

REPORT ON THE FACILITATION OF CONTRACT FARMING LEARNING EVENT IN GHANA

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1. INTRODUCTION

The goal of the Competitive African Rice Initiative (CARI), a program commissioned by Bill and Melinda Gates Foundation (BMGF) and Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) and implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in cooperation with TechnoServe, Kilimo Trust, and John A. Kufuor Foundation is to significantly improve the livelihoods of rice farmers in selected countries in the sub-region by increasing the competitiveness of domestic rice supply to meet increasing regional demand. CARI is implemented in Burkina Faso, Ghana, Nigeria, and Tanzania with the aim of reaching over 120,000 African rice producers, 30% of which should be females.

The direct beneficiaries of this project are male and female smallholder rice farmers with a daily income below 2USD. Secondary beneficiaries are rural service providers and rice millers improving their sourcing capacity of quality supply. The overarching CARI strategy builds on the identification, optimization and expansion of sustainable business models that integrate small-scale rice producers. The challenge of providing millions of smallholder farmers with advisory services, high quality seed and other agricultural inputs, as well as organizing their access to market, is immense. One approach for tackling this challenge is the creation of a link between smallholder farmers and the market through contracts with agro industrial buyers.

A total of 13,100 farmers grouped in 437 FBOs are to be included in the contract schemes. The FBOs are supported by service providers which are engaged by the rice off-takers (or part of their operations). Service providers are in charge of technical advisory on rice production, farmer training, distribution of inputs and aggregation of rice. The integration of small-holders and their FBOs into off-take agreements is yet to reach full speed. Lack of experience in the implementation of contract farming agreements, poor management capacities in both off-takers and FBOs are affecting this process.

2. PURPOSE OF THE WORKSHOP

The learning event forms part of the entire CARI programme to bring together all the stakeholders in the rice sector including actors and implementers of the contract farming scheme, processors, matching grant partners, a cross section of farmer based organizations and key stakeholders in the rice industry from Ghana and other implementing countries such as Burkina Faso, Tanzania and Nigeria to deliberate on how contract farming has been implemented in Ghana , facilitate exchange and also to share experiences among the various actors both in Ghana and other implementing countries.

3. TERMS OF REFERENCE (TOR)

As part of the scope of work under the TOR, the consultant was expected to facilitate the “Learning event” for MGF partners in CARI countries, facilitate the exchange and work day on contract farming. Specifically, the consultant was expected to deliver on the following under listed activities;

1. Prepare and present a brief introduction on CF and how it has been implemented in Ghana by the CARI team,
2. Facilitate the discussion on contract farming implementation in Ghana from the perspectives of the different actors including the MFGPs, FBOs, extension service providers etc.
3. Facilitate the presentations and lead discussions on contract farming implementation from the perspectives of other CARI implementing countries namely Burkina Faso, Nigeria and Tanzania
4. Provide a short report about the contract farming learning event.

4. ACKNOWLEDGEMENT

I wish to express my profound gratitude to the leadership of GIZ, CARI and TechnoServe for the trust and confidence they reposed in me, thus giving me the opportunity to be the facilitator for such important event as part of the CARI project. I also thank the CARI and GIZ team in Ghana for their collaboration to make the event a successful one.

5. EVENT PARTICIPANTS

The participants of the learning event were drawn

From among the following partners:

1. Representatives from GIZ-Germany, Ghana and Nigeria
2. Representatives from TechnoServe/CARI
3. Matching Grant Fund partners-Fyso, Farmer Lane, Cran and Okata
4. Selected farmer based organizations from Fyso Ghana Ltd
5. Representative from Mamboleo Farms -Tanzania
6. Representative from Onyx rice mill Ltd- Nigeria
7. Representatives from UNERIZ- Burkina Faso
8. Representatives from Worawora rice mills-Ghana
9. Two interpreters (Ghana and Burkina Faso)
10. Dr. Muchilwa
11. CF Consultant/facilitator

6. EVENT OUTLINE

The outline for the contract farming learning event is summarized into the major activities as below:

1. Brief introduction on CF and how it has been implemented in Ghana by the CARI team.

2. Presentation of CF implemented in Ghana by partners
 - Perspectives from Partner
 - Partner Successes
 - Partner Challenges
 - Contract/Relationship Management
3. Presentations from MFGPs, FBOs, extension service providers
4. Experiences from other countries (Nigeria, Tanzania, Burkina Faso)
5. Presentation by Dr. Muchilwa on the Moisture meter
6. General discussions, recommendations and Closure

The detailed event outline is attached as annex 1 of this report.

7. EVENT STRATEGY AND APPROACH

Prior to the main event, in collaboration with the GIZ and CARI teams (Nigeria and Ghana), the consultant conducted all preparatory works to ensure that the event was successful. As expected under the TOR, I prepared and presented a brief introduction on CF and how it has been implemented in Ghana by the CARI team and then engaged the various stakeholders in discussions and experience sharing on the subject matter. The presentations at the event were structured to give each of the speakers the opportunity to present their experiences and works on contract farming and how it has been implemented and its benefits from their respective perspectives.

The training programme was designed in line with the principles of adult learning as follows:

- Learning was participant-centered with the participants also acting as presenters and facilitator questions, suggestions and comments during the presentations.
- The facilitator guided participants in the learning process and encouraged all active participations of all participants present
- The prior knowledge of participants, their businesses and the challenges they are confronted with were incorporated into the learning process

Additionally, to enable the consultants/facilitators relate the topics to the challenges confronted by the participants, the facilitator drew from experience in the subject area which formed the basis of the discussions, practical examples and case studies.

8. PRESENTATION

To ensure that the learning event objectives were achieved and to enhance the learning process, a workshop approach was used for the event.

The methods and the context in which they were used are explained below:

Formal presentation

A formal presentation method was employed to facilitate learning event for the topics relating to concept of contract farming and contact farming as an inclusive business model. Even in this case, the concepts were simplified and simple language used to help participants in the learning process in line with the training methodology. Thus, lectures were used to explain the concepts and processes and other methods (Examples, Illustrations, Statistics, Questions and Answers, Discussion, etc.) were then employed to give practical expression to the lectures.

Discussions

This was used because of its effectiveness in involving participants by giving them the opportunity to express their views and opinions openly. This method was employed during the presentations to clarify issues, correct misconceptions, and give participants the opportunity to be actively involved in the learning process.

Questions and Answers

This method was used to assess the effectiveness of the presentations and sometimes to assess the knowledge level of participants at the beginning of a presentation. It was therefore used at the beginning of the presentations to enable the facilitators determine how best to proceed with the presentations that would make learning more effective. Questions and Answers were also used

during and at the end of every presentation to determine whether learning has actually taken place.

Experience sharing

It was easier for participants to understand and appreciate what has been done or achieved by others by way of their own experience or others' experiences. This was used to consolidate the lectures through practical experience by others which demonstrated to participants that it can be done. Experiences from the actors in the rice value chain in Ghana (MFGPs, FBOs, extension service providers, CARI/TNS) and that of CARI from Burkina Faso, Nigeria and Tanzania were shared. This approach helped to enrich the learning event.

9. TRAINING AIDS

Modern training aids such as an LCD projector, a Laptop Computer, Flip charts, and Training Materials on power point presentations were used. The training on the moisture meter involved a practical demonstration of the product

10. DURATION AND PERIOD

The duration of the training programme was three (2) days. The period spanned from 24th to 25th, April 2017 for the entire program. The first day was devoted to access to finance whilst the second day, was for the contract farming learning event, the purpose of this report.

11. VENUE

The Venue for the training was the **Mensvic Hotel, Lagos Avenue, East Legon, Accra.**

12. MAJOR ISSUES DISCUSSED

The issues discussed during the event have been grouped under the following headings to summarize proceedings and highlight key issues discussed at the events.

1. Brief on contract farming

Contract farming (CF) is defined as forward agreements specifying the obligations of farmers and buyers as partners in business. According to the facilitator, Contract farming is not new as it has been in existence since creation, creating relationships between various actors involved. From the definition, he reiterated that contract farming links farmers to off takers through Farmer Based Organisations (FBOs) formalising working relationships among the various actors along the rice value chain. Contract farming was introduced under the CARI programme as one of the possible solutions to bridge the gap between the needs of producers and off takers such as reduction of production and market risks, reduction of price risks and reduction of transaction costs. The consultant further added that, the GIZ model of the contact farming is unique because it regards “contract farming as inclusive business”.

2. Definition of smallholder farmer

In an attempt to define the concept of smallholder, participants came out with several definitions among which the following were cited;

1. In Nigeria, smallholders are farmers having a farm size of up to about 1 hectare,
2. In Ghana, smallholders are farmers with a farm size of 1 acre or anything below 10 acres,
3. According to the representatives from Burkina, smallholders are farmers with farm size between 0.5 and 1 acre.

All the above definitions were mainly based on the size of the farmland.

3. Access to inputs prices to ensure transparency under CF

One of the challenges under the contract farming scheme is ensuring transparency in the prices of inputs and harvest. It is interesting to know that the prices of input in Ghana are highly decentralised and differs from region to region or community to community. This makes it sometimes difficult to set or fix input prices when negotiating contract with farmers because it is subject to change depending market interactions and government policies (e.g. fertilizer

subsidies). Despite the challenge of accessing market prices, farmers, out growers among other value chain actors depend on both word of mouth from other actors and some IT platforms such as Mfarms, Essoko, Image AID etc to access inputs price information. The only issue with prices broadcast by ICT firms is that their prices are normally different from the actual market prices on the ground presenting price differences. When price of the paddy on the market is higher than the negotiated contract price, it encourages side selling and one of the ways to control this is for partners to be reviewing prices of paddy and inputs based on market mechanisms.

4. Presentation of CF implemented in Ghana by partners

- ***Perspectives from Partners***

The perspectives of the partners are summarised as below;

1. If FBOs are strengthened or empowered, the work of partners becomes very easy
2. Follow up is very important in contract farming to ensure farmers are doing what is expected from them under the contract and also as a means of controlling side selling
3. Private and government extension officers are used in some cases,
4. In cases where partners are yet to sign contract, affidavits were signed to establish the relationship.

- ***Partner Successes***

1. Some of the partners have signed contracts with FBOs under the Contract farming project. For instance Fyso Ghana Limited has been able to sign contracts with at least 80 FBOs.
2. With the help of the consultant, partners have been able to implement contract farming as an inclusive business model after the training sessions,
3. Relationship with farmers have been formalised and strengthened as trust has been built and as a result of this it is now easy for partners to interact with farmers without any hindrances,
4. Timely input supply and provision of extension support to contracted farmers,
5. Access to mechanisation service under the scheme, motivates farmers to plough large farm sizes and as a result increased output. For instance one of the farmers in Damango in the Northern region recorded the highest yield. Again a farmer who ploughed 2 acres under Okata relying only on organic farming, harvested 48 bags of 100kg.

- **Partner Challenges**

1. Some farmers were sceptical about the contract terms of condition that all paddy will be purchased by partners,
2. Storage is a challenge for most of the farmers under the scheme,
3. Price determination and negotiation is difficult under the scheme due to changes in economic variables and government policies,
4. Weak internal control and management systems.

5. Contract/Relationship Management

Under the contract farming scheme, trust has been built and working relationships between partners and FBOs has been improved as some of the partners have formalised relationship by signing contracts with the FBOs. Signed contracts could be used as collaterals to secure financing for the FBOs.

6. Experience from other implementing Countries

- **Tanzania**

Contract farming was introduced about a year ago. Under the scheme Mamboleo farms has registered about 3022 farmers grouped under 194 FBOs among which 1314 are women. Also about 40% of the women are illiterate. It took about 3 months to explain the concept to the farmers to be able to sign contract with them. Mamboleo farms produces rice twice a year based on both rainfed method of production and irrigation system. Key activities implemented under the scheme include;

1. Smallholder Farmers (SHFs) mobilization and registration to form FBOs
2. Provide training to SHFs on GAP, FBS, GPHH & crop diversification
3. Link farmers to technology services e.g. improved inputs, mechanization services.
4. Off taking paddy from contracted farmers
5. Support farmers in accessing financial products and services.

Even though the scheme is still young in its implementation stage with Mamboleo farms, it has recorded the following under listed successes;

1. 175 farmers have accessed inputs under the 100% credit provided by the project last season.
2. All 175 farmers have successfully repaid the loan through delivering paddy to MFL.
3. 329 Farmers have accessed inputs under the same arrangement this season
4. For the first time in Rufiji District, Farmers have engaged into dry season paddy farming (August – December), 175 farmers were engaged,
5. Inclusion of more women and youth in paddy farming, of which 44% women and 70% youth are engaged.

- **Nigeria**

Onyx rice mill limited is one of the beneficiary partners of the contract farming project in Nigeria. It has engaged about 8000 farmers of which 3500 are women. The company has been able to sign contracts with the target farmers. In Nigeria any rice below quality is rejected and payment is only made upon receipt of the produce. The rice mill has 15000 MT annual production capacity. Some of the activities implemented are as follows;

1. GAP training,
2. Farmer Business School,
3. Par boiling training,
4. Diversification training on sesame and melon,
5. Use of RiceAdvice android app from Africa Rice.

Under the scheme, farmers have benefited from training sessions increasing their knowledge on better production methods, how to increase yields, farmers credibility to access finance has increased among others. Under the contract farming scheme project, Onyx rice mill undertakes the following activities;

1. TOT (Training of Trainers) on Good Agricultural Practices for trainers
2. Train Farmers Based Organizations (FBOs) on GAP (step down training to farmers)
3. Train FBOs on paddy quality improvement
4. Access to finance for the FBOs through CBN Anchor Borrowers Program and collaborations with some financial institutions. E.g. keystone bank
5. Link farmers/FBOs to input service providers (seed, fertilizer and Agro chemical) e.g. Jetan Agro, Syngenta
6. Link farmers/FBOs to mechanization service providers. E.g. Seedfirst Multi-Purpose Coop Society Ltd
7. Link farmers/FBOs to Extension services providers (NAMDA, AGAN and NSRIC) etc.

Since the introduction of the contract farming, Onyx Rice Mill has recorded an increase in production from 5,000 MT during the first phase of the project in 2014 to 9,000 MT in 2016 representing an increase of 60%. Also farmers' credibility to access finance has increased.

- **Burkina Faso**

L'UNERIZ is a processor in Burkina Faso. As a processor, it buys paddy rice from farmers, process it and sell it to end users. The company deals with about 4000 farmers. The company has recorded the following successes under the contract farming scheme project;

1. Secured financing and guarantee market for farmers
2. Business relations have been developed among the various actors and reduction in transaction cost,
3. Guarantee access to paddy rice.

To ensure the successful roll out of the project, the following activities have been undertaken;

1. Planning workshops on the needs of paddy rice; identification of varieties, quantities, quality, price, distribution channels and selling places
2. Workshops with farmers to present the need of paddy rice; identification of services to be rendered to farmers that will give women some privilege in selling paddy, facilitation to access of inputs and mechanisation services among others,

3. Signed a tripartite Memorandum of understanding between a bank (Caisse populaire), producers and off takers.
4. Signed distribution contracts with buyers.

5. Presentation on the moisture meter

As part of the event, Dr Isaiah E. Muchilwa from the Moi University, Kenya was given the opportunity to make a presentation on a low -cost moisture meter for paddy dried on small farms which is a result of his research work in Germany. He exposed to participants how the meter works and gave them the opportunity to demonstrate how it works. It was tested on paddy from all the CARI project countries.

6. Lessons learned

At the end of the event, the following were lessons learnt as shared by the participants;

1. One of the ways of in which side selling can be avoided is by strengthening the FBOs through the development of internal structures of the associations, marketing and effective communications, advocacy and negotiation skills.
2. It is not possible to compel farmers to sell their harvest to partners, an innovation is needed
3. A structured farmer is better than a wayward farmer,
4. The difference between CARI project and other projects is the model adopted, dealing mainly with MFGPs and FBOs
5. Farmers are willing to learn new techniques and technologies of farming to increase output,
6. There is no difference in cost in rice production based on organic methods and application of fertilizers,
7. Rice as a business as in the case of Tanzania,
8. Unlike Tanzania where rice production is strictly business activity, in other West African countries, one cannot avoid social embeddedness within the rice value chain.
9. There is the possibility of processors to increase their financial strength to expand their businesses,

10. There is the need to help the partners to develop the demand side of their businesses through marketing, branding, packaging and access to consistent market. It is one of the factors that the success of contract farming or not hinges on.

13. FEEDBACK FROM PARTICIPANTS

Feedback from participants was positive as the event has opened their eyes to identify other businesses along the rice value chain and also presented the opportunity to learn and share experiences with participants from other implementing countries. The event again served as a platform to connect and network with various actors.

14. CONCLUSION

The learning event was successfully organized as expected and is it my expectation that participants would make good use of lessons learnt and experience shared to improve upon their operations and also to record more success stories under the contract farming project. We also hope that lessons' learnt would enable the organisers to improve upon subsequent events.

Annex 1

Program Outline on Learning Event Date: 24 – 25th April 2017 Day 1: Access to Finance (A2F)

Program/Activity	Time (Duration)		Brief explanation	By Who
Participants' Arrival and Registration	08:00 - 08:30			
Participants introduction / Presentation and adoption of program	08:30 - 09:00			Moderator
Presentation on Access to Finance for rice value chain (A2F)	09:00 - 09:20	20 mins	Short presentation on A2F and how to tackle the current challenges on CARI	TBD by TNS
Presentation of Access to Finance Strategies implemented in Ghana by partners <ul style="list-style-type: none"> ○ Input financing ○ Working Capital ○ Equity Financing ○ VSLAs 	09:20 - 09:30	10 mins	Brief introduction on these topics and how is been implemented in Ghana by the CARI team.	Henry
<ul style="list-style-type: none"> ○ Input financing (case of Ghana, Nigeria, Tanzania and Burkina Faso) 	09:30 - 09:45	15mins	Partners will share success story on how they successfully implement to achieve	Fysso (GH)
	09:45 - 10:00	15mins		BabbanGona (NG)
	10:00 - 10:15	15mins		RGL (TZ)
	10:15 - 10:30	15mins		FASO MALO (BF)
<i>Coffee Break</i>	10:30 - 11:00	30mins		
Questions and Feedback time - Plenary	11:00 - 11:15	15 mins		Moderator
Working Capital Finance (WC)	11:15 - 11:30	15mins	Partners will share how it was able to get working capital from the banks, interest rate and duration etc.	SAVBAN (GH)

Equity Financing	11:30 - 11:45	15mins	Partner will share with the team how they were able to have equity financing and what were the modalities that went into it	Worawora
Village Savings and Loans (VSLAs)	11:45 - 12:00	15mins	Partner will share how successful as the VSLA helped farmers and how is been implemented to achieve growth and sustainability	Christian Aid
Questions and Feedback time – Plenary about WC, Equity Financing and VSLAs	12:00 - 12:30	30mins	Take questions, comments and feedback from participants on A2F and the way forward	Moderator
Lunch	12:30 - 13:30	1hour		
Preparation for working groups: presentation of ToR and constitution of working groups	13:30 - 14:00	30mins		Moderator
Working Groups	14:00 - 15:00	1hour		Moderator and Henry
Plenary: Presentation of working groups results and discussion	15:00 - 15:30	30mins		Participants
<i>Coffee Break</i>	15:30 - 16:00	30mins		
Plenary: Presentation of working groups results and discussion (<i>continuation</i>)	16:00 - 16:30	30mins		Participants
General recommendations closure	16:30 - 17:00	30mins		Moderator

Day 2: Contract Farming

Program/Activity	Time (Duration)		Brief explanation	By Who
Presentation of CF implemented in Ghana by partners <ul style="list-style-type: none"> ○ Perspectives from Partner ○ Partner Successes ○ Partner Challenges ○ Contract/Relationship Management 	09:00 - 09:30	30mins	Brief introduction on CF and how it has been implemented in Ghana by the CARI team.	Chani
Perspectives from Partners	09:30 - 09:40	10mins	Partner will share success story on how they successfully implement to achieve targets	FYSSO
	09:40 - 09:50	10mins	FBOs will share their experience about challenges of CF	FYSSO (FBO)
	09:50 - 10:00	10mins	Partners will share their experience about challenges of CF	Farmer Lane
	10:00 - 10:10	10mins	How to maintain contract relationship between partners and FBOs	Okata Farms
Questions and Feedback time – Plenary session about all presentations	10:10 - 10:40	30mins	Take questions, comments and feedback from participants on CF implementation in Ghana	TNS/Moderator
<i>Coffee Break</i>	10:40 - 11:10	30mins		
Experiences from other countries (Nigeria, Tanzania, Burkina Faso)	11:10 - 11:20	30mins (10mins each)	Countries will share some experiences on Contract Farming and strategies implemented by the partners	Tanzania
	11:20 - 11:30			Nigeria (ONYX)
	11:30 - 11:40			Burkina Faso (UNERIZ)
Questions and Feedback time – Plenary session	11:40 - 12:30	50mins	Take questions, comments and feedback from participants on CF	TNS/Moderator

			implementation in all countries and the way forward	
<i>Lunch</i>	12:30 - 13:30	1 hour		
Presentation by Dr. Muchilwa on the Moisture meter	13:30 - 14:30	1 hour		Dr. Muchilwa
General discussion with AGRA Representatives (to be clarify)	14:30 - 15:30	1 hour		
General recommendations and Closure	15:30 - 16:00	30mins		TNS/Moderator