

Economics of management of farmer associations in Western Kenya

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Abstract

Farmer associations (FAs) have the capacity to improve earnings and the general welfare of their members when they are well managed. In this study, we characterise three umbrella FAs in western Kenya namely, Bungoma Small-Scale Farmers Forum (BUSSFO), Mwangaza Farmer Group and ACCAUN in, Bungoma, Vihiga and Teso counties of Western Kenya respectively, and evaluate the influence of their management structure on the operations and sustainability of the associations' operations. The study also assesses the contribution of the management of the FAs to associations' and households' incomes and compare benefits and costs associated with alternative operation strategies. The study is employing purposive and random sampling techniques to pick respondents; and interviews and questionnaires to collect both primary and secondary data from members and non-members of the farmer associations. The study is expected to provide a basis for recommending a wholesome management structure to ensure sustainability and enhanced economic returns to the farmer associations.

Key words: Farmer associations, Western Kenya, management structure

Résumé

Les associations d'agriculteurs (AF) ont la capacité d'améliorer les revenus et le bien-être général de leurs membres quand elles sont bien gérées. Dans cette étude, nous caractérisons trois associations de protection d'agriculteurs à l'ouest du Kenya à savoir le Forum de Petits Agriculteurs de Bugoma (BUSSFO), le Groupe d'Agriculteurs de Mwangaza et ACCAUN, dans les comtés de Bungoma, Vihiga et Teso à l'ouest du Kenya, respectivement, et nous évaluons l'influence de leur structure de gestion sur les opérations et la durabilité d'exploitation des associations. L'étude évalue également la contribution de la gestion des associations d'agriculteurs aux revenus des associations et des ménages et compare les profits et les coûts

associés aux stratégies alternatives d'exploitation. L'étude emploie des techniques d'échantillonnage délibéré et aléatoire pour sélectionner les répondants, des entrevues et des questionnaires pour recueillir des données primaires et secondaires des membres et non-membres des associations d'agriculteurs. L'étude devrait fournir une base pour recommander une structure de gestion saine afin d'assurer la pérennité et le renforcement des retombées économiques pour les associations d'agriculteurs.

Mots clés: Associations d'agriculteurs, Ouest du Kenya, structure de gestion

Background

While there has been a consensus in the role the Farmer Associations (FAs) can play in solving most of the farmers problems related to input access and produce marketing, the success stories of FAs are scanty especially with regard to improving food security (Lele, 1981; Hussi *et al.*, 1993; Akwabi-Ameyaw, 1997). The Kenyan agricultural sector has witnessed the starting and collapsing of many FAs since independence. The collapse of the FAs has been caused by many factors including technological problems and poor management (Wolf, 1986; Lele and Christiansen, 1989).

The general purpose of formation of farmer groups has been to enable farmers to collectively deal with the challenges that they face and to take up available opportunities. For several years, FAs have been thought of as one of the main avenues to enable resource poor farmers improve their agricultural earnings and to get out of poverty (FAO, 2007). Farmer Associations that practice prudent financial management and transparent management structures improve the earnings of farmers and encourage a higher level of production. Farmer Associations are instrumental in improving credit and input access by farmers at reasonable prices and for providing the critical mass for market negotiation that leads to improved product prices compared to prices achieved by individuals or individual farms (Shiferaw *et al.*, 2006). Inability of FAs to access and use the proper operational models explains their inability to match their potential capacities with their actual performance.

This study aims at assessing different models for improving the economic performance of the farmer associations. The study will compare benefits and costs associated with alternative credit provision strategies for FAs and to evaluate and develop

Literature Summary

effective credit, and input and output models for improving income and input access.

The agricultural production environment is becoming increasingly competitive and sophisticated with farmers embracing new production and communication technologies. The success of Farmer Associations depends on their ability to deliver market information, coordinate marketing functions and ensure smallholder competitiveness in markets by facilitating it (World Bank 2002a), and also importantly in mobilising their members to engage in markets (Shiferaw *et al.*, 2006). Farmers benefit from Farmer Associations through timely sales of their farm produce, access to trainings on good agricultural practices and farm management and loans which they otherwise have no access to as individuals (Grigoryan *et al.*, 2008).

The ability of the FAs to meet the objectives of the farmers depends largely on their management. Organisational structure influences the efficiency and effectiveness of an organisation and a lack of understanding of this structure adversely affect the choices made to resolve the problems of the organisation (Ledbetter, 2003). The management structure will determine the extent to which FAs will be willing to take risks and carry out investment. Relative investment, relative risk and relative complexity significantly influence how fast and how much farmers and their groups accept and take up change or adopt technology (Batz *et al.*, 2003) and is influenced by their management structure. Analysis of Cost benefit of different management structures and strategies adopted by farmer associations to meet the needs of their members is required in order to ensure that FAs operate in a cost effective manner given that while collective action may increase income for members, costs are also incurred (FAO, 2011).

Study Description

This study is using both primary and secondary data. Primary data is being obtained through administering a questionnaire to 351 sampled farmers and FA officials. The distribution of the sample is done as follows: 50% of farmers were randomly selected from members of farmer association, 25% are former members of farmer associations and the remaining 25% are those who have never been members to any farmer group. Primary data collected includes demographic characteristics of farmers, farm sizes and output, reason for joining farmer associations, management structures, production systems and economic activities. Secondary data is obtained from FA records

and includes costs of alternative methods of availing credit, marketing activities and prices. The study models the factors that influence retention of membership using simple linear regression analysis and uses cost-benefit analysis to address the objective on comparison of available credit strategies for FAs to determine the most economically suitable and effective model. The benefit-cost analysis considers both financial and non financial benefits and costs for each strategy. The t-test will be used to test significance of difference in mean of incomes among members, non-members and former members of farmer associations.

Research Application

Farmers associations are synonymous to common interest groups that do not only operate exclusively on economic issues but also a wide range of social issues. The power of the FAs is their ability to allow for exchange of information and sharing of resources. Chamala (1995) identified twenty-six factors categorised as service agency factors, community factors, and other external factors. Although these factors are known to influence the performance of the farmer associations, it is interesting to assess the interactions of these factors in different circumstances and environments among farmer associations in western Kenya in influencing group or organisation effectiveness or success. Many FOs have failed because of corruption, mismanagement, conflict, and lack of clear goals. It is thought that an effective management models will minimise negative effects to the performance of FAs. Consulting the community in all the activities of the FAs will ensure sustainability of the operations. Chamala and Mortiss (1990) and Carman and Keith (1994) provides a range of techniques for implementing participative planning and community consultation. SWOT analysis (strengths, weaknesses, opportunities, and threats) is important for analysis, prioritising, and action-planning methods for implementation by the FAs. The management structure adopted will have a unique set of benefits and costs. This study will determine a way of integrating these techniques in a wholesome management model for Farmer associations.

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