

HOPE IN APPLES

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Country: Ethiopia

Sector: Agriculture, Fruits and Vegetables

CONTEXT

Apple production in Chencha

The Chencha area, a district (woreda) in the Gamogofa administrative zone of the southern region of Ethiopia, has nearly 50 years of experience in growing highland fruits including apple, pears and plums. The area is conducive to producing more than 100 varieties of apples and serving as a resource base for the rest of the country. Current apple fruit production in Chencha is about 15 metric tonnes per year while the overall country production is estimated to be about 50 metric tonnes. Since the total production does not meet the demand, the country imports about 350 metric tonnes of apple fruits mainly from South Africa, Iran, China and Israel. There is therefore an unmet market demand for the Chencha apple.

Apples of accepted size (medium and large) are sold to the Ethiopian Fruit and Vegetable Marketing Share Company (Etfruit) at 10.5 and 11.5 birr/kg, according to size. In 2005, about 30% of the 15,000 kg total apple production in the Chencha area met the standard market size classifications and could be sold to the Company. The remaining 70% were sold to local traders and individual consumers at 5-8 birr/kg.

Etfruit sells the fruit through its retail channels at 18 and 20 birr/kg, with profit margins of about 42 and 43% respectively. The market price of imported apples ranges between 28 and 38 birr/kg. If production is increased and marketability improved through on-farm technical assistance focusing on fruit tree expansion and on the production of grafted seedlings and quality fruit, apples could generate a substantial income for the farmers in Chencha.

CLIENT

The Chencha Highland Fruits Marketing Cooperative (CHFMC) was established in 1998 and is the only producers' based organisation involved in marketing apples and other highland fruits (pears and plums) in the Arba Minch area. While its core business is apple fruit marketing, it is a multipurpose cooperative that also provides cattle feed, vegetable and fruit seeds, and other agricultural inputs such as fertiliser to its members. At the start, the cooperative was composed of only 20 interested farmers. Currently it has 356 active members, out of whom 50 are women. The cooperative is actively involved in the collection and marketing of apples and grafted seedlings (pear, plum and apple). In 2007 alone, it sold 127,907 grafted seedlings for a total of some 5.5 million birr, not including seedlings sold through other channels.

Because the cooperative collects apples in bulk from its members, and because it has a wide outreach – existing and potential – and a long-time experience in apple production and marketing, it was selected as one of SNV's client. A formal engagement was signed and became effective in May 2007, for a period of eight months. The understanding, however, was that some activities might take longer and that the agreement could be extended depending on the interest of both parties.

An assessment (**ad 1**) commissioned by SNV had identified the problems that constrain apple production and marketing in the area, and proposed some leverage intervention strategies to improve the system. This formed the base of SNV's intervention with the Chencha Highland Fruits Marketing Cooperative.

Ad1)

SNV in collaboration with Global Development Solutions (international consultants) identified the major constraints and opportunities in apple production and marketing in the Chencha area. Constraints include:

Lack of capacity, knowledge and skills in seedling and tree management, harvesting, transporting, and storage systems;

INTERVENTION

Limited rootstock varieties;

- a lack of research and development capacity;
- apple fruit diseases and pests;
- a lack of quality control systems (standards for quality seedling and fruit production);
- a lack of focus and strategies in marketing the products by farmers and farmer organisations; and
- Limited extension services.

In a two-step consultative meeting, major stakeholders, including local support providers, the private sector, farmer organisations and local traders, validated, enriched and prioritised those constraints and suggested strategic intervention areas. Four intervention areas were given top priority: developing alternative market outlets for low quality apple fruits; supporting apple fruit quality improvement activities; strengthening the existing cooperatives and other groups; and coordinating overall sub-sector development efforts.

A co-planning process with the cooperative's management identified the areas where support was needed. It was agreed that SNV would provide capacity development services that would enable the Chench Highland Fruits Marketing Cooperative to increase productivity, income and employment and ensure the cooperative's long-term sustainability. In addition to strengthening capacities, SNV intended the intervention to contribute to the overall objective of the apple value chain (**see ad.2**).

Ad 2) Fruit value chain in SNNPRS

The SNV–Southern portfolio supports the development of different agricultural commodities value chains including a fruit value chain. The fruits in this latter programme include apple, mango and pineapple. The programme seeks to harness the entrepreneurial capacity of producers, processors and traders with an economic potential. The overall objective of the apple value chain is to improve the marketability of apple fruit and increase average price levels by at least 25% by 2010.

The cooperative needed to solve two main problems in order to raise the income of its members: poor product quality and ineffective marketing. The support provided by SNV included business plan development; creating market linkages; training in business plan conceptualisation and preparation; training in apple tree management; creating joint discussion forums for the cooperative, the cooperatives promotion agencies and local extension service providers; assisting the cooperative in acquiring an investment license; and market promotion activities.

Local capacity builders provided the technical business development support on top of SNV's facilitation support. Professionals from the Chench Kale Hiwot Church trained the cooperative members in disease and pest control and in apple tree management. A business consultant was brought in to train the cooperative's management and members in business planning and compile the final business plan document.

In the course of the programme, the Chench Highland Fruits Marketing Cooperative management asked SNV for a discussion forum with the woreda and zone cooperative promotion offices. Poor communication between the cooperative and these agencies had affected the cooperative in many ways, including delays in transport resulting from delays in obtaining permits from the woreda, discontinued support in credit facilitation and other regular activities, and distortion of the cooperative's image in the operation area and beyond. A forum was organised accordingly, and the problems were addressed by the head of the regional cooperatives promotion agency in a joint discussion with the cooperative and the woreda, zonal and regional cooperative promotion agencies. Thus, it was possible to clear the mistrust between the parties and resolve some of the policy-related issues (membership fees proportionate to the cooperative's current assets; establishment of new cooperatives and geographic boundary issues; roles of local and regional agencies in supporting cooperatives; and obligations cooperatives are expected to comply with) that were encumbering the development of the Chench Highland Fruits Marketing Cooperative.

RESULTS

To further the communication among the primary actors in the apple value chain, SNV facilitated the quarterly meetings of the coordination group during which issues are discussed and responsibilities allocated, progress made between successive meetings is monitored, and the overall development of the apple value chain is planned.

Improved marketing strategies. Through their intensive participation in the business plan preparation process (internal assessment and business environment scanning), the management of the Chench Highland Fruits Marketing Cooperative became aware that it has to function as a competitive business organisation while at the same time serving the interest of its members. By the end of SNV's intervention, the Cooperative had successfully analysed its marketing chains and developed marketing strategies. The management has now begun to proactively address competition requirements such as seasonality problems, quality, etc. Realising that stretching the fruit supply period and managing oversupply during peak harvest time will help control price fluctuations, the cooperative has decided to invest in cold storage facilities. Currently, the cooperative is assessing affordable and effective options of cold storage facilities (underground or Freon gas tubes in a wall).

Improved productivity. The 356 members of the cooperative have been trained in apple tree management and in the use of locally available materials (milk and garlic) to control pest and diseases. As a consequence of much improved tree management, tree stands are healthy, resulting in a 67% increase in the volume of apples traded through the cooperative as compared to the sales registered in the previous two years (from 15 tonnes to 25 tonnes).

Diversified production. As the analysis performed during the business plan preparation process showed that future trends in marketing grafted seedlings will decline due to a decreasing demand, the management and members of the cooperative decided to put more emphasis on the production of fruit trees. Accordingly, each member of the cooperative is currently growing 10 additional fruit trees in his or her orchard.

Increased membership. As a result of its strong selling position, the Chench Highland Fruits Marketing Cooperative received some 1,500 new membership applications. The screening process and the entrance fee issues were cleared out during the discussion forum; the general assembly of the cooperative decided to accept 144 new members and delegated the management to finalise the intake process. It is expected that the enrolment of such a substantial number of new members will increase the capital base and product volume of the cooperative.

Increased Sales. The Cooperative is selling now their total production, in 2008 amounting to 105,000 kg (7 times the production in 2005), in Addis Ababa at premium prices directly to a number of supermarkets and wholesalers. They benefit threefold: (i) increased quantity being sold at (ii) higher prices and (iii) having higher profit margins because of skipping transactions cost.

CONCLUSION

Cooperatives in Ethiopia generally have to serve some of their members' social objectives in addition to their business purposes. The predominant social objective orientation had been inhibiting the Chench Highland Fruits Marketing Cooperative from improving the quality and marketability of its products. Linking the cooperative with local capacity-builders, creating access to practice and developing business knowledge have made it possible for the Chench Highland Fruits Marketing Cooperative to develop winning marketing strategies. This, together with the market and feasibility study started by SNV to identify alternative products and corresponding market outlets for low-quality apples, might well raise the dreams of additional income and increased prosperity in the Chench community.