

# EVIDENCE REVIEW: PRODUCER COLLECTIVES

# SUMMARY OF PRODUCER COLLECTIVES

**Organizing into producer collectives allows smallholder farmers (SHFs) to take advantage of economies of scale and increased bargaining power. Farmers can then access inputs and financial services at lower prices and sell to the market at higher prices than they might get individually.**

**Most previous attempts at large-scale organization of farmers have left a disappointing track record**

- This situation was due largely to “nationalization,” where collectives became quasi-governmental and used for political ends, and elite capture<sup>1</sup>
- Other less political causes of failure included inadequate management skills and misidentification of true opportunities for SHFs to capture value<sup>1</sup>

**However, recent evidence from smaller, more farmer-centric models shows a case for positive impact on yields, incomes, women’s decision-making, and in some cases, food consumption**

- Several experimental studies reviewed showed evidence of modest increases in yields and incomes
- Consistent with the general empowerment effects of collective action, women’s decision-making has also been shown to increase with participation in collectives<sup>3</sup>
- Key success factors include finding leaders with strong management and business skills and maintaining trust among members
- However, many studies suggest that the landless, poorest, least educated, and least connected farmers are often excluded from participating<sup>1,2</sup>

**Cost-effectiveness, sustainability, and scale are highly connected and depend on the degree of market-orientation and whether the value generated for the farmers outweighs the financial cost and time involved in participating**

- While collectives can coordinate on upstream activities such as purchase of inputs and access to technologies, the more market-oriented a collective is, the more likely it will be able to operate cost-effectively and sustainably
- Most collective models reviewed ranged from 10-150 members – categorized by the FAO as small group enterprises – to 1,500-5,000 members – categorized as collective enterprises – with a small number serving hundreds of thousands of members<sup>4</sup>
- The largest collectives have been government-run or government-enabled. While government-run models have been less successful, the largest non-government models owe their growth and impact to enabling government policies (e.g., the Indian government’s National Dairy Plan and its successful transformation of the Indian dairy sector into the largest producer in the world)
- Private-sector actors are often better partners for scale because they are market-oriented and optimize profits for mutual benefit of the firm and producers

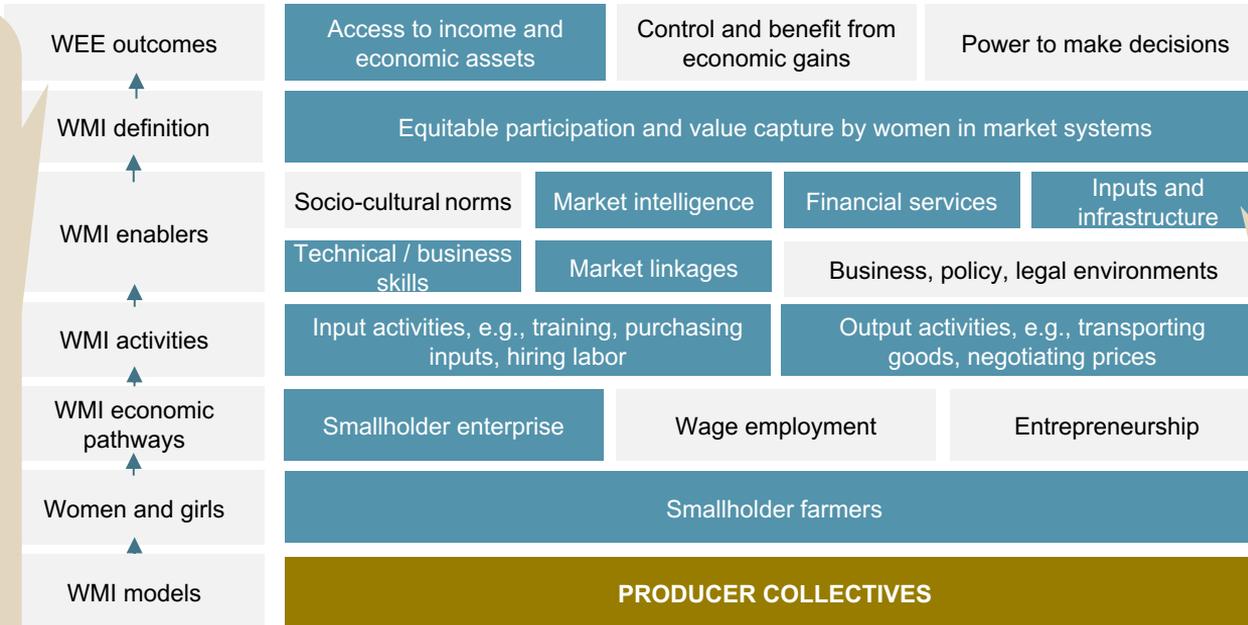
**Women-only collectives can be established, thus guaranteeing women’s participation involvement in leadership roles.**

**Quotas on gender-neutral collectives have also been effective in increasing women’s participation. Where women have participated, they have benefited in terms of enhanced decision-making but the effect on control over income is unclear**

# PRODUCER COLLECTIVES FOCUS ON COLLECTIVE BARGAINING POWER AND ECONOMIES OF SCALE

**Outcomes reported include: increased food security,<sup>1,2</sup> increased income (5%), and increased yields (5%)<sup>3</sup>**

Collectives can also **increase women's participation** in public spheres, opening up opportunities for women to engage in the economy, exercise their rights, and **access leadership training and roles**



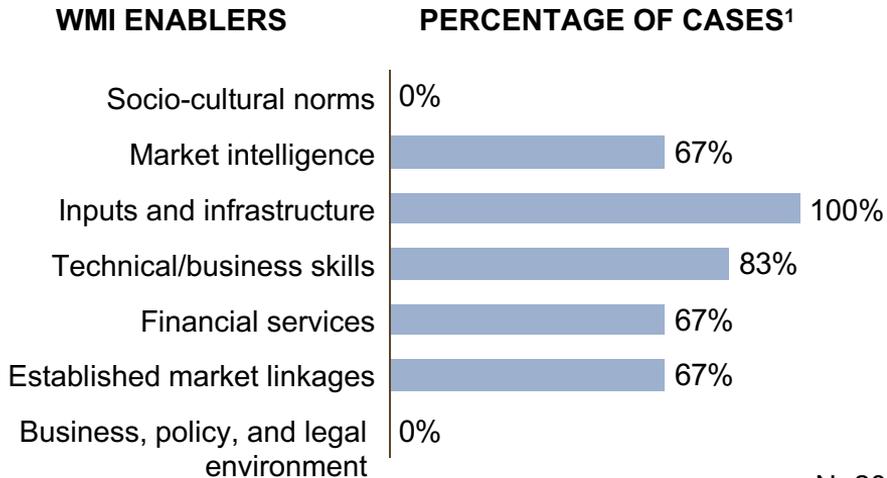
**WMI Enablers:** Many programs connect SHFs to markets

Other services include input purchasing, technical training, and access to finance to improve SHF yields

**Producer collectives** are farmer organizations that take advantage of collective bargaining power and economies of scale to access inputs and financial services at lower prices and/or sell to market at higher prices than they could get individually. Whether self-organized or organized by others, they increase SHFs' power when dealing with other actors in the value chain. They often require registry with governments to operate with formal market actors.

# COLLECTIVES TARGET A RANGE OF ENABLERS; ACCESS TO INPUTS AND SKILLS ARE THE MOST COMMON

## Percentage of studies and cases in which the model targeted a particular WMI enabler



N=20

## Key insights

- Producer collectives target a variety of enablers, taking advantage of collective bargaining power to improve all aspects of smallholder enterprise
- In particular, collectives source inputs, seek out agricultural extension services, and market products collectively
- In many cases, collectives also pool risk to access credit

(1) So as not to distort results, multiple samples or regions within an experimental study were not counted as multiple cases. However, different models examined were considered different cases.  
Sources: Dalberg analysis.

# COLLECTIVES HAVE BEEN SHOWN TO INCREASE YIELDS, INCOMES, AND WOMEN'S DECISION-MAKING (1/2)

	Outcome (women's economic empowerment / inclusive agricultural transformation)	Impact	Range of impact observed
	Higher smallholder farmer labor and land productivity		5% <sup>2</sup> to 27% <sup>3</sup> relative to non-members
	Increased equitable consumption of a safe, affordable, nutritious diet year-round		8-13% increase in food expenditure <sup>4</sup>
	Higher smallholder farmer incomes		5% relative to non-members <sup>2</sup>
Proven - positive effect 	(Women's) access to income and economic assets <sup>5</sup>		See above
Promising - positive effect 	(Women's) control and benefit from economic gains <sup>5</sup>		N/A
Mixed  	(Women's) power to make decisions <sup>5</sup>		N/A
Proven - limited effect 			
Lack of evidence 			

EXPERIMENTAL RANGES ONLY<sup>1</sup>

(1) Experimental evidence included RCTs, natural experiments, quasi-experimental, or meta-analysis results. Impact ranges from case studies are not shown here [2] University of Kiel, 2016 [3] Ahmed and Mesfin, 2017 [4] Wossen, 2017 [5] Assumed similar potential for women's incomes, unless evidence showed otherwise

# COLLECTIVES HAVE BEEN SHOWN TO INCREASE YIELDS, INCOMES, AND WOMEN'S DECISION-MAKING (2/2)

Outcome	Impact	Description
Higher SHF labor and land productivity		<p><b>There is a strong case for the positive impact of collectives on farm productivity</b></p> <ul style="list-style-type: none"> <li>While only one study explicitly showed that collective membership was associated with higher yields (5%),<sup>1</sup> some studies showed a statistically significant increase in the adoption of higher-quality seed and fertilizer, assuming the end effect to be higher yields<sup>2</sup></li> <li>Several models reviewed reported increased yields (ranging from 4% to 20%)<sup>3</sup></li> </ul>
Higher smallholder farmer incomes		<p><b>While four out of six studies showed statistically significant positive impacts on economic welfare, most did not explicitly measure income and one presented mixed results; however, case studies present promising impact</b></p> <ul style="list-style-type: none"> <li>Studies have shown members of collectives have higher household income (5% vs. non-members)<sup>1, 4</sup> and consumption (27% vs. non-members)<sup>2</sup></li> <li>Other experimental studies found increases in consumption<sup>2</sup> and the progress out of poverty indicator (PPI)<sup>5, 6</sup></li> <li>Additionally, all models reviewed that reported impacts highlighted income increases; a 2012 ILO survey of ~100 collective members across Kenya, Tanzania, and Uganda showed self-reported increases in individual income of 186%<sup>8</sup></li> <li>The same survey found that women collective members saw positive effects on their economic activities and incomes<sup>8</sup></li> <li>In one case—a study on the Self-Employed Women's Association in Gujarat—membership was associated with an overall negative impact on incomes in the short-term, but this likely reflected a transition period from non-farm to farm activity<sup>7</sup></li> </ul>
Increased equitable food consumption		<p><b>While increased food consumption was usually not measured, two experimental studies showed a statistically significant positive effect of collective membership on related indicators<sup>8, 4</sup></b></p>
(Women's) power to make decisions		<p><b>There is evidence that participation in collectives can have a measurable impact on women's decision-making</b></p> <ul style="list-style-type: none"> <li>A study of a women's collective in Northern Uganda showed a statistically significant impact on women's decision-making<sup>4</sup></li> <li>The 2012 ILO study showed increases in joint decision-making about shared economic activities between husbands and wives; however wife-only decision-making over her own economic activities improved only marginally<sup>8</sup></li> </ul>

# KEY SUCCESS FACTORS INCLUDE LEVERAGING EXISTING GROUPS AND ADOPTING A MARKET-ORIENTED APPROACH

## Challenges

**Difficulty sourcing farmers for leadership roles:** Finding farmers with the ability to coordinate effectively and make decisions about the collective's activities is difficult. This is especially true for business-oriented groups focusing on commercializing and increasing profits from their members' production. For these groups, more is expected of leaders, including business management, negotiations skills, and an understanding of the needs and risks of agribusinesses<sup>1</sup>

**Mistrust among participants:** While the value of collective action is generally recognized, the negative impact of mistrust is often stronger.<sup>1</sup> Even after collectives are established, low trust among participants can result in higher costs of coordination, lower willingness to share information, and lower commitment to the activities and rules of the group<sup>2</sup>

**Inability to cover costs and generate value for participants:** Groups that do not prioritize income generation to cover operations and investment costs may remain dependent on outsiders for financial support<sup>1</sup>

## Success factors

**Offer training in advance of and on the job:** Finding the necessary talent is a difficult hurdle to overcome. The efficacy of a training program will depend on the duration, intensity, and complexity of the collective and the supply chain for which it is developed<sup>1</sup>

**Leverage existing groups:** Collectives form more easily and operate more effectively when farmers are already used to collaborating. For example, in Indonesia, NGOs built on informal social or church groups and mutual harvest support groups to support collectives of mandarin farmers<sup>1</sup>

**Adopt and maintain a market-oriented approach:** The most successful collectives are oriented towards selling to the market and make decisions about what services to offer and which partners to engage with this goal in mind. Some collectives are even established by private-sector actors to ensure that their suppliers are connected to the best input markets and aware of the latest best practices<sup>3</sup>

# OTHER SUCCESS FACTORS ARE THE INCLUSION OF VALUE-ADDED SERVICES

## Challenges

**Unclear legal status to access markets:** In many countries, the legal status of farmer groups is unclear and they are unable to perform financial transactions

- In Kenya, producer marketing groups are required to register as self-help groups and thus lack legal status as business enterprises<sup>2</sup>
- In Colombia, groups have tended to register as non-profit businesses to take advantage of low registration fees and tax incentives; this may be an obstacle to long-term development<sup>3</sup>

## Success factors

**Government support for efforts to organize farmer collectives:** Actors must lobby governments to establish clear regulations and favorable policies that facilitate collectives' development and ability to participate fully in the economy

**Network membership:** Collectives should be part of a wider network in order to provide members with information on new technical ideas, markets, and funding opportunities outside their immediate communities<sup>5</sup>

**Extension services offered:** Providing farmers with the know-how and tools to improve their yields is critical to ensuring income gains and the overall viability of the group<sup>4</sup>

**Low-cost value addition through organizational innovations:** Collectives can add value to their members' produce through innovations and support of activities such as sorting, grading, production planning, and logistics without incurring high capital investment costs<sup>2</sup>

# COST-EFFECTIVENESS, SUSTAINABILITY, AND SCALE ARE POSSIBLE BUT VERY SENSITIVE TO DESIGN (1/2)

## What do we see?

### COST-EFFECTIVENESS

**Cost-effectiveness varies by collective size and focus on income-generating and/or value-adding activities**

While successes and failures have been observed across the spectrum, more commercial models have been more cost-effective

## What drives current success / failures and how does this apply to implementation?

- **Collectives that focus on selling into markets are more profitable** and more cost-effective than those primarily aggregating input purchases
- **The number of members is a key driver and requires striking a balance**
  - Collectives must be large enough to benefit from economies of scale
  - However, informal groups should avoid becoming too large as this can create more distance between members and incur higher coordination costs
- **Digital technology offers an opportunity to organize disparate producers more cost-effectively**<sup>1</sup>

### SUSTAINABILITY

**Private-sector models have been the most sustainable** (e.g., Amul with 15.4M members across India, supporting a \$5B dairy business<sup>2</sup>)

**Governments and NGOs can provide interim support but there are few examples of these collectives becoming self-sufficient**

- Larger collectives that have been in existence for a longer amount of time have typically been driven by the private sector<sup>1</sup>
- To avoid requiring external support, **smaller collectives must be market-oriented and have access to adequate working capital** in order to bridge the delay between paying suppliers and receiving payment from buyers<sup>3</sup>
- **Donors should avoid direct service provision or subsidies** as it is typically difficult for the receiving collective to transition into self-sustainability
- **Building sustainable producer group enterprises takes time**, usually well beyond the two-to-five-year duration of most development projects<sup>4</sup>

# COST-EFFECTIVENESS, SUSTAINABILITY, AND SCALE ARE POSSIBLE BUT VERY SENSITIVE TO DESIGN (2/2)

## What do we see?

### SCALABILITY

**Collectives can be scaled up by adding more producers within the same collective. Many serve 1500-5000 members; some of the most successful groups serve millions**

**On the other hand, smaller collectives can be scaled across an area (i.e., by replicating at a smaller scale) to achieve similar reach**

## What drives current success / failures and how does this apply to implementation?

- Two important **obstacles to scale for collectives are the costs of coordination and the need for trust** among group members and in those managing the group
- Both challenges are **more easily addressed at scale within a more formalized structure**, either driven by a private-sector actor who can cover upfront and ongoing costs of coordination or governed by rules that are more formal than agreements between individual farmers
- While **smaller farmer-run collectives** may have difficulty scaling vertically, they **can be replicated much more quickly across a region and with much less external support compared to larger collectives**
  - Assuming these smaller collectives organize farmers located relatively close to one another, they are cheaper to operate and coordinate<sup>1</sup>
  - To minimize trust issues, groups can be formed based on existing relationships and/or with strict guidelines for vetting new members

# WOMEN HAVE NOT BEEN EQUAL PARTICIPANTS IN COLLECTIVES BUT HAVE BENEFITED WHEN INVOLVED

## Fewer women than men are included

There are usually fewer women than men in **gender-neutral collectives**. For example, women represent less than 30% of collective membership in most African countries and account for a marginal share of managers and elected leaders<sup>1</sup>

**ACCESS:** Several factors limit women's participation, including:

- Comparatively **limited access to and control over financial resources and physical assets**.<sup>2</sup> Many collectives require **land ownership** or limit membership to one household member (usually male)
- Lower levels of education and skills<sup>2</sup>
- **Cultural perceptions of women's and men's roles**.<sup>2</sup> Collectives often reflect the status quo of women's participation in economic activity

## When included, women can benefit but do not always have full control of that benefit

Collectives can increase women's autonomy and decision-making power but this does not always translate to increased value capture outside of the collective (i.e., in the household)

**BENEFITS:** Women collective members can generate economic outcomes similar to those of men

- Case studies in Kenya, Tanzania, and Uganda found that women collective members saw positive effects on their economic activities and incomes<sup>2</sup>

**CONTROL:** Increases in women's empowerment do not necessarily translate into women controlling their economic gains

- While case studies in Africa demonstrate how collectives increase women's bargaining power over the allocation of resources and time in the household,<sup>2</sup> equal command over incomes generated is not guaranteed<sup>3</sup>
- **Evidence suggests that men tend to take over** participation in the collectives once the economic potential of activities increases<sup>4</sup>

# QUOTAS AND THE ESTABLISHMENT OF WOMEN-ONLY COLLECTIVES CAN ENABLE WOMEN'S INCLUSION

## Solving for women's inclusion

### ACCESS

#### Revising membership requirements and/or targets

- Collectives can introduce lower fees or extended payment plans to enable participation of women, who typically have less control over income and assets<sup>1</sup>
- Collectives can also impose quotas for women's general participation and representation in leadership positions. For example, the P'KWI in Uganda established a 60% quota for women in leadership roles;<sup>2</sup> in India, the Gujarati government established a 50% quota for women's involvement in dairy collective societies<sup>3</sup>

#### Establishing women-only collectives

- This is most easily achieved in sectors where women are already concentrated (e.g., women dairy collective societies in Gujarat)
- Women-only collectives can encourage further integration of women into gender-neutral collectives
- Efforts should be made to ensure that women's collectives benefit as much from government support as gender-neutral collectives, as studies show that this is not always case<sup>3</sup>

## Solving for women's gains

### BENEFIT

#### Channeling collective support services to women

- Larger regional or national collectives receive support from the government
- To ensure that women collectives also benefit, governments can target their support towards sectors in which women are concentrated or design support packages with gendered constraints in mind<sup>4</sup>

### CONTROL

#### Engaging men in women's collectives

- It is important to involve men upfront and make the case for the benefits of women's economic empowerment
- This engagement can reduce intra-household tensions that can result from women's enhanced role in a collective<sup>1</sup>