

Regoverning Markets

Small-scale producers in modern agrifood markets

Innovative Practice

Togo

Promoting service provider and producer organisations: A case study of Soja Nyo

Michel Pernot du Breuil and Aurelle de Romémont
Centre International de Développement et de Recherche

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A case study of Soja Nyo**

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Regoverning Markets

Regoverning Markets is a multi-partner collaborative research programme analysing the growing concentration in the processing and retail sectors of national and regional agrifood systems and its impacts on rural livelihoods and communities in middle- and low-income countries. The aim of the programme is to provide strategic advice and guidance to the public sector, agrifood chain actors, civil society organizations and development agencies on approaches that can anticipate and manage the impacts of the dynamic changes in local and regional markets.

Innovative Practice

Innovative Practice is a series of country case studies from the Regoverning Markets programme providing examples of specific innovation in connecting small-scale producers with dynamic markets at local or regional level. Based on significant fieldwork activities, the studies focus on four drivers of innovation: public policy principles, private business models, collective action strategies by small-scale farmers, and intervention strategies and methods of development agencies. The studies highlight policy lessons and working methods to guide public and private actors.

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Acronyms

ABC	Agro Business Contact
BDS	Business Development Service
CIDR	Centre International de Développement et de Recherche
CP	Covert producer
ETD	Entreprises, Territoires et Développement
franc CFA	franc de la Communauté Financière d'Afrique
GA	General Assembly
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IPRSP	Interim Poverty Reduction Strategy Paper
ITRA	Institut Togolais de Recherche Agronomique
NASP	National Agricultural Support Project
NGO	Non-governmental Organisation
OIC	Opportunities Industrialization Center
SN	Soja Nyo
SOTOCO	Société Togolaise du Coton
SPPO	Service provider and producer organisation
SPPON	Service Provider and Producer Organisations Network
UNDP	United Nations Development Programme
VAT	Value Added Tax

1 Summary of the case study and main lessons learned

This case study on the Togolese company Soja Nyo describes an innovative mechanism for including small producers in a dynamic sector of the agrifood market: the soya commodity chain. Service provider and producer organisations (SPPOs) are an organisational innovation that have been put in place with support from the **Centre International de Développement et de Recherche (CIDR)** to enable small producers in various African countries to gain sustainable access to more lucrative markets, by involving them in strategies and decision-making downstream from their production.

The general procedure for the SPPO programme is to modernise family farms by securing their access to the market, targeting local urban markets, and establishing long-term cooperation between two complementary dynamics - producer organisations and service providers. This study describes the key stages in establishing the SPPO Soja Nyo, and the costs and benefits of this innovation for the different actors involved.

Various lessons learned from this experience can be taken forward to promote SPPOs and develop this type of structure in other contexts:

- This kind of **multi-membership** organisation allows producers to be involved in the system and facilitates shared governance between different actors upstream in the circuit. It encourages joint learning and understanding of the market and its demands, and a shared vision of how the commodity chain functions.
- The shift in status from supplier to **shareholder**/supplier gives producers opportunities to develop new capacities and growth strategies.
- Now more than ever, there is a need to harness the complementary dynamics of producer organisations and commercial enterprises so that they can '**compete together**' against internal and external competition.
- This type of 'value chain' approach gives actors in the commodity chain a chance to generate margins and secure an income from their produce. The strategy for **controlling production and net costs** at different levels of the commodity chain is more efficient and viable than recovering profits made by others or increasing sale prices. Furthermore, it allows producers to develop and control outlets to local markets, reduces their dependence on external factors and actors, and helps energize the local economy.
- These are not the kind of businesses that can develop spontaneously. SPPOs operate in a very competitive, opportunistic and unregulated economic and

commercial environment, and while they provide a service of general interest, they cannot function and thrive on economic logic alone. Therefore, setting them up and keeping them on track requires external technical, financial and organisational support. By combining public and private funding and meeting various conditions, it will be possible to scale up and disseminate the SPPO procedure efficiently and change the way that large numbers of small producers earn their livelihood.

2 The project

One of the aims of the Regoverning Markets project was to analyse the determinants for including small-scale Southern producers in the restructuring of the agrifood markets in their countries. This project brings together different research centres and partners from various countries, in order to:

- Identify and better understand the keys to successfully including small and medium farmers in agrifood systems that are at different stages of restructuring. Strategies for integrating these commodity chains vary according to their level of development and modernisation and the associated barriers to entry.
- Highlight the implications and existing opportunities for farmers in these commodity chains.
- Understand what constitutes good practice in linking small producers with these dynamic markets.
- And finally, to be able to help make decisions and formulate appropriate regulations.

The main focus is on national markets that are being restructured. These have seen 'traditional' agrifood chains change as new interfaces have developed between markets and small producers in local rural economies. The project objective is to find ways to secure and reinforce more stable and sustainable benefits for producers and small and medium enterprises in response to these very rapid changes in developing and transitional economies.

The Regoverning Markets project is made up of different study phases. This study is part of Component 2, which is built around case studies on organisational innovations that allow small producers to gain entry into these dynamic markets.

The case study on Soja Nyo in Togo describes an innovative mechanism for including small producers in a dynamic agrifood market: the soya supply chain. Service provider and producer organisations (SPPOs) are a new type of grouping that have been put in place with support from the Centre International de Développement et de Recherche (CIDR), to enable small producers to gain sustainable access to more lucrative markets by involving them in strategies and decisions about what happens downstream from their production.

3 Study methodology

This study was conducted in three phases: (1) preparation and desk study; (2) data collection and analysis; (3) synthesis and writing, following the methodological framework set out by the project.

3.1 Phase 1: Bibliography (three weeks)

The first phase involved reviewing existing literature on CIDR procedure, SPPOs in general, and the experience of Soja Nyo in particular. Analysing these documents gave us a clearer idea of the methodology we would need to use in the field to conduct a thorough study.

This documentation contained a good deal of information about the organisational set up and economic and financial performance of SPPOs. Therefore, the field study focused on gathering more in-depth information about producers, suppliers and shareholders in this company, and the immediate environment of the system.

3.2 Phase 2: Fieldwork (seven weeks)

This phase took place in Togo, mainly in Notsé. Our objective was to develop an understanding of producers' visions and situations, the costs and benefits to producers, and their place in the governance of the structure. This information was obtained through semi-directed interviews with focus groups of member producers.

In order to obtain reliable and representative information on all the identified categories, we met with 35 of the producer groups involved in the system (comprising some 350 or so producers).

We also interviewed managers from the company and the local support structure responsible for disseminating SPPOs in Togo, in order to complete and validate this information and set up the conditions to replicate the experience.

Another aim of the field study was to better understand the organisation's indirect impacts and positive or negative repercussions on its immediate environment. In order to do this, we organised village meetings in some of the villages where groups exist, and held further interviews with actors in the supply chain. We met with:

- Excluded producers (those who have never been included, or who used to be included but were subsequently excluded);
- Other actors in the soya commodity chain - clients, competitors, users;
- Other local actors outside the chain, actors from other supply chains (cotton, etc.) and traditional traders.

3.3 Phase 3: Writing up the case study (two weeks)

After completing the field study and synthesising the data, the next task was to write up the case study, structuring it around the questions posed by the Regoverning Markets project:

- What are the drivers for including small producers in this organisation?
- What changes have producers had to make in order to be included and remain in this organisation?
- What are the costs and benefits of this inclusion for small producers, other actors in the supply chain, and the immediate environment?
- How sustainable and viable is this inclusion?

What is the potential for replicating and changing the scale of this innovation? What lessons can be learned from this case study and fed into policies that will be conducive to the inclusion of small producers in dynamic markets?

4 Results

4.1 CIDR, the SPPO project and intervention methodology

This innovation was created and put in place by a French development NGO, the Centre International de Développement et de Recherche (CIDR).

The approach taken by CIDR and its 'Market access for family farms' unit is to increase and secure family farmers' incomes by helping small rural producers gain access to stable and lucrative markets. This initiative is built on a concept known as service provider and producer organisations (SPPOs), which involves creating agrifood and service companies that offer organised producers services that will help them control their production. These companies act as an interface between producers and the market, giving them stable and lucrative outlets; and are backed up by a support platform that provides assistance and disseminates information about the mechanism. This form of organisation has been developed in various African countries, including Togo.

The general procedure of the SPPO programme is to modernise family farming by securing farmers' access to the market, targeting local urban markets and initiating sustainable cooperation between two complementary dynamics: producer organisations and service providers.

Some 500 million people in Africa - 60 percent of the population - are engaged in family farming. This typically involves smallholdings of one to five hectares, where whole families participate in production and income generation. Levels of education are generally very low, and target farmers tend to be isolated, overlooked and unable to secure an income in an unstable market. This economic insecurity often leads to opportunistic attitudes driven by the need to earn money quickly, making it hard for farmers to decide whether to sell their produce or keep it for domestic consumption. Therefore, the determining factor for these producers is "improving sales to improve production", as this allows them to invest in their production system, reduce their vulnerability and escape the vicious cycle of poverty.

CIDR is targeting local urban markets in the SPPO programme, as they are generally solvent and thus constitute a source of revenue that could usefully be reinvested in farming. The burgeoning urban population is potentially a source of huge demand for agrifoods, and this market for agricultural produce will be a key factor in the development of family farming, provided that:

- Agrifood production units improve their performance in terms of processing, marketing and management;

- They can guarantee sufficient supplies of good quality, reasonably priced local produce.

Another reason for targeting local rather than export markets is that urban populations want good quality local produce, and because developing these markets will encourage consumers to recognise and even take pride in local producers. Furthermore, the fact that local actors can control these markets will help promote small and medium-sized local processors rather than imported produce. Therefore, it is important to create competitive local circuits that can keep costs under control (transaction costs, ecological costs, etc.).

As a key link in the local value chain, SPPOs are able to take account of the distance and complex relations between isolated producers and local urban markets, whether they are geographic, economic (farm households' limited capacities and resources) or social and cultural (lack of relations, information, business practices).

The objective of the SPPO procedure is to develop family farming by offering organised producers:

- Tailored services to help them control their production
- Stable and lucrative outlets for their produce.

In order to position themselves in high added value segments of the market (niche or innovative products), the SPPOs that are being promoted are trying to reduce production costs and oversee the processing and/or sale of agricultural output on the urban market.

In total, 25 of these companies exist at present: 14 in West Africa, two in Madagascar, and nine networks of village cooperatives in Ethiopia. Soja Nyo was the first of Togo's four SPPOs to be set up some seven years ago. We selected it for our case study as, being the oldest company, it was the one with the most information available on its evolution and its impacts on producers.

4.2 The context in Togo

4.2.1 General information

Togo is bounded by Burkina Faso to the north, the Gulf of Guinea to the south, Ghana to the west, and Benin to the east.

The country covers some 56,000 km², and in 2001 had an estimated population of 4.8 million, which was increasing by 2.4 percent per annum. It has one of the highest population densities in West Africa, averaging out at 86 people per km² - although this is very unevenly distributed and exceeds 200 people per km² along the coast.

Urban population growth is high too, standing at 4.4 percent per annum in most towns and cities, and 6.1 percent in the capital, Lomé.

Togo is categorised as a low-income country, ranking as one of the poorest in the world with average per capita income of US\$ 330, and standing 143rd out of 177 on the UNDP human development index.

4.2.1.1 Political situation

Togo has been going through a political crisis since the early 1990s, and many international organisations have suspended cooperation efforts with the country due to its 'lack of democracy'.

4.2.1.2 Economic situation

The government's economic growth objectives for the next ten years are hampered by its limited resources and the country's marginal production/processing capacities. Any sectoral policies that are formulated are hard to put in place due to the lack of financial resources.

The primary sector employs two thirds of the active population, accounting for 43 percent of GDP in 2003. As the economy is largely dependent on the primary sector, it is also subject to the vagaries of the climate and world prices for raw materials like cotton, coffee and cocoa.

4.2.1.3 Social situation

The persistent economic crisis is exacerbating poverty levels across Togo. The Interim Poverty Reduction Strategy paper (IPRSP) and Poverty Reduction Strategy Paper (PRSP) put minimum annual incomes for those in poverty and extreme poverty at 100,800 francs CFA and 78,400 francs CFA respectively. On the basis of these indicators, it was estimated that 75.23 percent of the population was poor, and 60.25 percent were extremely poor.

Poverty in Togo is not only financial, but is also characterised by limited access to poor quality basic social services. This is clearly demonstrated by the education and health sectors and the rapid spread of HIV/AIDS among vulnerable sectors of the population.

4.2.2 Agriculture in Togo

4.2.2.1 Agricultural development policy

In its policy statement on agricultural development, the Government noted the unfulfilled potential of the agricultural sector and pledged to make it the driving force behind the development of the national economy.

It set itself three objectives to achieve this:

- To intensify and diversify production in order to increase food security, improve nutrition, replace imports and increase exports;
- Reduce poverty by increasing rural incomes and creating jobs;
- Expand environmentally sustainable agriculture.

Implementation of the general and sectoral guidelines should be funded by the World Bank and the International Fund for Agricultural Development (IFAD), through the National Agricultural Support Project (NASP). However, these guidelines have been very patchily applied, and the objectives set in 1996 are far from being achieved, largely because the World Bank has suspended funding.

4.2.2.2 Main characteristics of agriculture in Togo

Production of vegetable-based food crops accounts for two thirds of the sector's GDP, followed by livestock rearing (15 percent) and cash crops (10 percent). Fishing and fisheries employ 150,000 people, or three percent of the total population.

Basic food crops include corn (the most widespread cereal in Togo), cassava and yam. Growth has been erratic but generally positive over the last ten years, and considerable progress has been made in rice production, with a 15-percent annual increase between 1994 and 1999. Production currently stands at 55,000 tonnes of paddy rice.

It is estimated that Togo has 3.6 million hectares of cultivable land. This works out at a potential 9 hectares per farming household, although only 1.4 million hectares is cultivated each year, or 40 percent of total potential land. There are also 86,000 hectares of irrigable land, about 2,000 hectares of which are currently farmed with total or partial water management.

4.2.2.3 Family farming

Agriculture in Togo is dominated by family farming, which means that the workforce on most of the country's farms consists of the head of household, his wife or wives, and their children. With average family farms covering between one and five hectares there is little call for waged labour.

Two kinds of crops are grown on family farms: export crops like coffee, cocoa and cotton; and subsistence crops, some of which are grown for domestic consumption and some for sale on the national market.

Production of subsistence crops has increased, largely due to:

- Problems in the export commodity chains (particularly cotton)
- Increased demand (due to population growth and urbanisation).

Crops that used to be grown solely to ensure household food security are now cultivated for sale, but marketed in conditions that do not provide producers with a secure income or enable them to increase their incomes.

4.2.2.4 Assessment and issues

Family farming in Togo is increasingly threatened by the lack of stable and lucrative markets for basic food crops, the liberalisation of world trade, the dismantling of public policies, privatisation of services, liberalisation of certain agricultural commodity chains, and generally low levels of productivity. It is becoming more and more difficult for rural families to make farming a viable livelihood that their children are going to want to pursue.

Nevertheless, this kind of farming has real potential, given the significant proportion of the population involved in this activity and the existence of food supply chains (although these are not organised). Some crops that are grown on a very small scale could be better developed if producers could find a secure and remunerative market for them.

Small and medium- sized producers are ready and willing to meet the urban markets' demand for good quality produce. Exploiting this potential would allow agriculture to play a key role in three aspects of sustainable development and poverty reduction:

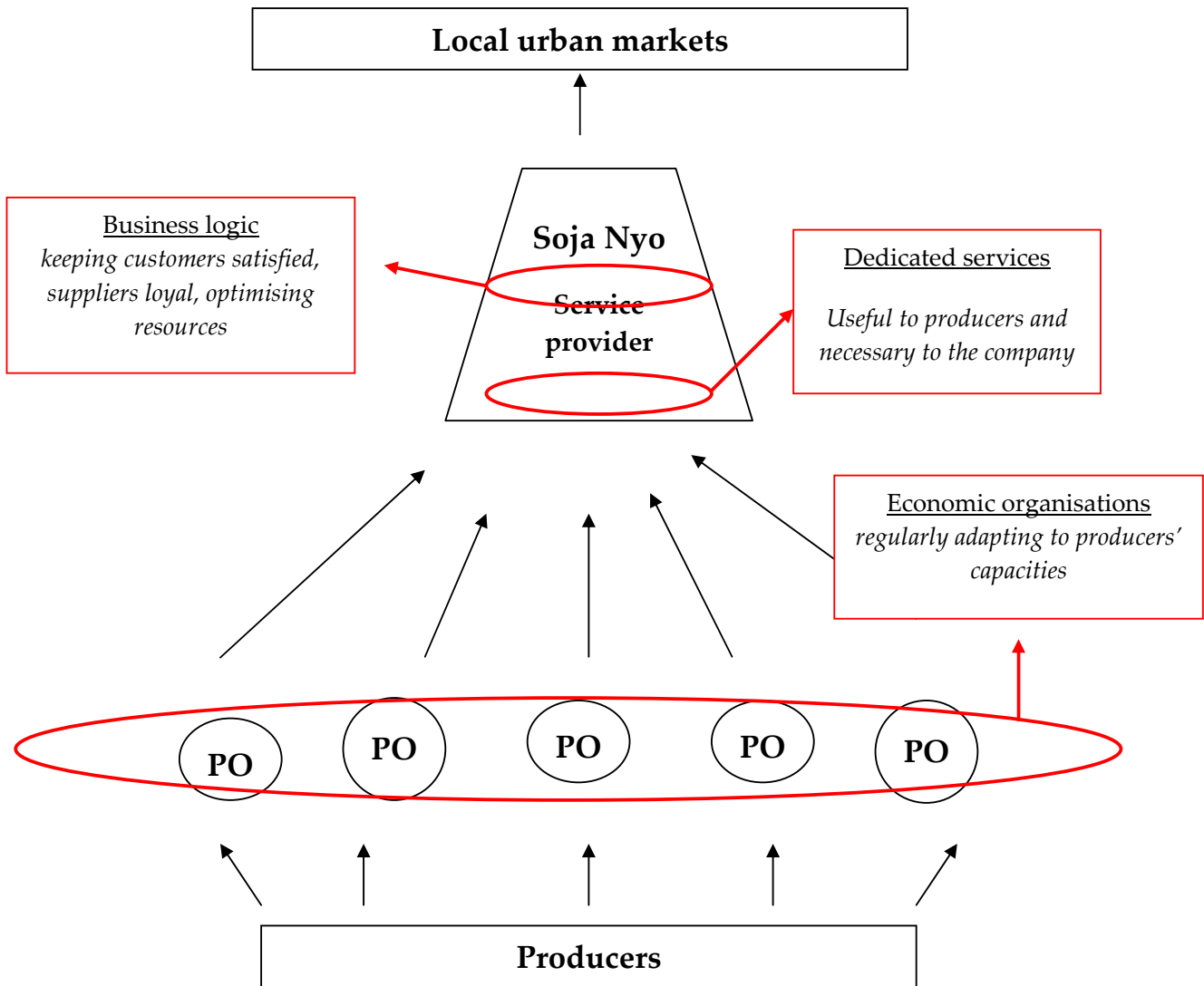
- Economic: through access to means of production and markets, local wealth creation, financial security for producers;
- Social: through improved food security, rural employment, income distribution and social stability; and reduced rural exodus, increased local capacities and powers;
- Environmental: through management of productive resources.

This is the context of the actions taken by CIDR and its SPPO programme, which aims to enable producers to secure their incomes and put in place an autonomous and sustainable structure for processing and marketing their produce.

4.3 The Soja Nyo circuit

4.3.1 Circuit diagram

The diagram below shows the overall structure of the Soja Nyo circuit, which operates on the principle of 'competing together'.



This is the circuit that we will be looking at, describing its organisational and institutional set up in order to understand how the different segments of the chain interact.

4.3.2 Producers

The service provider and producer organisation Soja Nyo was set up in 2000. Over the next six years the network of producers working with this SPPO developed as shown in the table below.

Indicators	2000	2001	2002	2003	2004	2005	2006
Number of producers organised in <i>tontines</i> ¹	435	423	463	497	515	638	652
Number of commercial <i>tontines</i>	22	28	33	38	40	48	48
Total area under soya (ha)	51	96	126	174	266	288	277
Average area under soya per producer (ha)	0.11	0.23	0.27	0.35	0.52	0.45	0.42
Amount of soya delivered by <i>tontines</i>	71	63	122	238	304	373	380
Average amount delivered per producer (kg)	154	149	264	478	590	584	582
Gross income from relationship with SN (francs CFA)	-	16 500	30 500	60 000	60 500	78 000	82 649
Number of shareholder <i>tontines</i>	0	0	13	13	13	24	24
Number of shareholder producers	0	0	122	122	122	280	280
Number of shares held by producers (percentage)	0	0	10%	10%	10%	23%	23%

During the field study we met with 38 of the 48 *tontines* working with the SPPO, including the 24 shareholder *tontines*, and interviewed 370 Soja Nyo producers.

They all come from villages in the Prefecture of Haho, which are located within a 50 km radius from Soja Nyo's base in Notsè. On average, they cultivate a total area of 2.87 ha, of which 0.69 ha is given over to soya. This is more than is shown in the table above, as they put more land under soya than is declared to Soja Nyo to ensure that they can meet their commitments.

¹ Although most *tontines* are set up as savings groups, the objective here is a commercial one: to establish internal discipline and build up trust and stable business relations between the producer group and the company.

Non-shareholder producers cultivate an average of 0.53 ha of soya, compared with the shareholders' average of 0.83 ha (1.03 ha for farmers with one or more shares, and 0.76 for those with less than one share).

Most of the farmers have diversified production systems incorporating corn, cotton, yam and sorghum, and only started growing soya when they began collaborating with the SPPO. Very few production systems in this region are mechanised. They mainly rely on the family workforce, but need to bring in external labour at peak times like sowing and harvest. The success of the growing season largely depends upon the availability of daily labour and money to pay for it during peak periods.

Like their counterparts across the country, farmers in this area have been hard hit by the cotton crisis (which has left them with impoverished soils and unpaid for several years), and were therefore very keen to work with Soja Nyo. Their role in its marketing circuit is to produce basic agricultural foodstuffs and to earn an income from their relationship with the SPPO.

4.3.2.1 *Producer organisations, or 'commercial tontines'*

Producers are organised into economic production and marketing groups known as 'commercial *tontines*'. These are a form of collective organisation that allow scattered producers to get together in groups of up to 15 to improve supply in the commodity chain, jointly supplying the SPPO and reimbursing it for seed obtained on credit. The main functions of these groups are to negotiate satisfactory conditions for marketing their produce with the SPPO at the start of the growing season, and ensure that members produce and deliver agricultural goods in accordance with the terms of their contract. Their activities include ensuring that members' produce is collected, commitments are respected, and transactions are transparent (weighing, registration, etc.); that deliveries are made, are traceable, and members are paid for their goods, and maintaining relations between members of the *tontine* and the SPPO.

Each *tontine* has officials who are responsible for coordinating these activities: the 'Mother' of the *tontine* (its moral representative) and the business manager (who needs to be literate and able to deal with all the different stages of transactions with the SPPO). They are responsible for passing on information from the SPPO to producers, negotiating on their behalf and raising their concerns at general meetings.

Remuneration for these officials varies according to rules of the *tontine*: some receive nothing, while others are paid a commission on the amount of produce delivered, or a fixed sum when the group has met its targets.

Tontines have internal rules to ensure that members respect their joint commitments, and sanction anyone likely to penalise other members due to their lack of motivation or failure to attend meetings, etc.

The amount of produce that farmers are expected to deliver is negotiated at the beginning of the year, first by the *tontine*, and then within *tontines* with support from the SPPO technician responsible for monitoring producers.

In some *tontines*, producers also get together to buy small pieces of equipment like scales and tarpaulins, or undertake separate activities like working in each other's fields, paying for village projects, etc.

The SPPO's monitoring officer and director select *tontines* according to certain agro-ecological and human criteria – whether they represent a new pocket of production or will strengthen an existing one, their ability to produce soya, levels of cohesion and motivation in the group, etc.

Member producers' involvement in the *tontine* varies according to their responsibilities, which range from simple membership to official functions or sitting on the liaison committee (which consults with producer representatives within the SPPO).

4.3.2.2 *The service provider: Soja Nyo*

Soja Nyo's mission is to provide a loyal client base with good quality processed produce from family farms. Therefore, its main functions are to secure supplies of good quality raw materials from farmers (via agreements with *tontines*), improve its technical processes (stocking, processing, packaging, delivery, management), find stable outlets and secure a loyal client base, develop new products for new outlets, and possibly help farmers diversify their production.

In order to do this, it needs to:

- build up trust with the *tontines*
- provide them with the technical support and monitoring they require (monitoring officer)
- oversee the maintenance, renewal and management of processing equipment
- manage personnel and ensure that the business meets its targets
- monitor the company's cashflow, financial accounts and statements
- monitor the markets' movements and competitors' strategies

- offer clients technical support in order to keep their custom
- develop new agrifood products and processes.

In 2007 Soja Nyo had ten salaried staff, including a director, someone responsible for monitoring and supporting producers, and a processing manager. It provides various services for member producers:

- supplying improved seed on credit
- technical advice (training on cropping techniques) and follow up for *tontines* (group mediation in cases of conflict)
- collecting produce from participating villages
- other training (on processing, management, etc.).

The aim is to create the best conditions for production, with a particular focus on increasing farmers' margins by reducing production costs, and achieving production objectives in terms of quantity and quality. Progress is monitored to encourage farmers to follow the SPPO's advice and limit the temptation to sell their produce to rival collectors.

The results attained by Soja Nyo over the last few years are presented in the table below.

SPPO Soja Nyo	2000	2001	2002	2003	2004	2005	2006
Raw materials purchased (millions of francs CFA)	13	25.4	42	60	46.6	56.7	66.4
Number of full-time salaried staff in the SPPO	3	5	7	6	7	10	12
Turnover (millions of francs CFA)		4.5	47.6	59.7	96.5	123.7	144.9

Soja Nyo is a limited liability company whose shares are distributed among the company's salaried staff, shareholder *tontines* and CIDR. The first two rounds of shares were issued in 2002 and 2005, and the next is scheduled for 2008. At the moment, 30 percent of the shares are held by SN's salaried staff, 23 percent by shareholding *tontines*, and 47 percent by CIDR, which is progressively reducing its stake so that a larger proportion of shares can go to producers, and possibly external investors too. The objective for 2008 is for 40 percent of shares to be held by *tontines*, 40 percent by salaried staff, and 20 percent by external investors.

Shareholders meet twice a year at a General Assembly (GA), when members come together to analyse the past year, consider the current situation, and define new

strategies for the coming commercial year. Representatives of shareholder producers participate in these discussions, which follow certain fixed guidelines set by the director. These meetings are an opportunity for the director to inform producers about various matters, consult with them on other issues, and make joint decisions with them regarding distribution of the SPPO's benefits, etc.

The underlying logic of these meetings is one of cooperation between shareholders, rather than establishing a balance of power. Several years into the initiative, producers now have a good grasp of what it means to be shareholders, and understand the difference between their two roles as suppliers and shareholders. This point will be discussed in more detail in the organisational and institutional analysis of the circuit.

4.3.2.3 The buyers

Soja Nyo's clients fall into two groups: those who buy roasted soya, and those who buy soya-based flours.

These flours are produced for human consumption, and are bought by medico-social centres, pharmacies, associations, shops/supermarkets and bakers (for cakes). Although feedback from consumers has been remarkably positive, the market for these flours is currently very limited, despite the best efforts of Soja Nyo's promotions agent

Roasted soya is bought by feed manufacturers and poultry farmers who sell their meat and eggs in local urban markets. In 2004 Soja Nyo ran an outreach campaign to make poultry farmers and feed manufacturers aware of the advantages of using roast soya in animal feed, rather than cake made of soya, groundnut or cotton. Initially it was the only company selling roast soya to poultry farmers, and its only competitors were manufacturers or breeders who roasted soya themselves on a very small scale. Soja Nyo is now well known for the consistently high quality of its roasted soya, but it needs to be mindful of the fact that competition will get stronger, and that soya cake suppliers may start distributing roasted soya too. In order to keep its clients close and retain their custom, Soja Nyo also provides technical advice on poultry rearing, and employs an agriculturist to highlight the benefits of incorporating soya in poultry feed. This has given it a head start over its competitors, but it will still need to diversify its products and services and reduce its costs.

4.3.2.4 The SPPO network

SPPOs in Togo set up a network (SPPON) to help them position themselves in local markets, avoid competing with each other, achieve economies of scale by seeking synergy, and greater commercial effectiveness by working together. The network,

which is funded by subscriptions from SPPOs, is involved in various types of activity:

- pro-active commercial activities, such as joint research and development, promoting products, market research, labelling, etc.;
- joint defensive commercial activities, such as managing supplies, analysing competitors' strategies, sharing economic information, negotiating tax reductions, subsidies, etc.;
- defining SPPOs' market areas;
- market research;
- training;
- bulk orders (seed, sacks, and mechanical components).

As it was only set up in 2005, it has a new constitution and does not yet undertake many joint activities.

4.3.2.5 The ETD platform for promoting and supporting SPPOs in Togo and Benin

ETD (Entreprises, Territoires et Développement) is a local NGO that acts as a platform supporting and disseminating information about SPPOs in Togo and Benin. It is not part of their production and marketing circuit, but plays a key role in their creation, development and independence.

The platform's mission is to secure small producers' incomes, professionalise family farming and improve its image, and facilitate new forms of economic cooperation between those involved in agrifood chains by promoting and disseminating information about SPPOs.

Its functions include:

- creating new SPPOs
- advising and supporting SPPOs on their development
- facilitating dialogue and sustainable cooperation between producers and salaried staff in SPPOs.

In order to fulfil these functions, the platform undertakes the following activities:

- technical support, monitoring and training for salaried staff in SPPOs
- monitoring SPPOs' accounts and finances

- help with strategic planning
- designing and developing methodological tools
- updating technical and economic references
- establishing a mechanism to monitor and evaluate the results and impacts of SPPOs.

The platform acts as a business development services (BDS) structure, but is grant-funded like an NGO. CIDR financed its activities until 2006, and a mechanism for direct funding from donors and international aid was put in place in 2007. It currently employs six salaried members of staff.

4.3.2.6 The institutional environment

One of the key conditions for enabling producers to gain access to markets is an active institutional and technical environment that is prepared to engage with the SPPO procedure.

The Directorate General for Taxes in Togo has granted Soja Nyo significant tax benefits in recognition of the impact that this system and the local reinvestment mechanism has had on small producers. As a result, Soya Nyo is exempt from VAT and companies' tax, even though it is a limited company. This has been a major factor facilitating its development and the dissemination of the concept in Togo.

In addition to this, the Institut Togolais de Recherche Agronomique (ITRA) supports the SPPO procedure through various services such as seed certification, technical support, analysing processed goods and training on quality procedures.

However, while Soja Nyo has been greatly assisted by these two institutions, it would appear that such support is not always forthcoming. Reports from other SPPOs and countries suggest that the institutional framework is unevenly developed, and that support for the development of SPPOs is generally patchy.

4.3.3 Institutional and organisational analysis of the circuit

Each segment of the commodity chain has different requirements, standards and forms of transaction. This section will look at how they are defined in this commodity chain - between producer groups and Soja Nyo, and between Soja Nyo and its clients - in order to ascertain who sets the standards and determines the characteristics of each transaction, and compare the extent to which different actors influence the process.

The SPPO system needs to be competitive to make the cooperation between the service provider and producer organisations sustainable. Therefore, it needs to establish:

- contracts: to give actors security and help ensure that they keep to the agreed rules
- trust: to help reduce costs (minimise the need for checks, etc.)
- communication: so that any changes to the service provider's strategy, the nature of its services, or the role of producers and their organisations are jointly agreed by all involved
- shared capital: so that all actors (the service provider's salaried staff and the producers who supply it) are shareholders in the enterprise, working together to build up a common asset base.

It is the economic dynamic generated by the complementarity between these different actors that makes the system competitive.

4.3.3.1 *Between the producers and Soja Nyo*

Tontines and producer organisations function autonomously, with each group taking decisions according to their own pre-established internal rules. However, they also have to abide by certain company regulations, particularly the requirement to work together so that they can deliver the agreed volume of produce to Soja Nyo. It is the *tontines'* job to ensure that farmers cooperate with each other on this. *Tontines* with specific mechanisms for ensuring that commitments are respected (farmer solidarity and mutual aid, financial contributions when times are hard, etc.) tend to function efficiently, while poorly regulated *tontines* struggle to fulfil their obligations. The SPPO's monitoring officer decides with each group how much land it will put under soya, and the group can then divide this between member farmers according to their production capacities.

Transactions between groups and the company are shaped by several criteria, as shown in the table below:

Transaction	Characteristics	Comments
Contract	Yes (informal, symbolic)	
Information	Shareholders access information at GAs, other producers do so at meetings held at the beginning of the growing season	Good flow of information between SN and producers, and within producer groups
Volume of goods to be delivered	Planned and agreed within each <i>tontine</i>	Producers very keen to increase the amount of land under soya
Exclusive delivery	Yes for the agreed amounts, no for surpluses	-
Transport	Provided by Soja Nyo	-
Services	Technical follow-up and monitoring, seed on credit	-
Quality standards	Yes (possible downgrading according to quality)	-
Price	Set with shareholder producers at the GA	Producers want more weight in decisions taken at GAs
Rejected goods	Possible but rare (farmers re-sort rejected produce)	-
Purchasing	As agreed	-
Payment timescale	On delivery	-
Purchasing surplus goods	Possible	-
Incentives	Premium of 10 francs CFA per kg for keeping to agreements	Problems within <i>tontines</i> for members who penalise others by not fulfilling their commitments
Sanctions	Exclusion by the group or company for breaking rules	-

Producers sign a cooperation agreement once they have concluded negotiations with Soja Nyo's monitoring officer over how much land they will put under soya. These

documents specify how much land is to be set aside for soya and the amount of seed supplied on credit. They cannot be used in a court of law, but have a certain moral value and act as implicit contracts between the groups and the SPPO.

Each group negotiates its quota of land to be sown with soya, which is calculated on the basis of anticipated demand from Soja Nyo's clients. This gives them a certain say in how much land is devoted to particular crops, although the monitoring officer usually decides how much land a *tontine* should set aside on the basis of its past performance and its shareholder status.

The SPPO makes a commitment to give producers the seed they need on credit, and to buy an agreed amount of produce at a certain price. This implies that farmers have an exclusive agreement to supply the company with the volumes set at the beginning of the growing season. However, they may decide to sell any surplus on the market or to the SPPO if it needs it. Some groups have difficulty ensuring that members sell to Soja Nyo rather than on the open market, but they have rules to limit such losses, and producers who repeatedly sell outside the *tontine* are quickly excluded. Although this can be a problem in areas where there is strong competition to buy soya or where farmers can get a better price for their produce on the open market, the perceived benefits of SPPOs are such that many producers will not sell to other buyers - as we shall see in the section discussing the advantages and disadvantages of this system.

Groups that perform well and keep to their agreements over three successive years may become shareholders. This means that the *tontines* that perform best and honour their contracts can progress from simply being suppliers to being suppliers and shareholders in the SPPO, enjoying additional benefits such as dividends, larger set-asides for soya, and opportunities to diversify into soya seed and yellow corn seed production.

SPPOs have various strategies to try to deter producers from selling elsewhere. Soja Nyo mainly relies on paying a premium per kilo to *tontines* that keep to their agreements, which creates quite strong internal pressure to meet targets provided there are no major climatic problems. The company's monitoring officer also visits the *tontines* on a regular basis, and can assess producers' potential production. If it looks as though there is going to be a significant shortfall the *tontine* may be sanctioned, often when the contract for the next season is prepared.

Part of Soja Nyo's attraction for producers lies in the services it offers them: seed on credit, technical support, opportunities to become shareholders and to diversify production. Since it is not easy for farmers in precarious situations to access these types of services outside the SPPO, the prospect of this additional support on top of a secure income is a major factor in keeping them loyal to the company.

Production and quality standards are determined by the quality requirements for processing. For roasted soya and soya meal, this means using only selected seed (not mixed with other varieties), ensuring that there are no foreign bodies in the sacks, and packaging in accordance with the SPPO's requirements. These demands are not particularly exacting, but they may result in produce being refused or farmers being excluded for repeated failure to meet the company's standards. The monitoring officer makes sure that producers are well aware of Soja Nyo's requirements during his technical visits.

Producers can secure an additional premium of 10 francs CFA per kilo if the *tontine* meets its commitments in terms of both quantity and quality. The director of Soja Nyo suggests a price, which is discussed with shareholder producers during the general assembly and set before the farming season begins. This enables producers to plan their cashflow and investments over the coming year. If a major problem arises during the growing season, the price can be adjusted before the harvest in agreement with producers (for example, climatic problems in 2006 led Soja Nyo to add 10 francs CFA per kilo to their original price).

The SPPO is wholly responsible for marketing and selling this produce, and has to pay its suppliers even if it doesn't find any clients. Timely and regular payments are a key element of the trust established between the company and its suppliers, as it is very important for farmers to know that they can sell their produce even when the market is low.

Full cash payments are made when the soya is delivered in December as agreed. Soja Nyo collects it from each village, where the sacks are weighed before being taken to the depot and weighed again in front of *tontine* officials. Each sack is marked with the producer's name so that it can be traced back to the individual farmer concerned, and to ensure that those who provide good quality produce are not penalised for sub-standard produce.

Sanctions are applied by the SPPO or the group, depending on the circumstances. *Tontines* may fine producers for missing meetings or turning up late; and producers who fail to deliver the agreed amount of soya will be warned or even excluded if they have done so several times without good reason. Non-payment of mandatory subscriptions or failure to participate in group work may also result in exclusion from the group.

4.3.3.2 *Between Soja Nyo and its clients*

The table below shows the characteristics of transactions between Soja Nyo and its various clients.

Transaction	Clients buying roasted soya	Clients buying flours
Contract	No	No
Fixed volumes	Yes	Yes
Exclusive sale	No	No
Transport	Yes	Yes
Quality requirements	Yes	Yes (set by Soja Nyo, but competition)
Rejections	No	No
Price	Fixed but negotiable (cash or credit)	Fixed but negotiable (cash or credit)
Payment timescale	As agreed	As agreed
Frequency	Not fixed but regular	Not fixed but regular
Incentives	Technical advice, price, other products	Trial products, commercial advice
Sanctions	-	-
Information	Via the commercial assistant specialising in poultry rearing	Via the commercial assistant for soya flours

Soja Nyo's clients vary according to the product they buy, and the conditions for each transaction are adapted to each category of purchaser and product.

The company sells roasted soya to poultry farmers and manufacturers preparing and selling livestock feed; soya flours to medico-social centres and pharmacies; and special flours to supermarkets (for baby or adult cereals) and bakers (raw soya flour). Although Soja Nyo does not have a contract with any of these clients, it does have more stable and longer-term relations with certain customers, who usually put in a regular minimum monthly order. The company has developed various strategies to keep its customers loyal: ensuring regular supplies, offering a tailored pricing policy for each client, and providing technical advice. Most of the clients we met stated that while these are important in retaining their custom, the determining factor is value for money. Therefore, the commercial strategies of the SPPO system, which brings together producers and business, revolve around these aspects of its service.

4.3.3.2.1 *Roasted soya*

- Frequency

There is no fixed frequency for deliveries, but clients can call Soja Nyo's livestock rearing advisor when they need to replenish their stocks. As the company's objective is to ensure that its clients do not run out of feed, it is up to the advisor to contact them to arrange deliveries before they need to call him.

- Price

Prices vary according to the product and transaction. With roasted soya, this depends on transport (whether the product is bought direct from the factory or needs to be delivered to the client) and modes of payment (cash or credit). In 2006, roasted soya bought from the factory and paid for in cash cost 250 francs CFA per kilo. Transport, which is subcontracted to another company, adds another 10 francs CFA to this price, as does payment by credit. This is quite expensive for Togo, but the price is calculated according to the costs borne by Soja Nyo, and even if its clients find it expensive, they recognise that this is the best product on the market and that the company has many costs to cover. Information and communication with clients are two key elements in the company's ability to control the market.

Most buyers of roasted soya come from Lomé or its suburbs. They tend to have it delivered to them, and many buy on credit, which allows them to pay Soja Nyo after they have sold their final product.

Prices are normally fixed but may be discounted, depending on the client (length of relationship, frequency of orders, etc.). Prices are negotiated with each individual client, not with groups of clients.

- Quality of produce and relations with clients

Good roasted soya has a low moisture content (required for it to keep well) and should be clean, evenly coloured, and properly cooked to retain protein levels and eliminate anti-tryptone factors. The quality of this soya will in turn affect hens' laying rates and the quality of their eggs or meat. Soja Nyo is considered to be the best soya roaster in the market, as its main competitors are small-scale outfits that cannot be relied upon for a consistently high quality product.

Soja Nyo sells two grades of roasted soya: top quality and second selection (smaller grains roasted to the same standard). Poultry farmers know the difference between its products and those sold by smaller roasters, and the only factor preventing more manufacturers from buying Soja Nyo's produce appears to be price, as it is more expensive than cake. All the clients seeking reliable, high quality soya that will

enable them to get a good quality final product told us that they would not switch to another supplier, despite the price.

The livestock advisor plays a very important role in Soja Nyo's relations with its roasted soya clients. It seems that the additional services offered by the company are the key to retaining their custom, along with the quality of its produce and the opportunity to negotiate prices and conditions with the company director.

4.3.3.2.2 *Flours*

- Frequency

The same strategy is used for flour, which is sold to one hundred or so clients who place small, fairly irregular orders. This can lead to stocks running out, which is not conducive to stable business relations. However, Soja Nyo is currently involved in discussions with the Government of Togo regarding its drive to become the main supplier of flours for cereals used in public medico-social centres in Lomé.

- Price

We looked at the price of Soja Nyo's flours in relation to current prices on the Togolese market and purchasing power in Lomé. Selling to retailers at 300 francs CFA per 500 grams (and resold at 400 francs CFA per 500 grams), the price is kept fairly low to encourage clients to buy more or recommend the flours to other buyers. Soja Nyo's commercial assistant has made various efforts to develop business strategies (helping build ovens and distributing bakers' overalls with the company's name on them), but so far these seem to have done little to boost sales.

- Quality and customer relations

The ITRA laboratory checks the quality of Soja Nyo's flours (especially those used for baby cereals) every six months to ensure that they comply with national standards for cereal and legume content. The Ministry of Health has authorised the sale of these flours in pharmacies.

Consumers and retailers are very positive about the quality of these flours, and although many companies are now putting out similar products, Soja Nyo is still ahead of its competitors in terms of traceability and detailed information on its flours. The medico-social centres we came across continue to buy its products because they are regularly checked and accredited by the Ministry of Health.

Soja Nyo's clients had more mixed views about their business relations with the company, however. It seems that they expect it to step up its efforts on the commercial front (offering gifts and preferential prices), although once again, the quality of its products was cited as a strong point in its favour.

Overall, the circuit in which Soja Nyo is evolving could be described as dynamic, largely as a result of its commercial relations and its efforts to ensure that its products are traceable. The company is ahead of the Togolese market in terms of certain quality requirements, and this has enabled it to position itself as a market leader with a large number of clients who recognise and appreciate what it is trying to do.

4.3.3.3 Governance of the supply chain

Having described the transactions between different actors in the commodity chain, our next task was to determine who holds the power within this circuit, and identify the mechanisms for governance within the supply chain.

Clients can influence and negotiate the price, volumes and frequency of transactions, but seem to have little power in defining the quality standards for this supply chain. It appears that these standards are pre-determined, and that Soja Nyo knows more about them than its clients: while their needs are met, they have little or nothing to do with setting quality standards, which are determined by the company's management. The SPPO system is based on complementarity between actors upstream in the chain, which allows them to work together to provide their clients with reasonably priced, good quality products.

The company also sets any incentives or sanctions that may apply to producers. This is done transparently, before any commitments are made. The distribution of power is changing as producers come to play a greater role in the governance of the company, agreeing its rules alongside its salaried staff, director and external third party investors. Strategic guidelines and major decisions (about Soja Nyo's investment, growth, extending the supply network, new markets, allocation of benefits, openings for new shareholders, etc.) are always discussed and endorsed at general assemblies, so that the interests of each actor in the system can be taken into account without losing sight of the need to make the company sustainable and profitable.

The distribution of powers and checks on these powers seems to be fairly balanced, preventing any single actor from dominating the others. The SPPO system has a mechanism for arbitration between:

- producers, who are involved in company decision-making as shareholders and suppliers. They have the weight of numbers on their side, along with the power of the liaison committee, which monitors decisions taken by the company director;
- the company's director and salaried staff, who have executive powers;

- an external third party (currently CIDR, soon to be investors), which often acts as a mediator in negotiations.

Rather than organising round tables that bring together actors from across the supply chain, the SPPO system is built on this association between actors upstream in the chain who can jointly formulate adapted supply strategies.

4.4 Genesis and evolution of the structure

This section describes how the structure has evolved, analysing key stages in the company's development that have required the various actors concerned to adapt and change their practices.

4.4.1 Context in which the SPPO was set up

This form of organisation involving both producers and entrepreneurs was chosen because none of the actors were able to fulfil all of the SPPO's functions within their particular profession. On their own, producers would be confined to a representative role, while the company would be reduced to a classic private system that lacks a secure supply system and offers producers little opportunity to evolve. The only way forward seemed to be to combine the two dynamics of producer organisations and service providers.

There was some rather patchy soya production in northern Togo before Soja Nyo was set up, but virtually none in Notsé, the area concerned. Poultry farmers, livestock feed producers and makers of baby cereals were unable to secure regular supplies of reasonably priced soya on the local market. Although the livestock feed made with imported cake was inferior to feed made with roasted soya, the cost of producing and selling soya was too high to enable producers to compete with imports and allow local processors to make a profit. As a result, there was virtually no soya supply chain, even though there were plenty of economic actors upstream and downstream with an interest in soya production.

The SPPO was set up in order to reduce the costs of producing and collecting soya, and to supply local markets with competitively priced poultry feed. Given the difficulty of adding value to obtain higher prices in this context, the only way of entering this market was going to be by cutting costs.

4.4.2 Setting up the productive base: *tontines*

Rather than putting in place a project to promote the soya supply chain, CIDR opted for a sustainable procedure that entailed creating a company that would be able to establish stable commercial relations with producers.

The first step was to find the actors to participate in this project: organised producers on the one hand, and a company on the other. As the only producer organisations around at the time were the cotton producer groups (Groupements de Producteurs de Coton, or GPCs) promoted by the Société Togolaise des Cotons (SOTOCO), interested producers had to be found who were prepared to organise themselves into viable groups of soya suppliers.

It was decided to form a productive base by setting up a network of stable producer groups with a maximum of ten to fifteen members and the capacity to provide the volumes required by the processing company. Small producers were organised into 'commercial *tontines*'. Instead of saving and building up financial capital, the internal discipline of these groups would be turned to commercial ends: establishing trust and stable business relations between the producer group and the company.

The structure needed to have the capacities to adapt/react to changes in the market while providing a space for producers to work together with the company and possible external actors.

4.4.3 From brokerage to added value

The first structure to be put in place was a brokerage company (Agro Business Contact) that dealt with soya and other agricultural produce, and provided follow-up and assistance with production. It quickly became clear that the company needed to add value and find stable outlets for its produce in order to support the cost of this follow-up, which could not be covered by brokering alone. Hence the development of a soya processing activity, aimed at building up a loyal client base around a range of reasonably priced, good quality products.

4.4.4 Institutionalisation: creating a limited company

With the move towards processing and focus on the complementarity between producers and the company, the structure needed to be formalised to create a space where the different actors could work together and benefit from their association. A multi-membership, limited company model was adopted so that producers, the company's salaried staff and the 'third party' CIDR would all be included in the company, each with a specific role, but all working together.

In July 2002 the SPPO Soja Nyo achieved its aim of becoming financially autonomous, was set up as a limited company, and entered the final phase of consolidation. The initial 13 groups of shareholding *tontines* were joined by another 11 *tontines* in 2005, and shares will be opened up again in 2008.

4.4.5 Growth and outlook for the SPPO Soja Nyo

The company subsequently positioned itself in the soya market, and has played a key role in helping meet the national demand for soya. Taking advantage of the crisis sparked by mad cow disease, which killed off the market for animal meal and prompted a massive increase in the price of fishmeal, Soja Nyo has created a niche for itself by developing roast soya that can be used in feed for laying hens and chickens for the table. Now entering its seventh year of activity, Soja Nyo has grown considerably in recent years. More *tontines* and partner producers have joined the company, pushing up the volume of purchased produce and increasing turnover by 23 percent between 2000 and 2005, when the company had sufficient cash holdings to finance its activities.

However, Soja Nyo faced a serious crisis in 2006 when bird flu threatened the poultry sector in Togo. An open-ended ban on imported laying chicks and no outlets in the poultry sector meant that the company had to cut back on its activities until the crisis was resolved, and try to diversify its products and/or outlets. Over the years, it had already sought to do this by producing yellow corn (to meet demand from poultry farmers), seed, and soya flour for human consumption. Apart from flours, where demand has barely risen, previous efforts to diversify have been directed at the poultry sector (yellow corn, seed). The company is seeking outlets in other sectors, but sales of flours for human consumption have not grown as fast as anticipated. However, there is still hope that they will increase and help this diversification, as Soja Nyo is developing new commercial strategies to try to reach more retailers, and considering producing and drying pineapples for the European market.

Another development strategy is to establish a partnership with a 'sister' SPPO. There are already a large number of producers and *tontines* working with Soja Nyo, and if the structure expands too much there is a risk that follow-up costs will spiral and its decision-making mechanism will become too ponderous. There are plans to set up another soya SPPO in Togo to supply Soja Nyo, which will process the soya produced by the new company. Soja Nyo and its producers could become shareholders in this 'sister' company and participate in its governance.

How these strategies are taken forward will determine the development of the system in the coming years.

4.5 Changes put in place by producers

As the structure has evolved, producers have had to adapt their farming systems and growing methods to meet the SPPO's demands.

Very little soya used to be grown in the study area, so producers have had to make various **technical changes**, learning to produce a crop that many of them had never grown before. Soya cultivation is fairly straightforward and does not require any specific materials, and most of the farmers we spoke to said that they find it less labour-intensive and easier to grow than cotton (their main cash crop before soya). They found the regular backup from the monitoring officer very useful, quickly grasping the technical aspects of soya production and soon achieving good levels of production.

Having learned how to grow the new crop, soya producers that are included in the system have progressively passed on their knowledge to farmers who are indirectly involved in it, and even those who are not affiliated to *tontines* but produce soya for the local market.

Training by the SPPO and its monitoring officer on processing soya and incorporating it into the family's diet has also contributed to uptake of this new crop.

At the **organisational level**, producers have had to learn to work collectively. Some have found this easier than others, as a group's success depends upon the presence of leader(s) who can help organise cohesive groups and establish and enforce clear rules, previous experience of working in groups, (some farmers had already worked with the American NGO, Opportunities Industrialization Center in the years before Soja Nyo was set up), and understanding of the mechanisms for managing a company (grasping the concept of shareholders). Having leaders who participate in the liaison committee has helped strengthen understanding of the SPPO system and how producers fit into it, and encouraged members to adopt organisational changes.

In **managerial and financial** terms, the trainings organised by the SPPO on management and production costs have helped numerous farmers start to plan their growing seasons. Instead of being driven by the market, having to sell during the hungry season and being unable to develop their own strategies, they have begun planning their cashflow in advance and developing strategies for stocking basic foodstuffs that allow them to think about investing in their production systems. Many producers have made these changes, and some 86 percent of the farmers we spoke to talked of changing their strategies for marketing basic foodstuffs (particularly maize). Shareholding has also helped develop these new skills by increasing members' understanding of the issues and constraints affecting the SPPO and their role in this system.

With salaried staff from Soja Nyo and the ETD platform helping implement these innovations, few farmers have been excluded for being unable to adapt to change. Introducing a new crop has not created a technical barrier to entering the system, and farmers are included or excluded according to other criteria than their ability to adapt to change.

4.6 Inclusion and exclusion

Producers have had to adapt to the demands of the company and its clients as the structure has evolved. Some have succeeded in putting in place the necessary changes, while others, who were unable to do so due to lack of resources or lack of interest, have been excluded from the system. There are also a very small number of farmers who were excluded from the system from the outset.

This section will look at the factors in farmers' inclusion or exclusion from various levels of the Soja Nyo circuit, according to their degree of inclusion in the structure.

4.6.1 Forms of inclusion

Producers can be included in the system in different ways, with their degree of involvement varying according to whether or not they are simple suppliers, shareholders, *tontine* officials, or members of the liaison committee. Powers of negotiation and benefits vary according to each category's level of inclusion; and the costs and benefits of the different forms of inclusion are outlined below.

Certain farmers are also indirectly included in the system. During the field study, the 370 producers for Soja Nyo that we met reported that they work 'covertly' with an additional 211 farmers, who can therefore be considered to be indirectly included in the system. The producers belonging to *tontines* give these covert farmers the necessary seed and then take the harvest. There are various reasons for this practice:

- producers want to share the risks of production and allocate part of their quota to another farmer or family member that they trust;
- farmers have a heavy workload and cannot do everything themselves; in this case, indirect inclusion is usually the result of producers being allocated larger cropping areas;
- family members of producers in *tontines* often ask them for money when they are paid by Soja Nyo. Giving a family member some seed allows producers to pass on a reasonable but limited share of their income from soya.

Some (but not all) *tontine* members take a commission on the soya grown by covert producers (CPs). Proposals to use sub-contracted production may come from individual members of the *tontine*, or the whole group may decide to introduce several farmers to soya to ensure that it can meet its production commitments. It may also be used as a kind of pre-selection, to screen or test new members before they join the *tontine*.

4.6.2 Factors of inclusion and exclusion

4.6.2.1 Inclusion

In the beginning, knowing how to grow soya was not a pre-condition for joining a *tontine*, as the crop was new to the area. Farmers were selected according to their motivation for joining the system, as the aim was to set up cohesive groups with their own internal rules. It was implicitly understood that the key factors in selection were farmers' production capacity and ability to evolve with the company. Very few farmers who were short of labour and had small subsistence farms were included, as their often opportunistic attitude to the market makes them less likely to be loyal to the company. However, it should be noted that most farmers who work for Soja Nyo are very small-scale producers (averaging about 2 ha of land), who were in a precarious situation at the beginning of the collaboration.

Fewer new producers were taken on as the company evolved and reached the point where it could not enlarge its productive base. So while it was quite easy to join in the early years of the SPPO, it has become harder to do so over time. In villages where *tontines* already exist, many producers outside the system told us that they want to join a *tontine* or set up a new one, but that this is difficult once the groups are established and stable. Moreover, the shareholder *tontines* that already exist have preferential advantages (such as increased cropping areas) that limit the opportunities for new producers to be included in the system.

When the company looks for new producer groups, it usually tries to find *tontines* in new geographic areas (or pockets of production) in order to reduce the risks associated with the uncertain climate. This means that it is harder for areas where there are already a lot of *tontines* to be selected as sites for new groups.

In order to avoid businesses getting so big that they are hard to control, CIDR has opted to develop scattered SPPOs rather than encouraging strong growth in existing ones. This strategy could help increase indirect inclusion through existing *tontines*.

4.6.2.2 Exclusion

Individual producers may be excluded by their *tontine*, by the company, or as part of a group that the SPPO has decided to exclude.

Very few individual producers are prevented from joining *tontines*, as there are virtually no selection criteria. However, they may be asked to leave the *tontine* for various reasons:

- for selling some of their produce on the market, or repeatedly making it difficult for the group from deliver the agreed volumes (after two or three successive seasons);

- lack of motivation – regularly missing *tontine* meetings or failing to help other farmers in their fields;
- for inferior produce or (less frequently) failing to try to improve the quality of their produce.

Decisions to exclude producers are usually made by the whole *tontine*. This rarely happens in *tontines* with clear rules as these are agreed and enforced by everyone. However, producers in less organised groups lacking well-established rules have less incentive to work together towards a common objective, which can lead to officials bending the rules or flouting group decisions on issues like exclusion.

The most stable *tontines* can become shareholders. Few producers are excluded once they reach this stage, as they are well aware of the advantages of belonging to the *tontine*, and the fact that there are plenty of others lining up to replace them if they break the rules. Generally speaking, those leaving *tontines* are either too old to carry on growing soya or lack the labour to do so. The new members who take their place are usually already indirectly included in the group, and therefore know how to grow soya.

4.6.2.2.1 *Exclusion of a tontine by the company*

The company director and monitoring officer may also decide to exclude an entire *tontine*. This usually only happens to groups that have worked with the company for some time, but have been unable to retain a stable membership or regularly deliver the agreed volumes of soya.

Thus, we can see that the factors of inclusion and exclusion revolve around the *tontines'* motivation and their capacity to supply the SPPO on a regular basis. So exclusion is not really linked to factors of production, since growing soya does not require any special equipment or technical expertise. The only constraint may be availability of labour during peak periods, but most *tontines* have self-help mechanisms to deal with this.

Therefore, the main factors for inclusion are the producers' motivation, the benefits they derive from their collaboration with the SPPO and from belonging to structured, cohesive groups whose members are prepared to help each other.

The next section will describe the costs and benefits to producers according to their level of inclusion, and how the SPPO structure has impacted on its environment.

4.7 Costs and benefits

4.7.1 Costs and benefits for producers

Producers benefit from their collaboration with the SPPO in various ways, depending on their level of inclusion. We will consider these, along with the costs they entail.

4.7.1.1 *Costs and benefits for all members*

During our field study producers identified a wide range of benefits derived from belonging to the SPPO system. The two most frequently cited benefits are financial.

4.7.1.1.1 *Secure income*

Some 71 percent of the producers we spoke to said that the main effect of their collaboration with the company is having a more **secure income**; 44 percent cited this as the most important impact of their relationship with Soja Nyo, as they can rely on prompt, regular payments at a critical point in the year during the hungry season.

Having a regular income not only allows them to plan their expenditure and investments, but also enables them to borrow money if necessary, as they know that they will be able to pay it back. This improves their ability to borrow and their credibility with banks and moneylenders.

4.7.1.1.2 *Increased direct and indirect income*

Producers' incomes are not only more secure, but are also higher. A total of 32.8 percent of the producers we spoke to cited this as an effect of their collaboration with the SPPO, and ten percent ranked it as the most important impact. Those interviewed earn an average of 67,900 francs CFA each year from selling soya, which is particularly important for producers that have seen their income level out or even fall as a result of the cotton crisis. Thus, soya has played a key role in mitigating this crisis.

In addition to directly increasing their incomes, growing soya has the indirect financial benefit of enabling farmers to stock food products. This means that they don't have to sell them off cheaply in December, but can store and sell them when prices are better, or avoid having to buy them in again when prices rise during the hungry season. Some 86 percent of the farmers we spoke to reported that they have changed their stocking strategies thanks to the income from soya. On average, they earn more than twice their income from soya by stocking foodstuffs like maize (in particular), cowpea, sorghum, cassava and groundnuts: for every 100 francs CFA

generated by soya, they earn an additional 210 francs CFA from other produce. In other words, their collaboration with the SPPO allows them to triple their income.

This direct and indirect increase in income allows producers to use other strategies or lever up their household economies:

- Additional income can be used to hire labour to cultivate larger areas in the next growing season (soya and other crops): lack of available cash at the beginning of the season was a major constraint that the income from soya has removed;
- Farmers can produce more soya than the amount agreed with Soja Nyo and then sell it on the market if there is a problem or times are hard. Some producers plant an early crop of soya in the first season (April-June) so that they can sell it on the market when prices are high;
- A small number of women (two to five) in most villages have started making soya into doughnuts or tofu, which they sell on the market to supplement their income;
- Shareholder producers' earnings from soya are supplemented by company dividends, plus the opportunity to further increase their income by diversifying into seed production (soya and yellow corn).

4.7.1.1.3 *Impacts*

These direct and indirect increases in income have had various impacts and effects on the living standards of Soja Nyo's suppliers. The producers we spoke to use this money in different ways, the four most common of which are presented below:

- **Education:** 45.7 percent of producers have used some of their income from soya to pay their children's school fees (an average of 35.4 percent). Since they are paid in December, they can arrange to pay these fees in the second trimester. They explained that while they would send their children to school if they didn't grow soya, they wouldn't necessarily be able to attend throughout the year, or that some children would not be able to go to school. As it is usually girls who are kept at home when the family lacks money for schooling, it looks as though the income from soya may help secure an education for girls.
- **Investment:** 27.5 percent of the producers we interviewed have used some of their income (an average of 45.8 percent) to buy materials for the next growing season, purchase land and equipment for the family or build a house. Low-income farmers usually only invest in materials, while those with higher incomes tend to invest in land or construction.

- **Savings:** 18.5 percent of the producers we spoke to have saved some of their income (46.4 percent), putting it into the bank, into livestock or lending it to other people. Half of them keep some of the money from soya in the house to deal with contingencies.
- **Exceptional expenditure:** 36.2 percent of farmers used some of their income (an average of 46.4 percent) to deal with emergencies like illness or death; while 16 percent spent all of it on exceptional outgoings. These figures show that growing soya has helped make these producers less vulnerable.

In addition to this, many producers who have not had to use the direct income from soya to deal with emergencies told us that they were able to cover these costs with the indirect income from soya (money raised by selling maize or livestock), or that they were able to borrow thanks to the guaranteed income from soya.

However, certain producers have been hard hit by external events. Some of the farmers who were doing well and had stable production levels specialised in soya during their collaboration with Soja Nyo, but ran into debt in 2006 as a result of the bad weather. Most were able to borrow or use money from previous years, but specialising in soya is risky as it makes producers over-dependent on a single crop – something that can be seen as a negative impact of the system.

Producers also cited a wide variety of non-financial benefits, which are outlined below:

- Increased **social capital:** collaboration within the *tontine* has enabled them to develop self-help mechanisms; and their dealings with the SPPO have put them in touch with other farmers in other SPPOs in Togo and elsewhere in West Africa. They are positive about their relationship with the SPPO, particularly the monitoring officer and director, with whom they can discuss and suggest new ideas.
- Improved **human capital:** 40 percent of producers cited better nutrition as the most significant impact of their collaboration with Soja Nyo. Soya is a source of protein, and adding it to the family diet has helped reduce healthcare costs. Some 13 percent of producers also reported that soya is easier to grow than cotton, which is more time-consuming and requires inputs that are sometimes toxic. In addition to this, farmers said that they had developed technical and management skills, as well as the ability to negotiate with the SPPO and run groups.
- Improved **natural capital:** 39.4 percent of producers rated soil fertility as the most important effect of this initiative. They have been able to regenerate

impoverished soils and increase yields of subsequent crops after growing soya.

- Better **physical capital**: the benefits in this area identified by producers are changes in the way that soya is weighed, the company collecting produce from the villages, and being able to get hold of supplies of good quality seed.

Overall, producers feel that collaborating with the company has brought multiple benefits at relatively little cost.

Soya is not as time-consuming to grow as cotton, since it does not require so much weeding and is harvested at a time that makes the work less onerous. Although it was not possible to make an exact calculation, farmers estimate that cotton is much more expensive to produce than soya, as it requires fertiliser, phyto-sanitary products and additional labour. Another important benefit, particularly in view of the fact that farmers have not been paid for their cotton crops over the last few years, is that soya also provides a much more secure income.

Tontine members reckon that the most significant 'cost' or constraint associated with soya production is the amount of time they have to spend at meetings, which are held regularly to discuss possible technical problems and for officials to pass on information. They are also usually expected to help cover officials' travel costs when they attend general assemblies at the company's head office. On the whole, however, producers are happy with their collaboration with the SPPO, and see the costs as minimal in relation to the benefits it brings.

Group officials incur greater additional costs, as they have to spend more time on *tontine* business. They are expected to attend every meeting, let members know about activities that have been organised, accompany the monitoring officer during his visits, go to meetings at company headquarters (general assemblies, meetings at the start of the growing season, liaison committee meetings), fetch seed from the SPPO, check produce when it is collected and weighed, and give group members their money when the company has paid. Their travel costs are covered by members of the *tontine*, sometimes with contributions from covert producers as well.

In all, the two *tontine* officials spend an average of 161 hours per year working for their group. Some *tontines* have rules setting out how they will be rewarded for their efforts – either through financial contributions based on a percentage of the income producers get from soya (10 francs CFA per kilo), or through work done in their fields when they are away on *tontine* business.

4.7.1.2 *Costs and benefits for covert producers*

Covert producers share most of the advantages enjoyed by *tontine* members: they receive a gross sum of money at a fixed time, are able to put in place strategies to

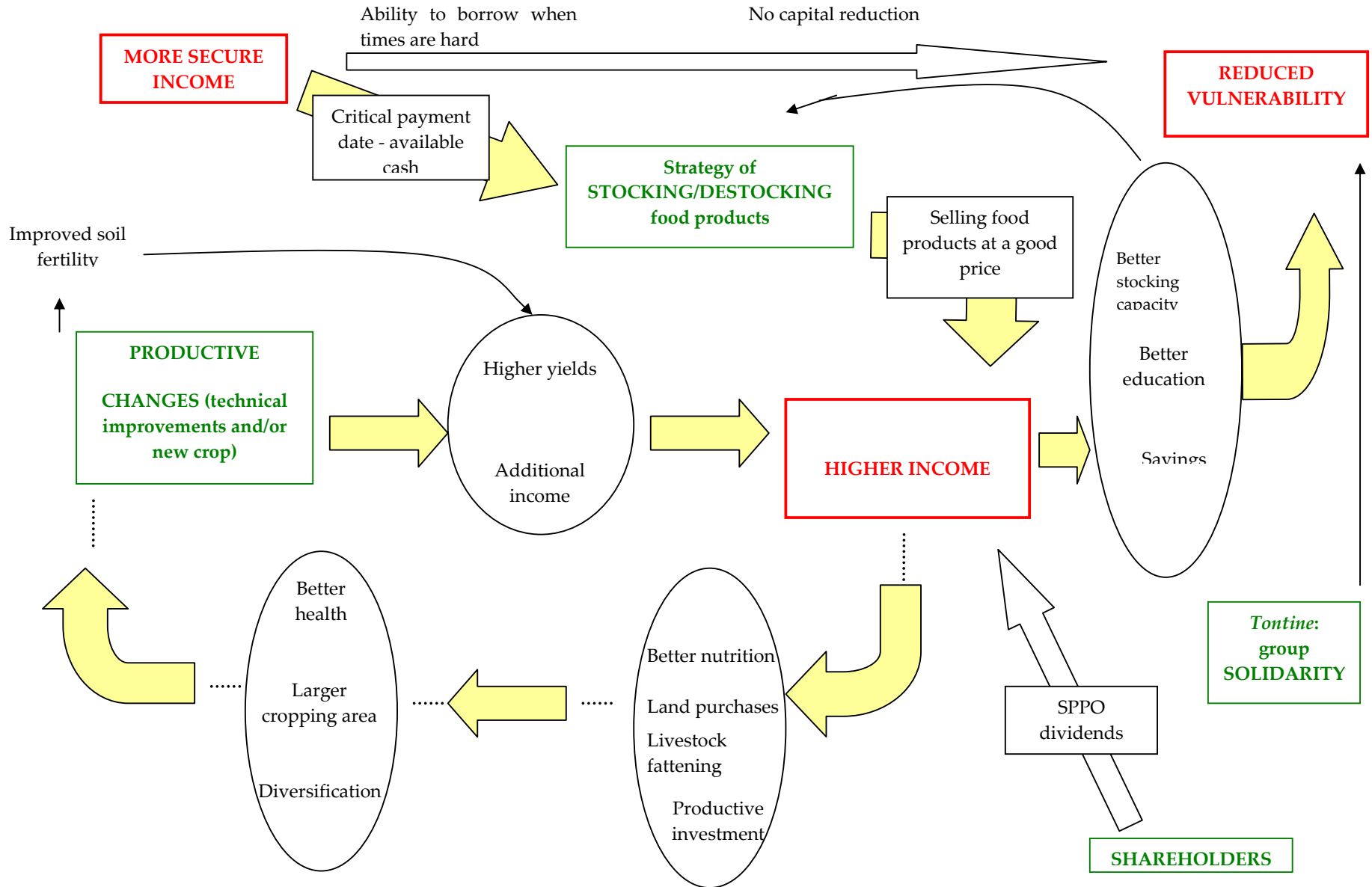
stock certain foodstuffs, and have seen the fertility of their soils improve. However, they do not benefit from the social capital that develops within groups, a stable and sustainable relationship with the company, or have the opportunity to become shareholders.

4.7.1.3 Costs and benefits for shareholders

Shareholder producers' income from soya is supplemented by dividends distributed by Soja Nyo, the opportunity to obtain larger cropping areas, and the possibility of diversifying production (soya seed or yellow corn seed) and thus further increasing their income. The initial costs of their shares have already been covered by the dividends distributed over the last two years.

For most producers, shareholding is the start of a positive cycle that enables them to further raise and secure their income, and increase the leverage effects this has on their production systems and domestic situation.

Diagram of the effects and impacts of the SPPO system:



4.7.1.4 Comparison with excluded producers

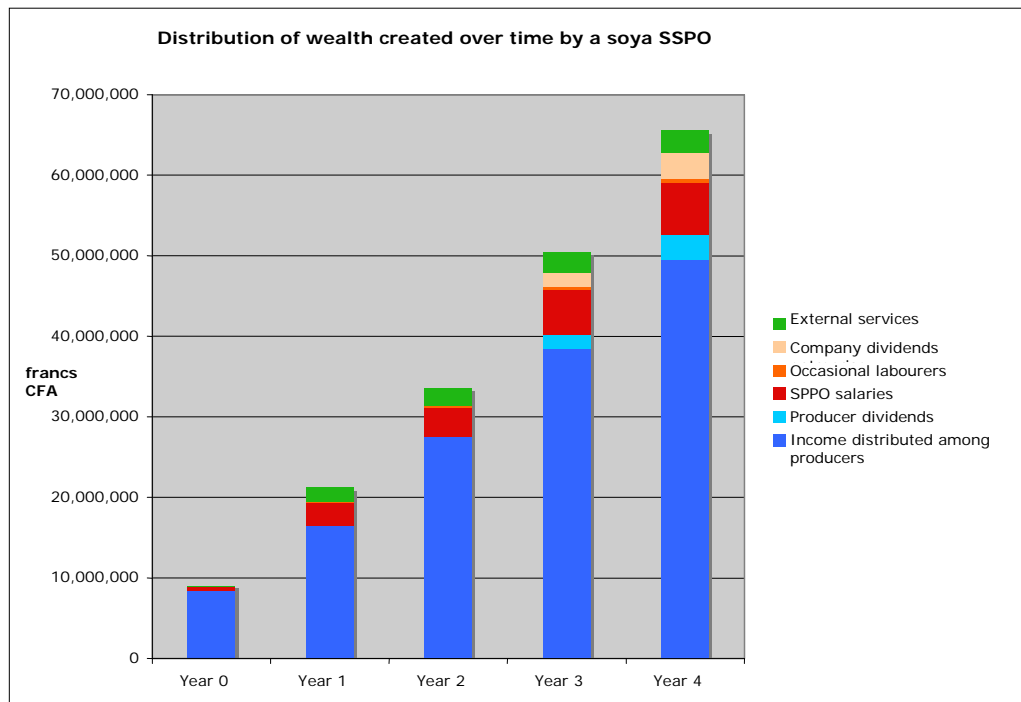
We found that producers who are excluded from the system are very keen to become members of *tontines*. Most of them still only grow one cash crop, cotton, and because this no longer generates an income they have to sell their basic food crops to traditional buyers. Small and medium-sized farmers in rural areas have little option but to work with traditional collectors and buyers if they are to make money from their agricultural output (including soya). In the short term, these buyers are very useful to them (collecting from the village, making frequent and varied purchases, supplying credit, etc.), but in the medium and long term they can prevent farmers from developing their activities. They often pay less than the production costs, and as outlets are insecure and irregular, some produce goes unsold. And while they are prepared to give producers advances on their goods, the punitive rates of interest and conditions involved constitute a damaging drain on their limited financial and physical reserves.

These commercial circuits are also long and inefficient: they are expensive because of the large number of intermediaries involved, and their inefficiency increases the costs to the end buyer, which in turn limits the volume of sales. Farmers don't have a clear idea of what buyers will want, or even whether there will be a market for their produce. With intermediaries looking to buy in bulk as cheaply as possible, rather than seeking good quality produce at a fair price, there is no incentive for producers to improve the quality of their produce, add any commercial value, or improve their outlets.

Overall, inclusion in the SPPO system seems to be very beneficial for producers, hence the attraction of *tontines*.

4.7.2 Costs and benefits for the company

The wealth created at the local level by Soja Nyo is growing at a regular pace. It can be broken down into different categories, as shown in the graph below, which reveals that much of the wealth created at the local level goes to producers. About 80 percent of the total wealth created in the fourth year went to producers in the form of income and dividends, while the rest was distributed among the permanent staff and occasional labourers employed by the company, and other agencies outside the company (maintenance services, electricity, etc.).



This wealth also translates into local jobs created by the system, which provides stable employment for the company’s salaried staff, and the equivalent of the annual minimum wage in Togo through the income distributed to producers.

By 2006, the SPPO Soja Nyo had created the following jobs:

SOJA NYO	2006
Equivalent stable jobs	209
SPPO salaried staff	10
Total stable jobs created	219

Thus, the company created the equivalent of 219 stable jobs in the locality, enabling those concerned to establish themselves thanks to a decent, stable income.

4.7.3 The company’s indirect impacts on the local environment

The company and its activities have had various impacts on its immediate environment and suppliers:

- As noted earlier, covert producers derive certain advantages from working with *tontines*;

- Villages where the *tontines* are located have also benefited in various ways: other producers have started growing soya, and an average of three women per village have started processing soya, making it into doughnuts or tofu that they sell in the market to supplement their income;
- Soja Nyo has also affected the price of corn. As the income from soya allows producers to keep their corn, there is less available on the market, and prices tend to rise slightly in December and during festivals

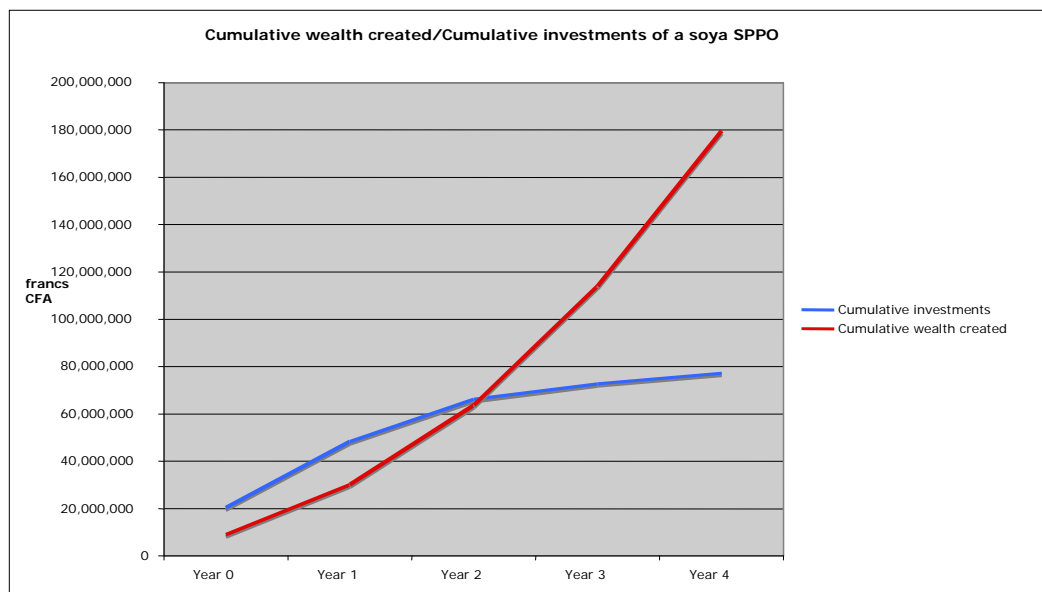
Thus, we can see that the SPPO system has had a significant impact on producers, the company’s salaried staff and its immediate environment.

4.7.4 Reinforcing these effects

The Directorate General for Taxes has exempted Soja Nyo from tax in recognition of its impact on the supply chain, thereby enabling the company to reinvest some of its income in developing and extending its activities.

4.8 Sustainability/viability of the circuit

The graph below shows how the wealth created by Soja Nyo at the local level has accumulated over time since the initial investments.



NB: this curve was obtained by modelling the data on the evolution of Soja Nyo. However, less time is needed to break even here, as it represents a soya SPPO operating with a support structure (platform) in place, and with none of the research and development costs entailed in setting up a new company.

According to this graph, the sums invested in the system over time (direct business costs and costs of support from the platform) are covered fairly quickly, enabling wealth to be created at the local level through:

- Income and dividends distributed among producers (as described above)
- Wages and dividends distributed among the company's full-time salaried staff;
- Wages paid to occasional labourers;
- The local external services required to maintain and operate the company.

The SPPO-PF system seems to be viable for Soja Nyo, although we do have certain reservations about the company's current outlets. Given the recent experience with bird flu, it needs to diversify its outlets to make the system completely viable.

4.9 Replicability of the system (scaling up)

This case study covers the experience of Togo's first SPPO, Soja Nyo. The SPPO system has since been adopted in other African countries, with other products like rice and milk, meaning that its replicability has already been tested. The local platforms responsible for disseminating the system are achieving economies of scale as new SPPOs are created, building on these experiences and the processes used to put them in place, and encouraging these companies and their producers to share and discuss their practices.

In order to determine the replicability of the system and ensure that SPPOs are established as efficiently as possible, we need to consider the determining factors in wealth creation and the level of investment required to get the system up and running.

Efficiency is affected by different kinds of factor:

- pre-requisites: essential factors in setting up or replicating a viable SPPO;

- external factors, which may or may not be modifiable: these hinder or help the company achieve a good efficiency ratio (creating costs or increasing added value). They include:

- factors that do not affect results if they are present, but seriously undermine efficiency if they are absent (such as regular electricity supply)
- factors whose absence does not affect results, but significantly improve them if they are present (such as a policy of supporting local produce).

Prior knowledge of these factors allows us to better assess the impacts of their presence or absence on the likely efficiency of the SPPO system that is to be put in place.

In order to set up and develop an SPPO, three main aspects of the context and conditions for establishing it need to be studied:

- the area where the producer organisation network and **agricultural production** will be set up
- **the company**: its services, processing methods, economic prospects, human resources, etc.
- the potential **market** and the finished or semi-finished product(s) that will be circulating.

The main factors that need to be taken into account in these three areas are shown in the table below.

SPPO circuit	Factors affecting the efficiency of the SPPO circuit
Area of agricultural production	<ul style="list-style-type: none"> - Agro-ecological characteristics of the area - Isolated producers/pockets of production - Existing experience of production and organisation - Producers' ability to change and capacity to innovate - Producers' capacity to move towards commercial logic - Presence of other agencies involved in agricultural production - Other cash crop(s) (alternatives/in crisis)
The company	<ul style="list-style-type: none"> - Profile of the manager and monitoring officer - Product(s) and processing methods selected on the basis of the initial level of investment and degree of viability - Secondary town with a minimum of services (electricity, communications, maintenance) - Distance from support platform - Favourable institutional and fiscal environment
The market	<ul style="list-style-type: none"> - Potential local market - Stable demand, market not speculative or only slightly speculative, little market distortion through internal/external competition - Policy of promoting local produce - Favourable economic context and purchasing power - Market able to cope with several SPPOs

4.9.1 Factors relating to the area and the producer organisation and production network

There are two key factors in establishing a productive base for the SPPO system:

First, the **agro-ecological characteristics** of the area must be suitable for the SPPO's chosen product. The operation will be much more efficient if the product already exists and producers are familiar with it before the SPPO is established.

The extent to which **producers** are **isolated** will influence two factors of production:

- Distance from the market: the SPPO system will be important to producers operating a long way away from the market, and their level of involvement will reflect the relevance of its services. Conversely, proximity to the market encourages opportunistic behaviour and makes the system less interesting to producers. However, farmers in extremely isolated areas may be very traditional and resistant to change and innovation, or reluctant to move from subsistence farming to more commercial production.
- Accessibility of production areas: the distances involved and state of the rural road networks affect the cost of transporting produce and follow-up for producers. The more isolated the area, the more it needs to represent a major pocket or basin of production capable of producing sufficient volumes to cover the cost of setting up the system.

Other factors influencing the efficiency of the production side of the system (albeit to a lesser extent) include producers' **pre-existing skills and knowledge** of production and organisation, which can help achieve a good efficiency ratio in a relatively short time.

The presence of other development **actors or intervening agencies** will be helpful if they have undertaken rural development and capacity-building activities with producers that the SPPO can build on when putting in place its production network. Producers will be used to getting together for meetings and organising themselves, and will have recognised leaders in their villages that the SPPO can start talking to early on in the process.

However, a plethora of operators and aid in an area can mitigate against setting up an SPPO, either because they offer producers too many alternatives, or because their modes of intervention do not reflect local economic realities (unjustified per diems, price distortions, etc.). This may make producers less willing to invest in the SPPO or more likely to sell their produce to other buyers.

The presence of certification bodies, seed producers or promoters of agriculture at the national and local level can be helpful.

The SPPO will be less relevant and likely to take longer to become financially viable if there are other **cash crops** in the area and producers already have a range of income-generating opportunities. However, a crisis in the supply chain (cotton, coffee, cocoa) may constitute a favourable factor in establishing an SPPO, as local producers will be seeking alternative cash crops and will therefore put more effort into collaborating with the SPPO. In Togo, the cotton crisis has generally furthered cooperation and made producers loyal to their SPPO.

4.9.2 Factors relating to the company

Human resources are the key to developing a successful SPPO, particularly the manager and the person responsible for monitoring producers. The manager needs to have entrepreneurial skills, initiative and commercial dynamism; to be responsive, analytical, able to learn and innovate; and to show authority and clear management and social skills. In order to work effectively with producers, the monitoring officer needs to be able to pass on new skills, to be flexible but firm, and to be a good communicator but also able to exert his authority over producers.

At the technical level, the chosen products and processes should generate sufficient margins without requiring excessive levels of investment or technical expertise (skills, energy, maintenance, etc.). The competition should be kept at bay by the SPPO's organisational performance rather than its technology.

SPPOs in urban areas will be affected by:

- The presence and accessibility of **services and infrastructures** like electricity, communications and maintenance services, good quality access roads, etc. Without them, the SPPO will have to invest in additional equipment and pay more for electricity generators, transport, etc. (For example, SPPOs in Mali have lost significant amounts of finished produce stored in freezers as a result of the frequent electricity cuts there).
- **Distance from the support platform.** This is another key factor, as it has a huge influence on the time and costs associated with follow-up and monitoring.

Finally, the **political context and institutional and tax environment** also have a major impact on the efficiency of the SPPO system, mainly in terms of the administrative benefits/constraints and tax conditions. Local government interest in the system in Benin has been very helpful in establishing relations with SPPOs and getting them recognised.

4.9.3 Market-related factors

Effective **demand** for the chosen product at the **national level** and, if possible, the **local level** too (**secondary town**) is crucial. Having a market nearby will help the company meet a significant proportion of its costs and avoid generating excessive start-up costs, allowing the SPPO to better manage and plan its activities and supply from the outset.

However, it needs to be able to envisage extending the market across the capital and other major cities and towns, increase the volume of its activities, and set up new SPPOs in the same sector. Modelling the first SPPO incurs the highest costs in terms of time, trial-and-error, establishing professional and commercial relations, etc. It is important to be able to recoup the cost of these initial investments through new SPPOs and new producers, so niche markets that can only deal with limited volumes should be avoided.

It should not take too long establish producer confidence and a financially viable company if **demand is stable** and there is **little or no speculation** on the market. However, it will be more difficult and take longer to develop the SPPO if its products have to compete with cheap imports or the market is distorted by other economic actors.

The **political and economic context** of the country also affects:

- markets and economic actors' willingness to invest and buy raw materials. *The political crisis in Togo has adversely affected most economic activity, the stability of outlets and purchasing power, thereby hindering the development of SPPOs.*
- agricultural policy: some countries favour intensive, export-oriented agriculture, while others focus on family farming, developing local markets and promoting local produce. SPPOs indirectly benefit from such policies, which are unfortunately still very limited and timid, and more talked about than acted on.

This is not an exhaustive list, but it does outline the main factors determining whether or not a new SPPO will be able to establish a good efficiency ratio. It is the conjunction of factors affecting the choice of area, decisions taken within the company, and the target market that will determine the level of efficiency attained and the net costs of creating jobs in the locality.

5 Conclusions

The lessons drawn from this study of Togo's longest-standing SPPO can be taken forward to promote the SPPO system and develop this type of structure in other contexts.

- The first point worth noting is the extent to which producers are **empowered** by their inclusion in this system. This form of **multi-membership** allows farmers to be involved in the system and governance to be shared between different actors upstream in the circuit. It facilitates joint learning and common understanding of the market, its demands and the functioning of the supply chain, and makes actors better able to adapt to the demands of the context and the market.
- The move from being a supplier to a **shareholder** supplier opens up new development opportunities for producers and enables them to engage in further growth strategies.
- Combining the complementary dynamics of producer organisations with the entrepreneurial spirit of businessmen and their teams is advisable, if not essential, in order to enable them to '**compete together**' against internal and external competitors.
- This type of 'value chain' approach allows actors to generate margins and secure an income: the strategy of **managing production and net costs** at different levels of the supply chain is more efficient and viable than recuperating profits made by others or increasing sale prices. Furthermore, this strategy facilitates the development and management of outlets onto local markets and reduces producers' dependence on external actors and factors, helping energize the local economy.
- Finally, we have seen that this kind of company cannot be brought into being without assistance. While they provide a service of general interest, SPPOs act in a very competitive, opportunistic, and unregulated economic and commercial environment, and will not be able to emerge and survive through economic logic alone. Creating and sustaining them requires external technical, financial and organisational support. With certain pre-requisites in place, a combination of public and private funding could facilitate the efficient dissemination and upscaling of the SPPO procedure, thereby impacting on the livelihoods and lives of a large number of small producers.

Regoverning Markets

Regoverning Markets is a multi-partner collaborative research programme analysing the growing concentration in the processing and retail sectors of national and regional agrifood systems and its impacts on rural livelihoods and communities in middle- and low-income countries. The aim of the programme is to provide strategic advice and guidance to the public sector, agrifood chain actors, civil society organizations and development agencies on approaches that can anticipate and manage the impacts of the dynamic changes in local and regional markets. The programme is funded by the UK Department for International Development (DFID), the International Development Research Centre (IDRC), ICCO, Cordaid, the Canadian International Development Agency (CIDA), and the US Agency for International Development (USAID).

Innovative Practice

Innovative Practice is a series of case studies from the Regoverning Markets programme providing examples of specific innovation in connecting small-scale producers with dynamic markets at local or regional level. Based on significant fieldwork activities, the studies focus on four drivers of innovation: public policy principles, private business models, collective action strategies by small-scale farmers, and intervention strategies and methods of development agencies. The studies highlight policy lessons and suggest working methods to guide public and private actors.

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