

Collective action for agricultural marketing

Training manual



Girma T. Kassie, Woinishet Asnake, Aynalem Haile, Tesfaye Getachew, and Jane Wamatu

International Center for Agricultural Research in the Dry Areas (ICARDA)

Addis Ababa, Ethiopia.

December 2020

© 2020

CGIAR is a global partnership that unites organizations engaged in research for a food-secure future. The CGIAR Research Program on Livestock provides research-based solutions to help smallholder farmers, pastoralists and agro-pastoralists transition to sustainable, resilient livelihoods and to productive enterprises that will help feed future generations. It aims to increase the productivity and profitability of livestock agri-food systems in sustainable ways, making meat, milk and eggs more available and affordable across the developing world. The Program brings together five core partners: the International Livestock Research Institute (ILRI) with a mandate on livestock; the International Center for Tropical Agriculture (CIAT), which works on forages; the International Center for Research in the Dry Areas (ICARDA), which works on small ruminants and dryland systems; the Swedish University of Agricultural Sciences (SLU) with expertise particularly in animal health and genetics and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) which connects research into development and innovation and scaling processes.

The Program thanks all donors and organizations who globally supported its work through their contributions to the [CGIAR system](#).



This publication is licensed for use under the Creative Commons Attribution 4.0 International Licence. To view this licence, visit <https://creativecommons.org/licenses/by/4.0>. Unless otherwise noted, you are free to share (copy and redistribute the material in any medium or format), adapt (remix, transform, and build upon the material) for any purpose, even commercially, under the following conditions:



ATTRIBUTION. The work must be attributed, but not in any way that suggests endorsement by the publisher or the author(s).

NOTICE:

For any reuse or distribution, the license terms of this work must be made clear to others.

Any of the above conditions can be waived if permission is obtained from the copyright holder.

Nothing in this license impairs or restricts the author's moral rights.

Fair dealing and other rights are in no way affected by the above.

The parts used must not misrepresent the meaning of the publication. The Livestock CRP would appreciate being sent a copy of any materials in which text, photos etc. have been used.

Editing, design and layout: ICARDA

Cover photo — A livestock market in North Shewa Zone, Ethiopia (photo credit: ICARDA/Girma T. Kassie).

ISSN: 2709-7803

Citation: Kassie, G.T., Asnake, W., Haile, A., Getachew, T., Wamatu, J. 2020. Collective action for agricultural marketing - Training manual. International Center for Agricultural Research in the Dry Areas (ICARDA), Addis Ababa, Ethiopia: ICARDA.

Corresponding author: Girma T. Kassie (Ph.D.), g.tesfahun@cgiar.org

Contents

Introduction	2
Session 1: What is collective action?	3
Session 2: Types of collective actions in rural Ethiopia	5
Session 3. Importance of collective action in agricultural marketing	11
Session 4. Key determinants of performance of collective actions.....	14
Session 5. Steps to establish collective action for agricultural marketing	18
Session 6. Implementing collective action: key considerations	22
Session 7: Collective Action Problem	24
Session 8. Determinants of sustainability of collective actions.....	27
Further reading	30

Introduction

Farm households conduct their day-to-day activities individually and in groups in a synchronized manner. Labor demanding activities such as ploughing, and harvesting are usually undertaken in informal but well-structured groups. In addition to agriculture, saving and credit, funerals, and festivals do involve gatherings of selected group of people with favors reciprocated more often than not.

Farm households in rural Ethiopia have rich experience with group efforts including cooperatives, *iddir*, *senbete*, *wonfel*, *debo*, and *equb*. These formal and informal institutions can all be considered as collective actions although in some cases these institutions are imposed upon the communities.

One area where the role of collective actions is not strong in Ethiopia is marketing. There have been numerous efforts to help farmers establish groups and cooperatives that enable them access and be more competitive in agricultural markets. It is obvious that the culture of collective marketing is still at infant stage and farmers are yet again price takers in the markets.

The need for creating awareness about collective marketing and the mechanics of establishing and managing it is very clear. This manual is prepared as part of ICARDA's effort to contribute towards this agenda. The manual contains six main sections on meaning of collective actions, types of collective actions, importance, steps to establish the collective actions, makers and breakers of collections actions, and determinants of sustainability of collective actions.

We have presented the relevant concepts and empirical evidence on collective marketing focusing only on essential elements that farm households in rural Ethiopia need to be aware of. This manual was not meant to cover everything about collective action and trainers are encouraged to supplement it with timely and context-specific scientific information whenever possible. The manual is also generic in the sense that it is meant to be useful to discuss collective action issues with both men and women and people of different age groups. It would be useful to document important observations, if they differ among the different groups, and incorporate the experiential learning in adapting or improving the manual.

We encourage trainers to share with us their supplementary materials and modifications they made on manual. This will help in the revision of the manual that will be done regularly based on the feedbacks to be collected from different actors.

We have included references at the end of each session for further discussion of the topics. Suggestions on recent and contextual references will be highly appreciated. Finally, we would like to indicate that this manual was prepared based on the efforts of numerous researchers in the global scientific community. Yet, we decided not to include all citations to make use of the manual easier for local practitioners.

Session 1: What is collective action?

Section objective

This section introduces the concept of collective action in a broader context. The key aspects of a collective action for rural development will be described and the dilemma between individual and group interests will be discussed. We will also discuss about the problem of free riding in collective actions.

After this session, trainees will be able:

- Define collective action.
- Explain the need for collective action in rural settings.
- Describe the difference between individual and group interests and its implication on effectiveness of collective action.
- Discuss the importance of trust and preference heterogeneity in collective action.

Collective actions

Collective actions are actions taken by a collection or group of people, acting based on a collective decision. Collective action requires the involvement of a group of people, shared interest within the group, and involves some kind of shared engagement towards the shared interest on voluntary basis. Collective action is an instrumental strategy that enables individuals to efficiently access and make use of goods and services that could have been very costly for individuals.

The need for collective action emanates from individual or group level challenges and opportunities that could pull individuals together for inclusive and broad-based engagements. Farm households have individual interests and challenges in their day-to-day life. They also have interests and challenges that they share with fellow farmers. Many aspects of production and marketing activities of individual farmers can be improved if the resources are brought together and the farm households focus on common challenges.

The nature of collective action strategies depends on the topic selected by the agents as their principal objective (incomes and material well-being, social relationships, citizenship and democracy). The likelihood of collective action occurring also depends on the resources and opportunities available to groups. Nonmaterial resources are also important to collective action. For instance, the amount of time each member is willing and able to devote to group goals is important, as are the ideas and skills that they can muster. In addition to the availability of resources, political structures affect the likelihood of collective action. Different types of regimes are likely to encourage different types of collective action.

Discussion points

- What is collective action?
- What collective actions do you have in your locality?
- Do you think the community is better off with the collective actions it has? Why?

Session 2: Types of collective actions in rural Ethiopia

Session objective

In this section, we will identify the common collective actions in rural Ethiopia and describe the ones that have direct role in the livelihoods of the rural communities. All participants are expected to know about most of the collective actions in this section. The trainees are also expected to actively participate in sharing their experiences about the different collective actions to be discussed. Attention needs to be paid about the proportion of participants not familiar with the collective actions and the discussion shall be guided accordingly.

After this session, trainees will be able to:

- Describe the different collective actions in their localities.
- Explain the purposes of each of the collective actions.
- Present the weaknesses and strengths of the collective actions in their localities.

Types of collective actions in rural Ethiopia

Collective actions could take different forms depending on their purposes, memberships, and level of autonomy. They could have multi-purpose or commodity specific institutions related to production, marketing or consumption of one or more products. Collective actions can also have gender or age specific memberships. They could be externally driven – like politically motivated – or could be voluntary cooperatives/groups formed by members themselves.

The common way of classifying collective actions is based on their key objectives. The collective actions can have one or more of the following objectives:

- Improving incomes or some other dimension of the immediate material well-being of the members involved.
- Modifying social relationships, and particularly power relationships, within specific rural populations.
- Influencing public policies in order to expand opportunities for development and to diminish or overcome factors of exclusion and discrimination.
- Developing individual capacities (human capital).
- Strengthening one or more components of organizations.
- Fostering social networking and collaboration.
- Reinforcing standards and values such as solidarity, reciprocity and trust, which are essential for achieving the common good (social capital).

The experience of collective actions in rural and urban Ethiopia shows that most of the objectives listed above have been individually or jointly the reasons behind the efforts of establishing collective efforts. Collective efforts common in Ethiopia include multi-purpose agricultural cooperatives, service or marketing cooperatives, funerary associations (*iddir*), credit associations (*equb*), social and religious associations in the Orthodox Christian tradition (*Senbete, Tsiwa, Mahiber*), agricultural labour sharing (*debo, wenefel*) and some types of dispute resolution institutions (*shimgilina*).

Let us now briefly discuss the most common collective actions in rural Ethiopia.

Multi-purpose Cooperatives

According to the Ethiopian law, a cooperative society is an autonomous association having legal personality and democratically controlled by persons united voluntarily to meet their common economic, social and cultural needs and other aspirations, which could not be addressed individually, through an enterprise jointly owned and operated on the basis of cooperative principles.

Similarly, The International Cooperatives Alliance (ICA) defines a cooperative as “An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise”.

These definitions are not necessarily broad enough to cover all kinds of cooperatives. However, it is always important to remember that a cooperative is an organization that aims at the fulfillment of the needs of its members.

The Ethiopian law identifies different types of cooperatives. These are: agricultural cooperatives, housing cooperatives, industrial and artisan producers’ cooperatives, consumers’ cooperatives, saving and credit cooperatives, fishery cooperatives, and mining cooperatives.

Several studies have shown that in general cooperatives had a positive contribution towards rural development and poverty reduction efforts. However, the contribution of agricultural cooperatives has not been always satisfying to individual members.

One big challenge we have in Ethiopia is that the members themselves did not initiate most of the cooperatives. A study conducted ten years ago, indicated that government or non-government organs initiated about 75% of the cooperatives in Ethiopia. Experts are warning that cooperatives might end up failing again to meet the needs and aspirations of their members. The concerns include undifferentiated services of cooperatives to members and

non-members, low participation of members, and intervention of the political establishments in the day to day operations of the cooperatives.

Discussion points

- What are the key components of the definitions of cooperatives given above? [Note: encourage farmers to speak about the concepts voluntary and common needs.]
- Do you think the cooperatives you know of have these characteristics?
- Who established the cooperatives you know of - the members or the government?
- Do you think the cooperatives you know have been useful to their members?
- What do you think shall be changed to make the cooperatives more useful to their members?

Wonfel and Debo

Labor sharing arrangements in rural Ethiopia involve pooling labor from a group of people to help an individual or a household on labor-intensive agricultural activities, building houses, clearing a vegetation, or similar tasks with promises of reciprocity. The most common collective actions meant for labor sharing are *wonfel* and *debo*.

Wonfel is often used to describe a work party performed by a group of individuals who work in rotation for each group member, within the same season. Rotation is strict. *Debo* involves a work party whereby it is expected that the household calling the party will reciprocate if called upon by any of the participants sometime in the future. In a *debo*, the household organizing the work party provides drink (and/or food) for the day but this does not occur in a *wonfel*.

In both cases, calling a work party implies willingness to reciprocate, either immediately or in the future. Enforcement is obtained through repeated interaction. Work party participants are usually from the same village and involve both relatives and friends. Social sanctions are also quite harsh: farmers who have called a work party but have then failed to reciprocate are socially ostracized with all their family and nobody would enter labor-exchange arrangements with them in the future.

Discussion points

- Do you practice *wonfel* and *debo* in your locality? If yes, for which activities?
- What is the difference between *wonfel* and *debo*?
- What do you do if an individual fails to pay back the favor in a *wonfel* or *debo*?
- Do you consider *wonfel* and *debo* useful for the society? How?

Iddir

Iddir are another very popular collective action in Ethiopia. Iddir are primarily funerary associations. As such, they are a form of association set up by groups of individuals within communities on a voluntary basis. They are a sub-type of local organizations that are a prevalent form of social capital worldwide.

Iddir are not simply funerary institutions with rules of conduct, but rather voluntary associations with organizational structures, monetary contributions and written records. Willingness to become a member and deliberate voluntary choice are crucial characteristics of Iddir. Membership requires the payment of contributions and abiding by rules, the non-compliance with which involves sanctions, and could theoretically lead to ostracism.

Although iddir have so far been largely involved in funerary social insurance, their considerable transformations within a century and evidence of their increasing involvement in some development initiatives suggest that in a more conducive environment (in which their potential role as representatives of community civil society would be recognized) they could be more actively involved in partnerships with government and non-government organizations to promote social protection and grass roots development.

Compared to other common collective actions in Ethiopia, Iddir are the most widespread type, and sometimes transcend divides of gender, generation, wealth, education, religion and ethnicity. Iddir have been hailed as the type of customary organization that contribute most to national integration and the most democratic and egalitarian indigenous grassroots institution.

Discussion points

- Do you have Iddir in your locality?
- What is the key objective or function of the Iddir?
- Is there anything unique about the Iddir in your locality? If yes, what is it?

Equb

Equb is another collective action practiced in many parts of Ethiopia. It is a saving and credit traditional institution which is formed on *voluntary basis* by members themselves. Saving contributions could be made daily, weekly or monthly. Random draws are made weekly or monthly and the person selected will receive the entire round of contribution. This continues until all members receive a round of contribution. Equb can be a one-off or lifelong collective action depending on the stability of the group members and the level of trust in the group.

Discussion points

- How many of you are members of an equb or equbs?
- What do you like most about equb?
- Do you think the importance of equb in your locality is growing? Why?

Community based breeding programs (CBBP)

Community based breeding programs (CBBPs) are recent and research driven collective actions which focus on developing high quality livestock that fulfil particular sets of breeding objectives in the particular production environment under which the communities operate or thrive. CBBPs relate to low input systems with farmers within limited geographical boundaries having a common interest to work together for improvement of the livestock genetic resources.

In Ethiopia, the CBBPs currently focus on sheep and goats. These programs are built on deep social links and are not bounded by demographic units in identifying members. Participants in CBBP are organized to receive help from institutions and extension staff supporting the sheep and goat breeding programme with successively better methods for practice.

Importantly, as the power in decision-making lies with the farmers, they have ownership of the programme. This implies that CBBPs are inherently bottom-up participatory approaches, drawing on existing social ties within the respective community, and assuming shared benefits of the improvements achieved. A CBBP should ideally be community driven right from its inception or must be at least backed by a strong motivation of a group of farmers. Farmers' motivation is reflected in their interest in a breeding project, their readiness to organize and adopt innovations, to respect bylaws and take over responsibilities.

The CBBPs are equally focused on efficient marketing of the improved small ruminants developed with the help of scientific selection. The CBBPs are designed to evolve to formal marketing cooperatives based on a series of technical and legal requirements. Quite a few of the CBBPs have already graduated to marketing cooperatives and this is considered as the pathway for CBBPs in the country.

Discussion points

- How many of you know about community based breeding programs?
- What benefits do you see in CBBPs?
- What problems do you see in CBBPs?
- Do you think the sheep and goat produced by CBBPs are better than those from conventional sheep and goat producers are? Why?

Marketing (Service) cooperatives

The most common forms of collective action for agricultural marketing in Ethiopia are marketing or service cooperatives. Agricultural marketing cooperatives are set up in order to market the marketable surpluses produced by their members. These cooperatives are common in Ethiopia among cereal producers, vegetable growers, coffee growers, dairy farmers, and fishers. Service cooperatives are as old as multi-purpose agricultural cooperatives usually formed for the sole purpose of input and output marketing with the purpose of reducing the transaction costs individual members incur.

Marketing cooperatives engage in any of the following operations:

- a. Supplying of artificial fertilizers, selected improved seeds or plants, chemicals, tools and equipment, fuel, other consumables, improved breeding animals, and animal feed;
- b. Provision of financial means through credit schemes – cash or commodity based - and arrangements for their repayment
- c. Warehousing services for agricultural produce.
- d. Marketing of cash crops (coffee, tea, khat, etc.) and vegetables, fruits, khat, etc. in domestic and international markets.

Discussion questions

- Do you have service cooperatives in your locality?
- What is the difference between service cooperatives and multi-purpose producers' cooperatives?
- What purposes do service cooperatives serve?
- Are service cooperatives working on livestock production and marketing in this locality?
- What do you want to see changed about service cooperatives in your locality?

Session 3. Importance of collective action in agricultural marketing

Session objectives

This session intends to present the importance of collective actions in agricultural marketing. The justification of the collective action is presented with a brief discussion of the broad challenges smallholder farmers face in agricultural marketing. The session will also explain how collective action will help smallholder farmers increase market participation and performance. Finally, some global evidence on the benefits accrued to farmers due to collective action is discussed.

After this session, the trainees will be able to

- Discuss the challenges they are facing in agricultural marketing
- Highlight the importance of collective actions in making farmers more competitive in the markets.
- Conceptualize the potential benefits they could reap if decide to act collectively in agricultural marketing.

Importance of collective action in agricultural marketing

There is increasing recognition that the opportunity for smallholders to raise their incomes from their enterprises depends on their ability to participate successfully in markets. In contemporary agricultural markets, however, small farmers are often at a disadvantage in relation to larger commercial farmers who can supply larger volumes of quality-assured products, possess superior bargaining power, and have better access to information, services, technology and capital. Small farmers' limited access to physical and financial resources restricts their ability to expand and invest in technologies that increase efficiency and add value to primary production. Small farmers also frequently have limited technical skills and poor access to information and training for improving their production practices.

In addition, smallholder farmers often lack market information, struggle to meet buyers' food safety and quality control requirements, and are seldom able to provide standardized products on a continuous basis. They usually engage in distress selling as their cash demands are very immediate with little or no option of postponing their transactions. The limited market surplus of individual small farmers inflates marketing costs, increasing transaction costs and the per-unit costs of assembly, handling and transportation. Farm households usually bring their products to the market individually and conduct transactions against brokers and traders on their own. The culture of bringing products together or in

aggregation and conducting marketing in groups hardly exists in the rural markets of Ethiopia.

Therefore, smallholder farmers are always struggling to take advantage of market opportunities because of lack of information on prices and technologies, lack of connections to established market actors, distortions or absence of input and output markets, and credit constraints often make it difficult for small farmers to benefit off of these opportunities. High transaction costs faced by smallholders due to their small scale exacerbate these challenges, especially in quality-conscious and niche markets such as organic or fair trade.

Discussion questions

- What are the challenges you face in the markets when you are trying to sell your products?
- What are the challenges you face in the markets when you are trying to buy farm inputs and other consumables?
- Do you think farmers who supply a higher quantity are able to sell faster than those who supply very limited quantity? Why?
- Do you usually buy from someone who has a bulk of the commodity you are interested in or from someone who has little at his stock? Why?

Strategies are, therefore, needed that enable smallholder producers to diversify or upgrade production, and to compete more effectively in markets where they have advantages. This requires close linkages between farmers, processors, traders and retailers to coordinate supply and demand, and to access key business development services (BDS) such as market information, input supplies and transport services.

Collective action has been identified as one of the interventions that help farmers effectively compete in the markets. There is sufficient evidence that farmer organizations offer one way for smallholders to participate in the market more effectively. Acting collectively, smallholders may be in a better position to reduce transaction costs of accessing inputs and outputs, obtain the necessary market information, secure access to new technologies, and tap into high value markets, allowing them to compete with larger farmers and agribusinesses. In addition, there is evidence that collective action can help smallholders reduce barriers to entry into markets by improving their bargaining power with buyers and intermediaries.

There are some empirical experiences in collective actions helping smallholder farmers perform better in the markets. For example, collective actions that aimed at improved market linkage helped the farmers' association's in Latin America to get better organized,

build links with market agents, and upgrade the quality of its members' native potatoes. It also helped them to improve working relations and negotiation capacity with market chain actors. An important result of the collective action processes promoted by the participatory market chain approach and stakeholder platforms has been the build-up of participants' capacity for teamwork and innovation. The groups identified new market opportunities and developed new production processes, new ways of working together and, finally, new commercial products to exploit these opportunities.

Perishables carry a higher risk and generally require greater technical expertise to maintain quality – expertise that small farmers alone may lack. There can thus be greater incentives for collective action to obtain access to transport, equipment, cold chains, technical expertise and market knowledge to enable smallholders to market perishable horticultural or livestock products. The growth of quality-conscious, high-value markets like supermarkets or export markets raises the stakes: even greater care and expertise are needed to meet the higher food safety standards, but for those who can, the returns are also greater.

It is important to note that collective action is not necessarily useful or rewarding under all circumstances. Although collective action among smallholder producers of staples offers some advantages in bulking, quality control, or accessing storage and inputs, the incremental benefits from collective (as opposed to individual) marketing is often not enough to offset the transactions costs of organizing. Perishable, but potentially high-value products, are more likely to offer sufficient returns to offset the organizational costs.

Discussion points

- Do you usually go to the market on your own or do you go in groups?
- Do you aggregate your products [crops and animals] when in the market or do you sell your crops/livestock on your own?
- Do you think aggregating your products with the farmers who are close to you would help you earn better price in the markets? Why?
- Do you think collective marketing will always be useful to farmers? Why or why not?
- Which agricultural products do you think will be best marketed collectively?
- What challenges do you see in collective marketing of agricultural products?

Session 4. Key determinants of performance of collective actions

Session objective

This section discusses factors that determine the performance of collective actions. Group member characteristics, institutional arrangements, product and market characteristics, and external factors will be briefly discussed.

After this session, trainees will be able to:

- Identify and discuss group member characteristics that are important in determining performance of collective actions.
- Identify and discuss institutional arrangements that are important in determining performance of collective actions.
- Identify and discuss product and market characteristics that are important in determining performance of collective actions.
- Identify and discuss external factors that are important in determining performance of collective actions.

Key determinants of performance of collective actions

The key factors that determine the performance of a given collective action can be categorized into four. These are characteristics of the group members, institutional arrangements, the products and markets the collective action is established for, and the external environment the collective action is operating in. We discuss these categories below.

Group characteristics

Small groups often have higher internal cohesion because it is easier to know and monitor other members. But larger groups can achieve economies of scale, a particular advantage in marketing. The size of the group, however, depends on the purpose of the group and the level of interconnectedness of the individuals that are creating the collective action.

There are trade-offs between inclusiveness and tighter membership rules that may exclude the poorest farmers but lead to greater group effectiveness. Shared norms and social capital, along with past successes working together, facilitate collective action in new areas. Marketing organizations that build upon pre-existing social groups have an advantage because they can build on local norms and trust. However, external interventions that push collective marketing on other types of groups may exceed their capacity or interests, which can even erode existing social capital. Thus, it is important that external programs do not push marketing activities on existing groups unless the members want to do joint marketing.

In most types of collective action, appropriate leadership is important, but the particular traits of leaders may vary. Leaders should be trusted, able to motivate the members, and have necessary skills for the collective enterprise. Linkages to outsiders are especially important for market group leaders, along with key business skills.

Institutional arrangements

The organizational structure and rules are critical in shaping any form of collective action. Studies have shown the advantage of simple and understandable rules that are easily monitored, as they increase the likelihood of compliance. Graduated sanctions and low cost adjudication are also critical, along with accountability of the leaders to the members. Provision for the local group to craft its own rules increases the likelihood that rules will be understood and adapted to local conditions.

Provisions for monitoring and enforcement are especially important for ensuring transparency in marketing activities. Unfortunately, many external programs then impose provisions for transparency, which may not be understood by local members. This has been especially problematic in many government-initiated cooperatives, especially in the 1970s and 1980s, where external accounting standards and other regulations were imposed on groups, rather than allowing them to develop their own rules. As a result, members often did not understand the rules or have as strong an identity with the organizations.

Types of products and markets

The type of product does affect the performance of collective marketing. There are significant differences between staple foods, perishables (including livestock products), livestock, and cash crops such as coffee, cocoa or cotton. Staple foods are bulky but otherwise relatively easy to store and transport, compared to perishables such as horticultural or livestock products. Staples and perishables may have significant local, national and export markets with varying degrees of processing, whereas cash crops require processing and are often associated with exports.

Although collective action among smallholder producers of staples offers some advantages in bulking, quality control, or accessing storage and inputs, the incremental benefits from collective (as opposed to individual) marketing is often not enough to offset the transactions costs of organizing. Perishable, but potentially high-value products, are more likely to offer sufficient returns to offset the organizational costs. In contrast, the most successful farmer organizations marketed high value agricultural products where farmers faced higher transaction costs.

Perishables carry a higher risk and generally require greater technical expertise to maintain quality – expertise that small farmers alone may lack. Thus, there can be greater incentives for collective action to obtain access to transport, equipment, cold chains, technical expertise and market knowledge to enable smallholders to market perishable horticultural or livestock products. The growth of quality-conscious, high-value markets like supermarkets or export markets raises the stakes: even greater care and expertise are needed to meet the higher food safety standards, but for those who can, the returns are also greater.

Processing fresh produce offers a way of reducing perishability and can also increase the value of farmers' products. Commercial buyers and processors of other commodities may have their own estates or buy from smallholders. There are opportunities for smallholders to capture more of the value of these commodities through ownership of processing facilities, but this requires a level of financial capital and technical expertise that farmers often lack.

In general, the longer the market chain is, the greater the disadvantages faced by smallholders in market access are. While local markets are the easiest to access, they may also offer low potential gains from collective action, because even individual farmers can sell locally. National markets may offer higher returns, especially rapidly expanding urban supermarkets or restaurants. Export markets offer high returns, but also present greater challenges in terms of quality control, transport and market risks.

External environment

Relations with the markets and the state are two major aspects of the external environment that studies of collective resource management have identified as important. Group formation cannot happen in a context of state hostility or macroeconomic instability, both of which can undermine incentives for cooperation. Good governance that ensures legal and credit systems in favor of the poor will undoubtedly increase economic opportunities for smallholders and provide incentives to join with others. Governments, for example, can help ensure that the legal and judicial system supports low cost contract enforcement, including getting rid of red tape. The formal laws of the state can also determine whether the environment for farmer organizations is an enabling or a disabling one.

Discussion questions

- Do you think it will be a problem to have individuals with different interests in a collective action? Why?
- Compared to selling cereal crops, how useful do you think will selling live animals in groups be?
- Do you understand all the rules and regulations of the collective actions you are a member of?
- Which one do you like in a collective action – very simple rules or very detailed and complex ones? Why?
- Do you think the support of governmental entities will be useful in making collective actions successful? Why?

Session 5. Steps to establish collective action for agricultural marketing

Session objective

This session presents a flexible framework for the steps to establish collective actions for agricultural marketing. There is no one fits all recipe for establishing collections actions for marketing. Therefore, the session presents generic steps that can easily be adapted to the internal and external characteristics of the context in which the collective actions are established.

After this session, trainees will be able to:

- Describe the steps to establish collective actions for agricultural marketing
- Highlight the importance of clearly stating objectives and scope of the collective action
- Understand the need to have carefully prepared bylaws and membership criteria
- Explain the importance of the legalization of the collective action and the detailing of its operational guidelines
- Perceive the necessity of consensus building and partnership strategy in establishing a collective action

Steps to establish collective action for agricultural marketing

i. Define purpose of the collective action

The collective action needs to aim at a specific objective or a set of limited and interrelated objectives. Marketing is a very broad concept which starts from enterprise choice at the production node and ends at the final pre-consumption transaction of the goods and services produced. The marketing collective action can have as many objectives as the members like. Yet, the objective or objectives need to be clearly stated and agreed upon among the current and future members.

ii. Define the scope of the collective action

A collective action needs to have technical, financial, temporal, and spatial scope. The technical scope refers to the group size, the legal status, and areas of engagement. The financial scope implies the debt and solvency ratios that the collective action considers as optimal. The financial stability of the collective action is one of the incentives or sources of distrust among members in many cases. The temporal scope implies the short term and long terms strategies of the collective action. What is envisioned to be achieved in five years? Ten years? How is it going to evolve to a bigger collective action and when? The geographic scope

implies the delineation of the physical dimension of the market based on competitiveness. Given the poor level of physical infrastructure in rural Ethiopia, broadening the spatial scope of the collective action might not be useful at all.

iii. Carefully design by laws of the collective action

Based on the laws of the land and the context within which the collective action is organized, the bylaws need to be prepared as carefully as possible. These by laws define the structure, operations, and performance of the collective action. The bylaws need to clearly define, among others, the rights and duties of the members, the hierarchy and operation of the leadership, power transition mechanism, resource generation and management, litigation management, and dissolving of the collective action. The bylaws need to be written clearly and communicated with all members when joining the collective action.

iv. Set clear criteria for membership and identify potential members

The interrelationships and trust among members is an important determinant of the success of agricultural collective actions. There needs to be a very detailed and comprehensive membership criteria that ensures success and continuity of the collective action. The rights, duties, and responsibilities of each member need to be very clearly indicated to all current and future members.

Once the criteria are clear, identification and registering of members that can contribute to and benefit from the collective effort needs to be done. Care needs to be taken not to discriminate against any section of the community in the identification process.

v. Legalize the collective action

This is a very important and usually compulsory step in the establishment of collective actions. Legalization of the collective action is not only important for bureaucratic reasons, but also for access to credit and markets will be much easier with a distinct legal personality. The legalization process needs to start from the very beginning of the idea of forming a collective action. The legal provisions and requirements need to be studied carefully to strategically position the collective action. The current and relevant Ethiopia laws are Cooperative Societies Proclamation (Proc. No. 985/2016) and Organizations of Civil Societies Proclamation (Proc. No. 1113/2019).

vi. Define operational guidelines that ensure democratic and transparent management

The general consensus on the definition of collective action is that it is a voluntary group formed by individuals for a common interest. As much as it is voluntary, poor management could discourage members from pursuing the collective action. The management system needs to be simple and effective. Its operation guidelines need to be known to each member and decision makers need to be accountable to every decision they make. Therefore, a detailed operational guideline is required to enable each member make an informed decision.

vii. Work on consensus building

Individual farmers do have their own unique set of challenges and opportunities. Collective actions focus on communally shared challenges that could be addressed by pooling different resources. The sense of belongingness to the collective action can be affected, among others, by:

- the differences in prioritization of the challenges to be addressed by the collective action,
- the intensity of the other challenges the individual member is facing,
- his/her experience in collective action, trust among the members and between the leadership and the rest, and
- the level of understanding about what the collective action is for and what it is doing.

This entails continuous and targeted awareness creation among current and future members. The culture of dialogue and participatory decision-making needs to be an integral part of the collective action. Leaders must be responsive, transparent, and accountable. Consensus based decision-making increases the sense of ownership and belongingness among members and hence sustainability of the collective action.

viii. Develop partnership strategy

Just like the individual members that needed to come together to address the bigger challenges and opportunities, a collective action needs to collaborate with others to cater for bigger challenges and opportunities. It is important to have detailed terms of reference (ToR) for potential collaborations and partnerships. This ToR shall be dynamic and revised periodically based on continuous needs assessment and partner evaluation. Numerous agricultural collective actions have failed because of poorly planned collaborations mainly in the form of unsolicited supports. The management and the members need to be wary of any external support that has little or no relevance to the key needs of the collective action. Therefore, this strategy is an important part of the day-to-day operations of the collective action.

ix. Revise bylaws and operations guidelines regularly

The bylaws and the operational guidelines need to be revised and updated regularly to keep the collective action up-to-date and relevant to the upcoming challenges and opportunities in the markets. A dynamic collective action requires a dynamic set of rules. When the key features of the collective action and the context of operation evolve, the bylaws and operational guidelines need to be revised to fit into the new status quo.

Discussion questions

Take an example of a collective action you are part of [Iddir or Cooperative or Equb]

- Can you tell us how it was established? Who started it? What did he/she do to make it happen?

- Do you know the bylaws of this collective action? If yes, what are the most important laws in your opinion?
- Do you remember the last time the bylaws were discussed among all members in a general assembly?
- Do you think the bylaws of this collective action are revised regularly?
- What is the benefit of revising bylaws and operational guidelines of the collective action regularly?
- What do you think about the number of members? Is it too small or too many?

Session 6. Implementing collective action: key considerations

Session objective

This session concisely discusses the key considerations that are required in implementing collective actions. It is important to note that the implementation phase depends on the depth and breadth of the steps discussed above and the extent to which the key determinants of performance were taken into consideration. This session highlights the essential aspects of these two issues.

After this session, trainees will be able to:

- Describe the key considerations that need to be made in implementing collective actions.
- Understand the importance of building collective actions on local institutions that communities are familiar with.
- Appreciate the importance of favorable environment to have an effective collective action
- Note that collective action can hardly be successful unless membership is voluntary.

Implementing collective action: key considerations

Although many benefits are mentioned, collective action among farmers is difficult to organize, coordinate and manage. Organizing farmers faces challenges such as establishing rules to guide the operations of the groups, securing commitments on the part of the group members to abide by collectively agreed rules, and monitoring and enforcing compliance with the rules. Research results have delineated guidelines and conditions to enhance the success of collective action. For instance, it is argued that for it to be effective, voluntary action and cooperation among farmers are important for creating sustainable livelihood options. This implies the need for farmers to work together and this should be facilitated by the farmers' willingness to pursue a common course of action instead of being stimulated by outside parties such as non-governmental and development organizations who may be tempted to put farmers into groups for the sole purpose of marketing.

One important way of dealing with this limitation is to channel collective or group activities through existing groups (if any) who are bonded by social motivations such as *equb* and *Iddir*. Moreover, it has been demonstrated that existing groups have more group dynamics and social cohesion than newly-established ones. Thus, existing groups have the capacity to undertake collective action activities as a group, due to a certain level of group interconnectedness, motivation and capacity. It is also known that social benefits are quite important for the success of collective action. This indicates that collective action should not only be promoted for economic gains but for social benefits as well. The implication is that

collective action is more likely to be successful when social factors which bind the people together are included in its implementation.

In addition, the existence of a favorable environment, e.g., external support for organizations, low levels of articulation with external markets, governmental bodies that do not undermine local authority, and supportive external sanctioning institutions, is an important criterion to enhance collective action. Furthermore, group characteristics, such as group size and norms are also critical to the success of group activities. Shared values which can be manifested in cultural practices, agreement and trust are important to enhance group cohesion leading to group stability.

Notwithstanding the above, collective action is limited because in many cases it cannot be effective if used alone. Although it is an easy entry point to improve farmers' benefits from marketing agricultural products, it needs to work in tandem with other forms of interventions such as guaranteed funds, clear benefit sharing frameworks, and post-harvest technology. Furthermore, like other forms of common properties collective action for marketing can be plagued with the problem of 'free riding', where some members may not want to make commitments based on group norms such as payment of dues but might still want to sell their products or obtain information which have been disseminated to farmer groups through relatives and friends who are members of the group.

To sum, collective action can be used to address market imperfections which will subsequently lead to increased market participation and improve livelihoods. Collective action is likely to succeed when internal factors, including favorable group size, group norms and voluntary cooperation among members exist. All these need to be put in the context of an enabling environment, which includes favorable policies and regulations, and supporting institutions such as market information.

Discussion points

- Are there any collective actions that your community established and implemented? If yes, what are they?
- Were these collective actions based on the traditional institutions [e.g., *senbete*, *tsiwa*, *equb*, or *Iddir*] in the community? If yes, what benefits did this generate?
- What characteristics of members make or break collective actions?
- Were there any external challenges that you faced in implementing your collective actions? If yes, what were they?
- Did you receive any external support in implementing your collective actions? If yes, what were they?
- What are the benefits in establishing collective actions based only on voluntary membership?

Session 7: Collective Action Problem

Session objectives

This session focuses on the challenges of establishing collective actions among rural communities. The main challenge in establishing and managing collective actions is the disparity between individual interest and group interest. This session identifies the sources of this disparity and highlights the importance of developing trust in the process of establishing collective actions.

After this session, the trainees will be able to:

- Explain the difference between individual and group interests and its implication for collective action.
- Discuss the importance of trust among members to enhance the effectiveness of collective actions.
- Understand and contextualize the meaning of free riding in collective actions.

Collective Action Problem

Individuals with common challenges and/or opportunities do not necessarily act collectively all the time. Different actors working together for common interest. Even if there are widely shared group interests, cooperation and voluntary contribution to realize them does not necessarily result. Actors are assumed to be self-interested and rational, acting intentionally to realize their individual interests at minimal cost. Even if coordinated mobilization behind a common goal occurs, members of a group will be tempted to contribute little or nothing and rely on the efforts of others. Few potential beneficiaries will voluntarily pay costs or hazard risks to advance the cause. This creates what is called collective action problem.

A collective action problem is a scenario in which there is conflict between the individual interest and the group interest. In the scenario, each individual in the group faces a choice to either act selfishly or cooperate. In a collective action problem, it is always in the individual's best interest to act selfishly, regardless of what the other individuals do. However, if all individuals act selfishly, then they all get worse outcomes than if they all cooperate. In other words, it is in the individual's interest to act selfishly, but it is in the group's interest to have everyone cooperate. This is the conflict between the individual interest and the group interest.

Collective action is no guarantee by itself that opportunities or benefits will be distributed in an equitable manner among the different segments and strata of rural groups, communities or organizations. Even those that willingly participate are expected to be opportunistic,

seeking advantages that benefit them individually even if it detracts from the provision of widely desired collective goods. This need not mean that people act only in heedless self-interest because rational egoists are expected to be constrained by the rules imposed by institutions, by the availability of information, and by the opportunity costs of foregoing one course of action by choosing another.

The relevance and importance of collective action problem has shifted the current discussion to trust and preference heterogeneity among individuals as key building blocks of effective collective action. Theories focusing on trust predict that collective action is most likely to occur in groups linked by strong social network ties and rich in social capital. Theories focusing on difference predict that collective action is most likely among socially heterogeneous groups in which actors have varying resources and different preferences for the collective good.

In many cases, voluntary cooperation is contingent on what an actor thinks others will do. If an actor thinks that others will free ride on her efforts, he/she may be less likely to contribute him/herself. Likewise, if achievement of a collective good requires extensive collective action and an actor expects that a sufficient number of others will not contribute, she will also refrain, no matter how great her preference for the good. So how do actors overcome the problem of contingency? Individuals belonging to the same social categories are likely to have shared interests.

However, the organizational structure of groups can facilitate or hinder the flow of information necessary to alert individuals of their shared interests and allow them to monitor others' contributions to the group. Homogeneity among individuals may facilitate collective action because people who are similar to each other are likely to have common interests or objectives and share a large stock of common knowledge that informs their expectations.

Trust matters for collective action by forming the expectations actors reach concerning other's likely contribution to producing collective goods. Trust is most likely to facilitate collective action where (1) actors have information about other's interests; (2) information is available to assess another's character or disposition; (3) actors have an interest in maintaining a reputation for trustworthiness and make moral commitments.

There is also much evidence to suggest that collective action crystallizes around a small, devoted segment of the group that undertakes initial action. Collective action is most likely to get started by those alert and resourceful actors who are willing to pay the relatively high costs of initiating and coordinating collective action. This small segment of actors is likely to deviate from the average group member in their level of dedication to the cause, willingness

to contribute time and resources, or useful skills and knowledge. Therefore, collective action is most likely to arise in groups which have a diverse membership in terms of individual resources, alertness, and level of preference for the collective goods.

We have already seen that there is often a conflict between what would be optimal for individuals and what would be optimal for the group and it is generally more advantageous for an individual to take a share of a collective good without ever making a contribution to providing it. This is called the free rider problem. It is worst where the size of the group is large and there is no coordinating organization to monitor and control contributions. If left unaddressed, the tendency toward “free riding” will result in the suboptimal production of public goods or the tragedy of the commons as shared resources are inefficiently exploited.

Discussion points

- Do you think there could be a difference between individual and group interests? Why?
- What are the problems associated with trusting or distrusting fellow farmers to establish collective actions?
- What do you think shall be done to make members of a collective group equally feel responsible and contribute what is required of them?
- Has free riding ever happened in any of the collective actions in your locality?

Session 8. Determinants of sustainability of collective actions

Session objective

Building on the session above, this session summarizes the key determinant factors of sustainability of collective actions in agricultural marketing. Internal, external, and contextual factors are listed to remind the trainees of the important consideration that need to be made to establish sustainable collective action.

After this session, trainees will be able to:

- Identify and explain internal factors that determine long-term viability of collective actions.
- Identify and explain external factors that determine long-term viability of collective actions.
- Identify and explain contextual factors that determine long-term viability of collective actions.

Determinants of sustainability of collective actions

Endeavors to organize collective action, in whatever sphere, are confronted with a common set of problems. These include how to arrive at the rules/institutions on which collective action is based; how to obtain credible commitments on the part of the group members to abide by collectively agreed rules and abstain from free riding; and how to monitor and enforce compliance with the rules.

Many collective actions have failed due to many reasons. Researchers divide and summarize the causes of failure into two as internal and external. The internal factors are presented as follows: “the participants may simply have no capacity to communicate with one another, no way to develop trust, and no sense that they must share a common future. Alternatively, powerful individuals who stand to gain from the current situation, while others lose, may block efforts by the less powerful to change the rules of the game. Such groups may need some form of external assistance to break out of the perverse logic of their situation”.

The external factors are summarized as follows: “Some participants do not have the autonomy to change their own institutional structure and are prevented from making constructive changes by external authorities who are indifferent to the perversities of the common dilemma, or may even stand to gain from it. Also, there is the possibility that external changes may sweep rapidly over a group, giving them insufficient time to adjust

their internal structures to avoid sub-optimal outcomes. Some groups suffer from perverse incentive systems that are themselves the results of policies pursued by central authorities”.

It is, therefore, clear that establishing and implementing collective actions is not a trivial task. It requires addressing different challenges at every stage of the way. More challenging is maintaining the relevance and performance of the collective action. The following points highlight the key determinants of sustainability of collective actions in a rural setting.

The determinant factors are summarized in four categories below:

External environment

1. “Trigger” for initiation of collective action
2. Support from external agents (such as research organizations, NGOs or governmental bodies) to stimulate innovation and facilitate group activities and provide technical and institutional backstopping
3. Policy incentives for pro-poor market chain innovation
4. Presence of community groups or organizations
5. Collective action institutions at complementary levels (higher or lower)

Biophysical/material characteristics of the market chain

1. Characteristics of the commodity (e.g., perishability and production zones)
2. Current uses and consumer perceptions of intrinsic value
3. Potential to reduce transactions costs through market chain innovation
4. Potential for product differentiation and value addition

Characteristics of participating market chain actors

1. Participation of diverse market chain actors and service providers
2. High levels of dependence on the market chain
3. Presence of social capital (norms, values, attitudes, and beliefs that predispose people towards collective action, as well as rules, procedures, precedents, and social networks)
4. Capable leadership within the market chain and in the farming community

Institutional arrangements (rules)

1. Effective social learning processes, leading to development of collective cognition, social capital, and leadership capacity

2. Locally devised rules that are simple, easy to understand, easy to enforce, efficient, and consistent with market signals
3. Fair allocation of costs and benefits of collective action
4. Graduated sanctions for non-compliance with rules
5. Accountability/responsiveness of external agents to group members

Discussion points

- Do you think clear guidelines about the relationships among members a collective action are useful? Why?
- What is the importance of innovative and dedicated leadership in a collective action?
- What do you think is the role of a well-functioning market in the sustainability of a collective action?
- What is the benefit of having other collective actions to cooperate and compete with?
- Do you think collective actions will be more successful in societies that are able to choose their leaders freely and fairly? Why?
- What do you is the most important factor that determines the sustainability of collective actions? Why?

Further reading

- Barham J, Chitemi C: Collective action to improve marketing performance: lessons from farmer groups in Tanzania. *Food Policy* 2009, 34:53-59.
- Coulter, J., 2007. Farmer Groups Enterprises and the Marketing of Staple Food Commodities in Africa. CAPRI Working Paper 72. International Food Policy Research Institute (IFPRI), Washington, DC.
- Coulter, J., Goodland, A., Tallontire, A., Stringfellow, R., 1999. Marrying farmer cooperation and contract farming for service provision in a liberalising sub-Saharan Africa. *ODI Natural Resource Perspectives* 48.
- Hellin J, Lundy M, Meijer M: Farmer organization and market access. *LEISA Magazine* 2007, 23:26-27.
- IFAD. 2016. Rural Development Report 2016: Fostering inclusive rural transformation. International Fund for Agricultural Development. Rome, Italy.
- Markelova H, Meizen-dick R, Hellin J, Dohrn S. 2009. Collective action for small holder market access. *CAPRI, Policy Brief* 2009, 34: 1-7.
- Ostrom, E., 1990. *Governing the Commons. The Evolution of Institutions for Collective Action*. Cambridge University Press, Cambridge, UK.
- Pankhurst, Alula. 2008. The Emergence, Evolution and Transformations of iddir Funeral Associations in Urban Ethiopia. *Journal of Ethiopian Studies*, June-December 2008, Vol. 41, No. 1/2, Special Thematic Issue on Contemporary Urban Dynamics (June-December 2008), pp. 143-185.
- Sally B: *Women's collective action*. 2013. *Unlocking the potential of agricultural markets*. Oxfam research report. Oxfam International; 2013.
- Shiferaw B, Obare G, Muricho G, Salim S. 2009. Leveraging institutions for collective action to improve markets for small holder producers in less-favoured areas. *African Journal of Agricultural and Resource Economics* 2009, 3:1-18.
- Shiferaw B, Obare G, Muricho G. 2008. Rural market imperfections and the role of institutions in collective action to improve markets for the poor. *United Nations Sustain Dev J* 2008, 32: 25-28. 47.

Stockbridge M, Dorward A, Kydd J. 2003. Farmer Organizations for Market Access: A Briefing Paper. Wye College, University of London; 2003.

Stockbridge, M., Dorward, A., Kydd, J., 2003. Farmer Organizations for Market Access: Learning from Success. Briefing Paper. Wye College, University of London, UK.