



**Improving Performance of Farmer Organizations in Value Chains**  
**FAO & SACA AU Regional workshop for Farmer Organizations in Southern Africa**  
**September 2011, Johannesburg, South Africa**

**Case study: Onions from commercial villages in Kieni West.**

Relating to the workshop theme: Marketing and Value addition

This case study is based on several articles listed at the end, with additional information from Farm Concern International obtained in January 2011

**Background**

Bulb onion production in the area of Endarasha, in Kieni West district, Nyeri County (Central Kenya) dates back to 1969. Mainly small-scale farmers produce onions in rainfed cultivation in two seasons. The 1st season runs from April to August, but production is very low because from June to November onions from Tanzania saturate the market and prices are very low. The 2nd season starts with planting in October and ends with the harvest in March. Information from intermediaries (2007) indicates that the volumes traded in the first season are double the volumes in the second season. This implies the market could easily absorb a higher supply of onions from Kieni West in the second season.

Farmers traditionally used low yielding open pollinated varieties. Farmers bought seeds at local input supply shops. Some shops sold fake seeds using the tins of high quality suppliers. Therefore, farmers often used different varieties in order to make sure that at least some seeds are good. (Lenné et al. 2005).

According to a survey in 2007 (see Koenig et al. 2008), farmers sold directly at farm gate, as transport was too expensive and it was too time consuming to go to the market. Farmers did not have contracts with buyers because they could not guarantee a certain quantity and quality every season. They seldom could choose with whom they wanted to collaborate. Farmers preferred to work on their own because decisions were easier to take without having to discuss it in a group. Local produce agents (called "brokers") visited the farmers at harvest time to make deals on behalf of traders (called "intermediaries"). The brokers were paid a fee by the intermediaries. Most of the brokers were originally farmers themselves and knew the local farms well. The intermediaries worked with these brokers to have access to this local knowledge

Wakulima is the major wholesale market for onions in Nairobi, with 80 to 100 tons of onions traded every day by about 40 onion traders. Other wholesale and retail markets in Nairobi are supplied with onions from Wakulima. Onions are sold in big bags or in smaller nets. Officially bags carry 100 kg and nets carry 14 kg but in fact bags usually contained 115-145 kg and nets hold 16 to 20 kg. Onion bags and nets that have the correct weight were difficult to sell for the traders, hence, brokers urged farmers to fill more in the bags or nets, for the same price as bags or nets with the correct weight.

Red onions are sorted into three grades. In Kieni West the brokers usually organized grading, and paid prices according to grade. Another option was that the intermediary bought ungraded onions in big bags for one average price. Farmers did not grade because they did not have enough time during harvest and they said the brokers would re-grade. Additionally, some did not know about the criteria applied. This was an additional reason for intermediaries to cooperate with brokers; they did not trust the farmers on grading.

The farmers were more or less aware of their production costs. On average, they made a loss during the first season, and were aware of that. They probably continued growing small volumes in the first season just to stay in business. Because of relatively high profits in the second season, farmers made a profit on an annual basis.

**Interventions**

With financial support from FARM-Africa's Maendeleo Agricultural Technology Fund, Farm Concern International started to work in the area in 2005. They organized the farmers to market and sell the onions in bulk. Between 2007 and 2008 two commercial villages were formed in Endarasha. They are each made up of several farmers' groups with at least 25 farmers each. These groups meet once every month and are organised in various sub-committees such as finance, welfare, marketing and production. Members of the group also contribute towards a revolving fund from which individuals in the group are assisted to take care of emergencies. The groups have appointed nine members that sit at commercial village level to discuss future plans.

FCI trained the farmers in improved onion production techniques and introduced more expensive but highly productive hybrid seed. FCI also trained the group on using less fertilizer to increase the shelf life of the onions. FCI brought the groups into contact with suppliers of certified seeds and input suppliers and introduced the idea of collectively purchasing inputs in bulk, to be able to bargain a better price and reduce transport costs.

With the hybrid seeds that mature in four months, instead of six months from conventional varieties, farmers are now able to harvest by the end of January, just when prices are high again. In addition, a local savings and credit society (SACCO) has introduced a micro credit product to lend to farmers who need money before the harvest; this reduces the temptation to sell before the onions are mature.

A demonstration store has been constructed. With a proper store, farmers can wait to sell for up to two months, and thus have more time to negotiate for a better price. Proper storage will also improve quality through decreasing water content, which enhances the red colour and increases shelf life.

FCI trained the groups on how to price, promote and distribute their onions and how to select reliable buyers. For price setting, this included training on financial management and simple profitability analysis.

Crucially, FCI worked also at the side of the traders. FCI identified “onion market hubs”. They selected a number of wholesalers in different towns and cities. These wholesalers were given training on supply-chain management, financing and post-harvest management.

Supported by FCI, the onion traders in the Wakulima market in Nairobi formed an association. They were then introduced to representatives from the commercial villages. Furthermore, FCI linked these trader groups to institutional customers, such as universities, schools or prisons. They supply these institutions and offer fixed prices.

FCI organized forums where farmers and traders met. Grading, weight of nets and bags and pricing were key agenda items of these forums.

**Results**

To date, more than 2000 households in Endarasha have joined a commercial village. There are now nine commercial villages in total. With the improved seeds and farming practices, the average yield has doubled to 14 tonnes per hectare.

The strategy to purchase seeds and input in bulk has been effective. Farmers know the suppliers of certified seeds and are no longer cheated with bad quality seed. In one instance, one group managed to secure a discount of 600 Sh per tin of hybrid seeds. Also firms began to bring the supplies directly to the farmers, saving the farmers travel time.



The commercial villages are now in direct contact with the wholesalers in Karatina, Nakuru and Nairobi. The groups have developed delivery schedules with preferred traders, based on agreed prices. Therefore the farmers do not compete with each other any more.

*Photo FCI*

Business partnerships between the commercial villages and the wholesalers are informal or semi-formal agreements, in the form of verbal contracts.

The verbal agreements include:

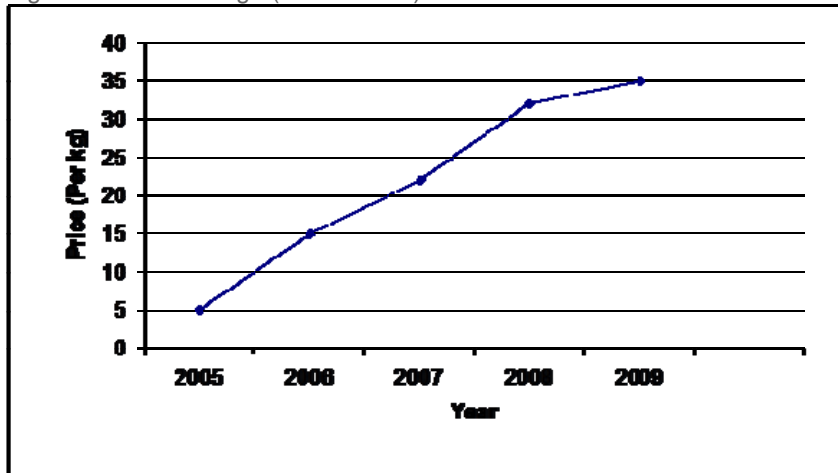
- volume of delivery: agreed weight of bags or nets and total quantity
- specification of grades

- price per bag or net, differentiated per grade
- schedule of delivery (dates)
- transport organised and paid by the farmer group
- payment upon delivery

Most of the brokers went back to farming onions and others became transporters or suppliers of bags and nets. The role of the brokers has been taken over by the marketing subcommittees of the commercial villages. The elected members in these subcommittees receive reimbursement of costs, for example if they visit a market to identify traders. But they do not get a regular fee as the brokers used to get.

The groups are keeping up-to-date with the latest market prices, using mobile phones to call the markets. Due to better information and economies of scale, the groups have been able to increase their bargaining power with the traders and obtain better prices, from an average of 5-10 KSh/kg to 35-40 KSh/kg.

Figure 1: Price Change (2005 - 2009)



Source: Farm Concern International, 2009

Despite the more expensive seeds, the combined effect of higher yields and higher prices has significantly improved the farmers' income. With increased incomes, farmers have seen their standard of living rise significantly. The project has had a ripple effect and resulted in rapid development for the region. Land and labour prices have increased and some people have even migrated back from towns to grow onions



*"I have now been able to acquire my own land and also educated my children" said Anne Njoki from the Kabati group.*  
 Photo by Gilbert Muhanji/MATF

**Lessons learned on marketing and value addition:**

**Lesson 1: Organize**

By negotiating as a group the farmers have been able to avoid competition among themselves and through better economies of scale managed to:

- get better deals for seed and inputs
- get better prices for their onions



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**Lesson 2: Be informed**

To be able to negotiate better, the farmers groups learned to do simple profitability analysis and were informed about the different markets, wholesalers and prices. They learned how to keep up with market developments. Mobile phones make this so much easier nowadays.

**Lesson 3: Be selective**

FCI introduced the groups to reliable buyers who have an interest in developing more long-term relationships with their suppliers. FCI also selected the markets that fitted with the volume of production. Even if the volume of onions produced in the region has increased a lot, the groups do not have problems selling all their onions.

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Case 2: Smallholder commercialization of bulb onion in Kieni

<http://www.familyconcern.net/index.php/commercial-villages/village-stories/bulb-onion-in-kieni.html>

Case 4: Producer bulb onion price up 600%

<http://www.familyconcern.net/index.php/commercial-villages/village-stories/bulb-onion-price-up-600.html>