter Price	Wholesaler Price (Processor)	Retailer Price (Consumer Price)
Maize	0.18 / kg	0.23 / kg*	0.38 / kg*	0.50 / kg
Sugar Beans	0.70 / kg	0.95 / kg*	1.50 / kg*	2.0 / kg
Soybeans	0.45/kg	0.55/kg	0.60/kg	0.65/kg*
Groundnuts	0.50/kg	0.75/kg	1.10/kg	1.50/kg
Cowpeas	0.40/kg	0.60/kg	0.65/kg	0.70/kg*

*Prices noted with asterisk are illustrative and may not reflect actual.

Questions for discussion

1. How does an off-farm sale differ from a farm-gate sale?
2. What are the possible transaction costs involved in off-farm sales?
3. Using the prices above, which crop would you consider to provide good business using GMMP and TGMM?
4. What would you recommend a group to do when the GMMP is less than 35% and the TGMM is above 50%?

TRAINER NOTES:

COLLECTION POINTS

Once a farmers form a collective marketing group, it will be a good idea to establish a collection point. The collection point will serve as the place where members of the collective marketing group will grade, bag, weigh and store their produce before they sale to buyers.

What are the benefits to a group of having collection point?

- It promote group sales
- Easy of access by buyers
- Better control of produce quality
- Reducing transaction costs involved in individually selling the produce.
- Facilitating timing of produce sales
- Facilitating linkage with remunerative buyers
- Allows collective marketing group to attract established buyers offering higher prices.

What are the characteristics of a good collection point?

- Should be sited at a secured building with proper ventilation and leak proof roof to maintain quality.
- The collection point should be accessible by main road or close to the high way
- There should be a digital weighing scale for weighing individual farmers produce as it comes and for weighing final produce before selling.
- It could be an unused shop or storeroom.

What are the activities which farmers can do at a collection point?

- Quality control of produce by selecting, winnowing and cleaning.

- Centralised inspection of produce delivered by individual producers.
- Bagging of product before sales
- Weighing of product
- Proper storage of product before sales.
- Receiving of payments from buyers and paying out individual farmers for their produce.
- Maintaining of group sales records

Sustainable relationship with buyers

- Sustainable market linkages are built best on trust and reputation. Reputation is the opinion held by others about someone.
- Most groups are known for one off transactions.

How to built sustainable reputation and trust by buyers

- Consistently supply high quality products.
- Set fair prices
- Supply the same traders consistently
- Be honest in your negotiations.

How buyer – supplier relations are severed

- Mixing old produce with new produce
- Mixing good quality produce with poor quality produce
- Mixing dry produce with wet produce
- Adding sand in bags to gain weight
- Adding stones to bulk produce
- Back tracking on agreements
- Side marketing after receiving inputs from buyers
- Refusing to pay loans