

Variety in bulking arrangements

To improve the efficiency in sourcing sunflower for processors, and traders, the problem of scale has to be addressed. Processors and exporters need volume. However, the scattered produce of small producers is costly to collect. For efficient transport and processing, these small quantities have to be bulked in one place; somewhere between the farmer and the processing plant; somewhere in the value chain of oilseeds.

In the Ugandan oilseed subsector a range of different arrangements exist to bulk quantity in the oilseed chain.

Traditionally, farm products are collected and bulked by fellow farmers and middle-men in the village.

Alternative bulking arrangements for oilseeds do exist:

- as farmer-led initiatives of collective marketing;
- as part of company-driven contract arrangements, and;
- as part of trader driven arrangements.

Efficiency gains are possible, when enabling policies and proper support interventions release critical constraints in up scaling these different types of bulking arrangements.

All arrangements have constraints that limit growth both in volume and in number of farmers included in the arrangements. These constraints are specifically related to the capacity to generate trust in transactions, both between farmers in the arrangement and between the bulking group and the buyers upstream in the chain. Processors will need to develop cost-effective embedded services to establish more stable relations with bulking agents and farmer groups, which limit their incentives for side-selling. Traders need to find forms to increase efficiency and turn-over of their agent network.

Up scaling pathways

To increase benefits of the stakeholders involved, all bulking arrangements need to increase the scale of transactions in the chain. Especially in collective bulking arrangements, a systemic change in governance is needed to up scale from an arrangement with low turnover to one with high turnover. Structural constraints in access to and governance of working capital, and constraints in governance mechanisms that delegate functions within a group will have to be addressed to facilitate this 'big leap' forward.

Cluster development, with strong core groups facilitating the affiliation of weaker groups in federation-like farmers associations, is a promising up scaling pathway. Research indicates that credit and savings systems and collective handling of storage or production facilities prove to be key mechanisms for building the trust and management capacity in these core groups.

Current possibilities for access to working capital constrain this cluster development pathway, as transaction costs and risks for both the banks and the bulking groups are high and collateral is a major problem.

Innovative enabling policies are needed to facilitate a systemic change in financial service provisioning, like further development of warehouse receipt systems and the use of government backed guarantee funds.

These interventions need to be directed to already existing groups that have managed to build internal capacity in resolving problems around collective action and opportunistic behaviour, and in delegating functions and responsibilities within the organisation.



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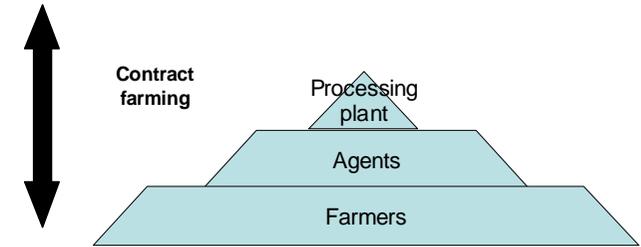
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Giel Ton, David Moses Opeero & Sietze Vellema
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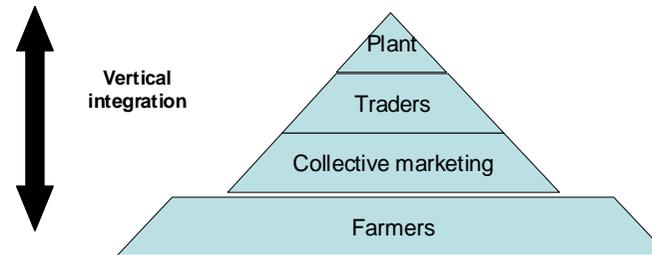
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Three up scaling pathways of alternative bulking arrangements are summarised here.

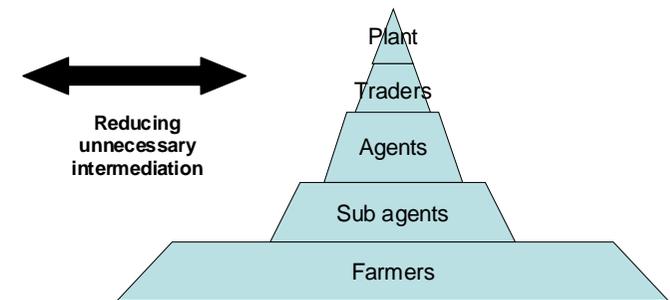
PROCESSOR DRIVEN



Producers driven collective marketing



Traders driven



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