

IMPROVED BANANA MARKETING: THE CASE OF MWOYO UMWÉ

BACKGROUND

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Between July and December 2007, SNV conducted a banana sub sector study in Mozambique. In the central region, banana producers of Macate were identified as being the main banana suppliers for the markets of Chimoio (238'976 inhabitants) and Beira (436,240 inhabitants). The study also found that the gross margins of the producers are very low (13%) or even negative (-8%) as compared to the other actors in the chain (see annex 1). Several reasons explain the low incomes from banana production: Firstly, there is the so-called baptism phenomenon that consists of the small farmer giving two to four bunches of banana for free, in addition to the one bunch bought by the trader. This customary system is maintained as a result of the existence of an inefficient market structure and a weak commercialisation system that links producers to markets.

Market inefficiencies in this commercialisation system are mostly related to the problem of asymmetric information. Traders from Beira (200Km) and Chimoio (45Km) and Maputo (1'200 Km) cities have to spend 2-6 days in Macate area waiting to fill in one truck of bananas because they don't have information about the zones where bananas are available. Moreover, they have to travel from one zone to another looking for bananas and distances within the zones in Macate area range from 10 to 70Km. Even in cases when a trader had already contacted a producer, the quantities may not be enough to fill in the truck; again the trader will have to look for additional bananas with other producers. This situation highly impacts on the fuel used, time consumed, and days spent; which represent more transaction costs for the trader. One way of compensating all these transaction costs is through baptism.

Secondly, the leading banana producers association in Macate, Mwoyo Umwé, has never been able to provide adequate services to its members: price negotiation (voice); assured markets (contracts) among others. This almost led to the total collapse of the group, which is currently maintained by few active members that believe in the associative spirit. Thirdly, bananas being sold in bunches constitutes a serious problem for the producers because not all bunches have the same weight. Some bunches weigh much more or much less than others. Being so, traders are not willing to pay the same price for bunches that weigh less. Additional bunches have to be provided.

Mwoyo Umwé has tried to introduce the use of scales to avoid the baptism phenomenon in 2006. Scales were distributed to the nine production zones in Macate, but it failed because the producers were not prepared and organised to adopt the system. Moreover, the scales were very heavy and could not be moved from one place to another easily. The location of the scales in each zone was, in most cases, not the best taking into account the distances to other farmers. So, producers kept on negotiating on an individual basis, violating this way the prescribed price of 1Mtn per kilograms and continued selling bananas in bunches (20Mtn/kg). Eventually, the use of scales was abolished by the practice and the baptism phenomenon continued.

Despite these problems, the sub sector analysis demonstrated great potential in impacting the livelihoods of the families producing bananas. There was a clear need to strengthen the banana value chain and change in existing production-based to a market-approach. Reasons for the current poor quality of the bananas in the district of Gondola are related to poor conditions for production, for example: shortage of good quality inputs, tools, limited access to finance, poor infrastructure and inadequate production know-how. This disqualifies the exploration of international and/or fair trade markets at present.

The banana value chain in central region of Mozambique consists of:

- Banana producers (from Macate area)
- Processors and wholesalers (those who buy the produce in Macate to sell in Chimoio and Beira Markets)
- The retailers (those who buy from these wholesalers to sell in the streets and at markets to the final consumers). It is relevant to mention that vast majority of the retailers are women both in Beira and Chimoio cities.

Bananas are normally bought as green produce at the farm gate.



Figure 01: A bunch of bananas cut in the farm



Figure 02: Bananas at farm gate waiting for traders to buy

Wholesaling occurs at the place where the bananas are ripened (processed). Processing is rudimentary. It consists of a mixture of 20-40 litres of water with little caps of ethylene, commonly called "Pemo" in the area, and wetting the bananas in the water. The processors and wholesalers sell their bananas in Chimoio (Mercado "38mm") and Beira (Mercado "do Goto" and Vila Massane).

Transport to the markets is in trucks ranging from 2-4 tonnes to Chimoio, where the market is small, and 4-8 tonnes to Beira (a bigger market).

Bananas are mainly commercialised through street vendors in Beira and Chimoio, who sell small amounts on street corners and near bus stations. There is no price incentive for supermarkets or other official markets to sell bananas. It is a belief among customers that bruised bananas are tastier. If supermarkets had to sell bananas there, prices would not be competitive when compared to street vendors. Being so, there is also no incentive to produce bananas with superior quality at the moment for the domestic market, although it is alleged that better quality bananas have a better shelf life.



Figure 03: Warehouse in Chimoio (38mm market)



Figure 04: Processing (ripening) in the warehouse



Figure 05: Truck full of bananas ready to transport bananas to Beira or Maputo markets

Some of the produce is transported through traders to Maputo in bigger trucks. The trip to Maputo (1'200 km) takes 2-3 days. It is still worth taking bananas from Macate to Maputo, even with the existence of big companies like Banalândia, due to its very low price of 1 Mtn/kg¹. With the baptism phenomenon, prices are even lower (0.5 or even 0.3 MTn per Kg). In Maputo, the consumer price per Kg is around 12.50-15 MTn per Kilo. Additionally, most of the people that would come to Manica province with goods from Maputo province buy the bananas so as not go empty handed to Maputo or to cover transportation costs.

At present the banana business in the Sofala and Manica Provinces is driven by the traders. They dictate the price of the produce using the baptism phenomenon. Producers have no control over the price they might charge in the market. If a producer was to charge a price above that established by the market, traders would simply buy elsewhere. They are price takers².



Figure 06: Retailers in the down town of Beira city



Figure 07: Retailer in Macate area

METHOD

SNV's approach is initially focusing on improving the marketing efficiency instead of the traditional support in production increase. This is to be achieved by organising enterprises, commercial structures and marketing channels in such a way that the demands of the value chain actors are met (SNV Mozambique, 2008). An important element in this approach is establishing contacts between producers and wholesalers, to introduce better understanding concerning market requirements (volumes, quality, and frequency) and production potential. The

¹ \$1 USD = 24 MTn (Mozambican Meticals). So, in dollar terms, the price of 1kg of banana is approximately \$ 0.042 USD.

² Price takers produce identical products and each seller is small relative to the market; each seller has little or no effect to the market price; it is unable to sell any output at a price greater than the market price (Gwartney et al, 2005)

complexity of value-chain development requires integrated actions at different levels and with different stakeholders. The starting point is strengthening the capacity of banana producers in Macate area (Gondola District, Manica Province). Currently, banana production accounts for approximately 70% of the total household income of families in Macate area. Mwoyo Umwé is the leading banana producers association in Macate. The association is comprised of 64 active members, of which 10 (15.6%) are women. These 64 members represent 1335 banana producers in the nine production zones namely: Maconha, Marrabenta, Muvumbe, Chissassa, Marera, Chicanga, Gojombe, Nhabata and Nhamutueira.

The table below summarises data on production per month.

Production Zones	Nr Producers	Nr Bunches/month	Kg/month
Nhamutueira	63	8.886	177.718
Maconha	133	18.759	375.182
Marera	81	11.425	228.494
Nhabata	218	30.748	614.959
Chicanga	135	19.041	380.823
Gojombe	153	21.580	431.600
Muvumbe	85	11.989	239.778
Marrabenta	397	55.995	1.119.903
Chissassa	70	9.873	197.464
Total	1.335	188.296	3765920

Source: ADEM (Agência de Desenvolvimento Económico de Manica), 20073.

The goal of the assignment is to contribute to increasing production and productivity levels, increase household income and create more employment opportunities in the banana value chain through the improvement of the marketing system.

Expected Results

- Strengthened the capacity of Mwoyo Umwé in terms of leadership, good governance and empowerment;
- Strengthened the capacity of Mwoyo Umwé in business development (human and financial resources; tools for financial management and controlling);
- Established market linkages.

SNV believes that the development of the banana sub-sector in the central region will depend on the creation of business linkages among the different stakeholders in the sub-sector, with effective exchange and coordination of activities as well as well functioning governing structures. The collaborated effort by the stakeholders needs to be focused on meeting consumer demand and being more competitive against other emerging banana producers that will look forward to supplying bananas into the central region market. In order to keep competitiveness the banana sub-sector actors need to improve and innovate continuously, otherwise the competitiveness will be eroded over time. For equitable growth purposes the stakeholders need to ensure that benefits are distributed fairly to the different actors in the sub-sector which will also contribute to achieving sustainability in the long run.

Thus, the success on SNV's intervention would depend on the level of the organisation development of AMU. A diagnosis made in the field concluded that the association was very weak and one could not start with banana marketing initiative without assuring that the assimilative and information dissemination capacity was there. Therefore, SNV prioritised the strengthening of Organisation Development skills while marketing aspects were also tackled. A group of ten most influential farmers (vast majority are members of the board of AMU) was selected to work as the representatives of AMU.

³ The data on the table was updated in July 2008 as a result of the work of AMU in the area. In most cases these are approximate figures.

All PIE activities in SNV interventions are aligned within the five PIE Products and Services and should follow the Governance for Empowerment Principles.

Within the framework of the five PIE products, SNV presented the banana sub-sector study to a wide range of stakeholders, including government, NGOs and private sector, under the multi-stakeholders platforms. Strong linkages were established with the provincial directorate of agriculture of Manica and Sofala, ADEM, district directorate of Agriculture, GAPI, CDL (Local Economic Development Centre of Macate) and ADIPSA under the assignment with Mwoyo Umwé.

Under the rubric of producer groups strengthening, SNV has provided trainings in organisational development to AMU (leadership, associative groups, communication, and improving producer's relationship with market actors, NGOs and local government). The statutes of the association were revised; an interim management board was constituted to guide the destinies of AMU. Under the same rubric of producer groups strengthening AMU has used SCAPEMA budget for an exchange visit in Nampula in order to learn about successful commercialisation/business models, since one of the short-term envisioned outputs is to have a functional commercialisation model for bananas in Macate. Another exchange visit to Manhica is planned for October where the producers will learn about the contract between groups of producers there with a supermarket chain called Shoprite.

There are positive signs of an increase in membership from 64 members to around 300 in the next three months due the new dynamic created in the association. As corollary of this dynamism, AMU is organising a workshop by the end of October with the wholesalers from Beira and Chimoio cities. The idea of the workshop is to find a way to match producers and wholesalers expectations regarding banana prices and to discuss mechanisms for regular banana supply to these markets. Mwoyo Umwé, with SNV's support, has also been able to negotiate a capacity development fund of around USD 12'000 (value chain financing) from ADIPSA (Support to Development of Agricultural Private Sector Initiatives) of that will be managed on their account. This money is being used by AMU for paying expenses related to training sessions on Organisational development and other expenses related to the objectives of the funding (including a motorbike for a field officer that will continue helping AMU in their sensitising activities in the 9 production zones). AMU has also been able to mobilise monetary contribution from some of its members for renting and equipping their new own office. This contribution is also an important milestone in the development of AMU.

SNV is also facilitating the development of a successful commercialisation model in order to move banana producers in Macate from a production-based approach to a market-oriented one; AMU has started a process of organisation of the production zones/area. As pilot, three production areas will be organised in terms of existing number of producers, quantities produced and information for regularity of supply. Producers will be trained on how to gather, analyse and use information about their production processes; how to supply market information; disseminate information, market intelligence. For this purpose two interns from the Catholic University of Mozambique are helping the management board of the farmers in organising the three pilot areas.

Integration of G4E Indicators in the Banana Value Chain

All aspects of Governance are present in the daily work of advisors. For instance, in terms of effectiveness and efficiency the target is to increase productivity of bananas from 10t/ha to 15t/ha and also increase gross margins trough price increases from the current 1Mtn (prescribed price) to between 2-3 Meticais in a most cost effective way of resource use (inputs). Main activities include increasing producers' access to technical assistance for better production techniques and increasing access to appropriate technology, through linking the farmers to LCBs (e.g. ADEM for business skills development) and other programs like SCAPEMA (e.g. exchange visits to Nampula). ADEM is also keen to partner with Mwoyo Umwé in the establishment of a banana packing house in Beira city.

In terms of Equity and inclusiveness efforts are being made to reduce the great disparities among the chain actors in terms of gross margins. Activities concerning market linkages facilitation so that they benefit from a fair price and especially those that give incentives for good quality bananas are taking place. For instance,

IMPACT

a visit to South Africa to explore possibilities for processed bananas was organised in August. The exploration mission for South Africa did not bring about promising results in terms of markets for processed bananas (e.g. dried bananas or banana purée). It is, however, still possible to export unprocessed bananas to South African Market as the market is far from being saturated. But, for a group of producers like AMU it is unrealistic to think about this possibility in short term due to the complexity of logistic and management involved.

Producers are starting to negotiate prices with wholesalers (participation and voice) to ensure that interests of AMU and other chain actors are taken into consideration (e.g. the workshop that is to be organised in October between farmers and wholesalers). Accountability and transparency mechanisms are definitely established: Mwoyo Umwé is now able to play a stronger role and is more accountable to its members (they report on their meetings and exchange visits and communicate about funds management). A well functioning contract farming scheme where all farmers are clear of their roles and responsibilities and are accountable for their actions will soon be in place with the implementation of the new commercialisation model.

One could hardly claim to have achieved impact in less than one year of intervention. However, notable progress towards achieving proposed impact targets is evident. As a matter of fact a growth of farmer's income is foreseen through banana price increase from the current 0.5 or even 0.3Mtn/kg to 1Mtn/kg in short run. The level of permanent employment is also expected to increase along the value chain with the establishment of regular supplying contracts and the packing house in Beira city. It is also expected that with assured markets for their bananas, there will be more incentives for quality improvement and productivity will also increase.

Critical success moments

It is essential that some money is injected into the association for its development. Capacity development without money is not sufficient. It is also necessary that a minimum subsidy for the key members (management board) that dedicate their valuable time to bring results for the whole association (e.g. CLUSA, an organisation based in Nampula, provides subsidies for its managers responsible for commercialisation. One critical moment of SNV's intervention was the funding of \$12.000 by ADIPSA (Support for Private Initiatives in Agricultural Sector) for capacity building purposes, opening and equipping their own office and organising the proposed commercialisation system. But, that is not sufficient; mechanisms to assure minimum subsidies for the key members must be put in place.

It is necessary to collaborate with all actors (direct and indirect) in the chain and assure that their needs are taken into account. Another critical success moment was the strengthening of the working relationships between ADEM and SNV for capacity building of AMU. Since one important area of intervention of ADEM is Macate, there was a clear need to align efforts with ADEM such that collision and confusion among the farmers would be avoided.

Being recognised as an important development agency by government authorities regarding the important role one plays in the area is crucial for the success of an assignment. With the improvement in the relationships between SNV and agricultural authorities in the province of Manica and in the Macate area our presence and recognition as an important development partner in Manica province has increased.

Finally, the role of advisors is crucial for motivation of farmers to continue working towards achieving proposed impact. It is being vital for the sustainability of our intervention the fact that the farmers share common objectives of improving their livelihoods and are also aware that it will take many months before the impact is achieved. However, it is important to show quick results that help to keep alive the dream of a sustainable development.

Summing up, funding from ADIPSA, collaboration with ADEM; recognition by the local authorities and the role of advisors constituted the main critical success moments for the development of the banana value chain.

LESSONS LEARNT

As a result of SNV'S intervention, the capacity of AMU to play a different role has drastically improved. AMU has changed from an association that only existed to be able to benefit from some donor funds to an association that is really committed to the development of the banana sector. AMU is now recognised as the main driving force among the banana producers in Macate. As a result of this recognition, membership is increasing and commitment among other producers to develop the banana sector has also improved. The fundamental constraint for the development of the banana sector in Macate is the Baptism phenomenon. Livelihood improvement would hardly be improved without the elimination of this customary practice. AMU is committed to eliminating baptism through improvement of the commercialisation system and the support from SNV has proven to be crucial for this achievement.

Finally, it is highly recommended that SNV and AMU continue working very hard for the development of the banana value chain and that collaboration with other actors and government authorities is maintained.