

## Update on the Debate:

### Organising smallholders: producer organizations and cooperatives

The discussion began with a debate on the proposition statement: *The rapidly growing markets for high-value agricultural products in both developed and developing countries opens up tremendous opportunities for smallholders. However, only if small-scale farmers come together in an organized way can they engage profitably in the highly competitive agro-industrial sector.* The statement was strongly supported by some of the participants, given the potential benefits of economies of scale and transaction cost savings. Some participants challenged the proposition by noting the often high costs of organization and their lack of sustainability. A question was posed if the upsurge of interest was more a result of a supply drive by NGOs and donors. A criticism was raised of the lack of evidence and the need for qualification in making the proposition statement.

The discussion moved on to address two questions:

- *What have been the reasons for past failure of farmer organizations in developing countries?*
- *What are the business services most needed by small-scale farmers in developing and transition economies? What support services are most relevant to enhancing smallholders' profitability? Are farmer organizations best placed to provide such services?*

The participants whilst recognizing the importance of farmers' organisations proceeded to describe some of the reasons for the successes and failures. Some of the reasons for failure were: donor or NGO led group organisation; social conflict; weak and ineffective leadership - lack of capacity and skills; failure to share benefits equitably amongst members; external environmental changes and an inability of leadership to adapt and respond; and difficulties in registering producer organisations and protecting them as legal entities.

Weaknesses in creating viable apex organisations were also highlighted as stemming from the lack of human capacity to take producer organizations to a more professional level of management. The view was raised that Government had a responsibility to develop policy guidance to address these weaknesses. And key areas of attention were identified as effective management and leadership, capital formation and investment; distribution of profits amongst members; and effective communication amongst members - transparency of transactions. The need to create a skilled and competent leadership was also mentioned as a critical factor to ensure financial sustainability.