

Farming dynamics

FUCOPRI: a Nigerien farmers' organisation that pioneered access to banking services

Rice production in Niger
at a glance

A little of the history of irrigated
crop development in Niger
(1970-2000)

The founding of FUCOPRI

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credit and marketing set up by
FUCOPRI.



Women sifting the milled rice.

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A previous issue of *Farming Dynamics* presented an ambitious system of integrated services set up by a farmers' organisation of Niger (FUGPN-Mooriben) for the benefit of its members. In this issue, we delve back into Niger's farmer association movement. The Federation of Unions of Rice Producers' Cooperatives (FUCOPRI), an organisation in the throes of becoming professional, has established an input supply mechanism that ties in bank credit and group marketing, in partnership with state services. This unique experience that has proven very beneficial to producers, which shows that family farms are able to reform is detailed in the second part of the article, after a presentation of the development of rice cultivation in Niger, over the last 70 years, and the establishment of FUCOPRI.

Rice production in Niger

In Niger, rice is grown mainly in the irrigation schemes (or AHA, the French acronym) of the Niger River valley in the western part of country (over 60% of national production). These facilities were built in the 70s, following the severe droughts of the beginning of the decade, and were designed for rice monoculture.

37 AHA were built in a total area of 8700 hectares along the river from the Malian border in the northwest to the border of Benin in the southwest. Rice is also grown (fluvial or flooded or low-lying crops or on plots with individual pumps) in eastern Niger in the valley of the Komadougou, and in the regions of Dosso and Maradi.

Rice production is estimated at about 130,000 tons of paddy¹, of which 70,000 tonnes are produced on the AHA and 60,000 tonnes are grown outside these facilities. Niger imports annually between 200 and 300 thousand tonnes of rice per year. Rice consumption in Niger is still very modest (14kg per person, per year) compared to other countries in West Africa, but it is growing rapidly (at more than 5% p.a.), especially in urban areas. Note that rice consumption is also increasing in rural areas where, in response to two recent food crises (2005 and 2010), this cereal was distributed free of charge.

A little of the history of the (irrigated) rice sector's organisation

From 1974 to 1978, the irrigation schemes were managed by the Nigerien Union of Credit and Cooperation (UNCC)², which very quickly encountered difficulties fulfilling its mission. In 1978, and in a post-severe food crisis (1973) situation, the political authorities created a development company (based on a French legal and organisational model), the National Office of Hydro-Agricultural Development (ONAHA), whose mission was to carry out development of irrigation schemes on behalf of the state and also to assure their management and maintenance,

1: Paddy is harvested but not yet husked rice.

2: Founded in 1962, the UNCC's mission was to manage farmers, with a view to them finally managing themselves. It was dissolved and replaced in 1984 by the UNC (National Union of Cooperatives), the pyramidal organisation modelled on the administrative division of the country.

as well as supervising the farmers (in conjunction with the UNCC, that later became the UNC).

Between 1982 and 1984, with results lacking and state support for farmers proving unsustainable (across the whole of West Africa), and pressure from donors (Bretton Woods institutions) the state of Niger largely withdrew its support in rural areas. The management of irrigation schemes was entrusted to the cooperatives (to which the farmers of each irrigated area belonged). If ONAHA continued to provide technical support to cooperatives and to maintain facilities, operators now assumed the management of the areas (water, ploughing and nurseries, maintenance of tertiary and quaternary canals, supply and distribution of inputs, marketing the harvest, recovery of fees ...) and support all operating expenses.

Meanwhile, in keeping with the structural adjustment policies imposed by international institutions, the government of Niger puts a brake on its proactive policy of supporting the development of irrigated crops: abolishing the paddy marketing monopoly of the company Riz du Niger SAEM (RINI)³, liberalising trade in inputs; liquidating Caisse Nationale de Crédit Agricole (CNCA), and a significant drop in ONAHA's resources.

These measures did not fail to have serious repercussions on the ability of cooperatives to function - decreased technical support and follow up ONAHA, loss of funds for cooperatives, as a result of paddy price liberalisation and the closing of state banks (CNCA and Banque de Développement de la République du Niger - BDRN). In this unfavourable environment, unorthodox financial management and governance practices have gradually developed within the cooperatives, usually, with far reaching political manipulation by local dignitaries and political parties a factor.

From the mid-80s to the early 2000s, due to a lack of suitable follow up measures to accompany the passage from an integrated system administered by the state to one that was so-called «self-managed», operating conditions at cooperatives and in paddy production have severely deteriorated:

- ☛ Continued deterioration of production resources due to lack of provisions for the maintenance of pumping stations;
- ☛ Gradual disappearance of funds for the purchase of fertilisers;
- ☛ Non-recovery of charges and seasonal credits;
- ☛ Unsound management of resources (financial and water);
- ☛ Weak governance.

3: The RINI company was founded in 1967 and its original mission was to buy paddy rice, process it industrially and market the finished products.

Meanwhile, growth in domestic demand for rice has continued and imports have increased steadily (16% annually between 1995 and 2005)⁴.

The founding of FUCOPRI

The law of November 1996 regulating the system of rural cooperatives (which enshrines freedom of adhesion and the formation of social capital) leads to an outbreak in Niger, in the second half of the 90s and 2000s, of multiple groups and cooperatives that contrast with the pyramidal and centralised organisation of the UNC.

Thus, between December 1997 and November 1998, the 37 cooperatives that FUCOPRI is composed of are recognised under the new law.

The Federation of Unions of Rice Producers' Cooperatives was established in February 2001 and recognised in July 2003. It includes nine unions made up of 37 cooperatives totalling some 21, 000 farm managers working in irrigated areas.⁵ All of these cooperatives are located in the Niger River valley, in the administrative regions of Tillabery, Dosso and Niamey Urban Community.

FUCOPRI's overall objective is to develop the rice sector in Niger. This development requires support for rice producers who are members of the Federation, including the improvement of their input supply, production and marketing. These advances go hand in hand with strengthening their organisational capacity. Given the constraints outlined above, it is easy to understand the development issues, at all levels, which arose in FUCOPRI when it was created.

From 2001 to mid 2005, FUCOPRI builds capacity and assumes the coordination of services provided to the cooperatives through the work and commitment of its elected officials. The first employee, a secretary-cashier, was hired in 2004. The first manager (the director) was hired in 2005. These staff members are paid at the start out of the Federation's own resources. Since 2003, FUCOPRI has been able to raise funds from group marketing operations of paddy.

4: Source: Customs, Niger, 2006.

5: FUCOPRI aims to integrate rice farmers who are outside the irrigated areas soon.

2003 is the year the RINI company declares «bankruptcy» and ceases activity due to a lack of funds. This failure causes major commercial problems for farmers since the RINI company previously ensured the purchase of paddy, its processing and the marketing of the white rice.

... An organisation which bit by bit builds its credibility as a farmers' organisation

In this difficult situation, the leaders of FUCOPRI negotiate directly with the President of the Republic of Niger (Tandja) over measures («Rescuing the rice sector») to enable the purchase, at a guaranteed price (that is negotiated each growing season) of paddy by the government through a FUCOPRI-OPVN⁶ -Rini set up. While OPVN was responsible for financing the marketing of the rice (thanks to an annual government allocation), RINI is responsible for processing only.

Thus, since 2003, each agricultural season (two per year), FUCOPRI can sell about one-fifth of its production to the state, at a guaranteed price, via a mechanism that allows the federation to take a commission (1F/kilogramme sold) and thus raise their own resources (details of the transaction are given below). The successful negotiation with the government allows FUCOPRI to enter a positive cycle and thus enhance its professionalism, its legitimacy in the eyes of farmers and its credibility with Nigerien institutions and international partners.

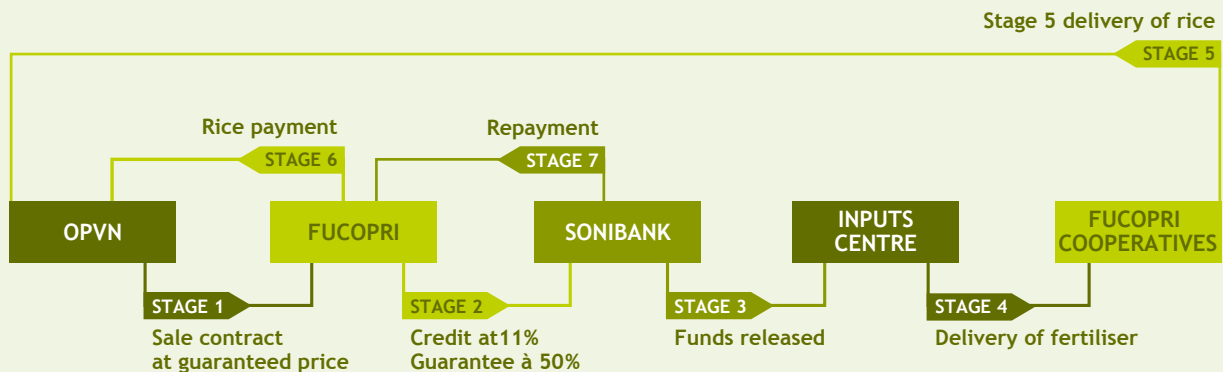
Gains made by FUCOPRI since its inception include:

- ☛ Obtaining a 30% downward revision of the cost of electricity on the irrigation schemes;
- ☛ Obtaining a downward revision in the price of a bag of fertilizer for farmers from the state entity responsible for marketing the inputs (Central input supply and farm equipment)
- ☛ Taking into account national rice production in the plan for the national food security stock through the purchase of paddy by OPVN;
- ☛ Obtaining funding from partners to fund development of the federation;
- ☛ Receiving multiple invitations, national and international, to discussions on issues related to the rice sector.

6: Office des Produits Viviers du Niger (<http://www.opvn.net>), OPVN, is tasked with maintaining grain stocks in case of a food crisis and to maintain storage capacity, treatment plant and the annual renewal of part of the national security stock.



Marketing and fertiliser group purchase scheme



However, difficulties related to ageing production resources and their lack of maintenance, increasingly difficult access to inputs and poor financial management of cooperatives have had a very negative impact on production (lower returns) and the living standards of farmers, who ultimately had very little control over their organisations.

From a development project in the rice sector to sustainable institutional behaviour

To remedy this situation, in 2003, the government of Niger negotiated support from the European Union to revive the rice sector. The project, entitled «Programme to support the rice sector» (PAFRIZ), had two components: «Investment» (rehabilitation of production areas) and «Support to farmers' organisations.» For this last component, the programme put in place a support and advice system for cooperatives based on existing experience in Mali called «Service Provision Centres» (CPS). This entity offers cooperative members of FUCOPRI support on issues of water management in the irrigated areas, and, financial management and accounting, in exchange for a commitment from the cooperatives to adopt a system of transparent management and to contribute financially to the cost of services rendered.

FUCOPRI still in its «infancy» at the time, was not part of this programme and relations between it and the PAFRIZ managers were fairly strained. However, 11 FUCO-

PRI cooperatives affiliated to the CPS and engaged in a process of restructuring their management. Following a disagreement between the Niger authorities and the EU about the support strategy for the rice sector, the PAFRIZ ended prematurely in late 2006. Despite its reduced financial wherewithal, the CPS continues its support to its members and starts a rapprochement with the leaders of FUCOPRI from 2008.

Indeed, FUCOPRI having understood the challenge of developing good management practices and governance within the federation and noted the progress made in the «CPS cooperatives», initiates a partnership with the CPS to offer financial management support and monitoring to those of its cooperatives that wish to affiliate. Four join in 2008, three more in 2009, and 14 in total are affiliated by 2011 (in addition to the existing members of the CPS). The results are immediate: 100% fees recovery rate; use of regulatory management tools; clearance of debts; accounts are approved by general meeting; provision

of deposit accounts to enable cooperatives to manage large infrastructure repair costs and so on. End 2010, a major step was taken to make these improved practices formal - a manual was created of accounting and financial procedures shared by all the cooperatives.

This process is completed, symbolically, by the election in 2009 of a new president of the Federation, a member of a so-called «CPS» cooperative, that is to say, one engaged in the management remediation process since the PAFRIZ project was launched (2004) and could claim





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FUCOPRI rice farmers thresh the rice by hand.

pretty near exemplary finances and management. This election also strengthens the functional links between FUCOPRI and CPS.

The institutional background being favourable, FUCOPRI was now in a position to take bold steps on behalf of farmers, in particular to find a solution to the recurring problem of timely access to quality inputs. This is the subject of the second part of Farming Dynamics.

The system of access to group credit and marketing set up by FUCOPRI

Since 2003 and the successful negotiation with the Niger government, FUCOPRI benefits thereafter from the guaranteed purchase each season of part of its paddy production, at a negotiated price that takes into account both operating costs and world rice prices.

So around 20% of the paddy produced by FUCOPRI (between 6,000 and 7,000 tonnes) is brought to market collectively each season. Since 2003, FUCOPRI has honed its group marketing approach to achieve best results - missions to 9 unions to assess commercial quantities; a workshop to consolidate data; negotiating the purchase price and payment terms with OPVN, contract prepara-

tion with OPVN; second workshop with all the unions to present the results of the negotiations and ratify the agreed price.

This approach allows producers to pay their fees (consumption, water, electricity ...) in kind, in the form of paddy, which is delivered to the OPVN. When OPVN pays for the produce, FUCOPRI takes a commission (1 franc/kg sold) before paying the cooperatives.

In 2008, FUCOPRI integrated an «inputs financing» component in the group marketing process for those of its cooperatives that met a number of good management criteria. This access to inputs is made possible through a bank loan negotiated with a local commercial bank (Sonibank).

Once the contract is signed with OPVN, and therefore the amount of the order set, FUCOPRI signs a credit agreement with the bank (of three to four months duration at an annual rate of 11%) and deposits a bond, composed of an external loan (0% interest) from the Japanese government⁷, supplemented by funds from the cooperatives. The bank then pays CAIMA (the Supply Centre for Input and Farm Equipment) that delivers the fertiliser to the cooperatives (between 3,000 and 4,000 tonnes per year). At harvest, about 4 months later, cooperatives repay the loan (and fees) in kind, in the form of pad-

⁷: The JICA loan was originally intended to finance a marketing fund to enable cooperatives while preparing for the season to fund farmers' work in the fields without going into debt with traders. But these funds were also used as collateral with the bank for input credits.



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The RINI plant makes rice milling easier.

dy. The paddy is then delivered to the OPVN, which pays FUCOPRI, at which point the latter may pay the bank.

In 2010 (2 seasons), 80.3% of the fertilizer needs of cooperatives (or 3894 tonnes) were covered by this credit mechanism. End 2010, deposits amassed by cooperatives amounted to 200 million CFA francs (305,000 euros).

This course has many benefits for FUCOPRI and its rice producers:

- ▼ The starting point is, without question, the guaranteed purchase by the Niger state (via OPVN), of a fixed quantity of paddy at a negotiated price each season, which takes into account both production costs and market prices. And the price of a sack of paddy (75 kg) purchased by OPVN increased from 9,500 FCFA (€14.5) in 2007 to 14,000 FCFA (€21.3) in 2009, before declining to 13,500 FCFA (€20.6) in 2010.
- ▼ Group marketing allows cooperatives to secure the recovery of the fee from the producers since they, in their great majority, pay in kind (cash recovery is always much more difficult...). These are the same bags of paddy which are delivered to OPVN.
- ▼ After a six seasons where the dual mechanism - group marketing / purchase of inputs - was tested, a relationship of trust built up between the different parties: for example, CAIMA is prepared to deliver fertilizer to the cooperatives before negotiations between the bank and FUCOPRI have been concluded. As for the bank, its risk is obviously minimised by the purchase agreement between FUCOPRI and OPVN.
- ▼ FUCOPRI gradually introduced conditionality to the agreement providing cooperatives access to inputs credit - the must open and build up a long-term savings account and engage in a management reorganisation process with the support of CPS.
- ▼ The grouped supply of inputs allows FUCOPRI to better raise own capital. FUCOPRI charges a margin of 1,000 FCFA / bag (1.5€), which per season, is worth around 20 million CFA francs (€30,489). FUCOPRI pays the bank interest from this margin.
- ▼ The financial benefit of this bulk supply to farmers, is very significant: while FUCOPRI takes a 1000 FCFA (€1.5) cut per bag, traders may take as much as 5000 FCFA (€7.5). If one considers that a cooperative uses up to 250 tonnes of fertiliser per season (1 t = 20 bags), the benefit is clear - a saving of 20 million CFA francs (38,112 euros).

A virtuous circle is in evidence at FUCOPRI of formal and transparent practices: improved financial management of cooperatives; systematic contracting for group marketing of paddy and access to inputs; conditionality

of services provided by the Federation tied to commitments from the cooperatives and so on.

The fact remains that the constraints should be lifted so that this mechanism can sustain itself and benefit all rice producers:

- ☛ Cooperatives have a long way to go to improve their management and provide audited financial statements (none of the 37 unions currently provides these). In some cooperatives, there is strong resistance to the introduction of orthodox and transparent accounting and financial practices. The political and financial stakes are high for some local leaders and dignitaries.
- ☛ The financial reserves of cooperatives (savings accounts) are still insufficient to provide a guarantee against bank loans. JICA funds, initially dedicated to marketing, are drawn on as a bank guarantee for several months in the year. These marketing funds are insufficient in that they do not allow cooperatives to finance agricultural producers early in the season, so the latter go into debt with traders on terms which are very disadvantageous to them.
- ☛ OPVN often pays FUCOPRI late, which affects the repayment of the bank loan, and consequently FUCOPRI pays penalties.
- ☛ Lack of sufficient competition between the banking players means the terms of the loan from the bank, although negotiated by FUCOPRI, are considered quite expensive in terms of the security of the transaction (purchase agreement guaranteed by the State of Niger) -11% annualised interest plus a guarantee fund of 50% of the loan.
- ☛ The support of the government of Niger to the rice sector (through the purchase of paddy for the country's food security stock) has its origins in a personal commitment by President Mamadou Tandja (in power from late 1999 up to early 2010). Any abrupt withdrawal by the Niger authorities from the rice sector could help to undermine the system of bank credit created by FUCOPRI to finance inputs. For this reason, FUCOPRI lobbies to institutionalize the marketing mechanism linking local rice producers and the government, that is to say, to have put into law that the state acquire as much of its national rice stocks supply from Nigerian farmers as possible.



Conclusion

FUCOPRI initiatives, both political and economic, on behalf of its members reflect the progress made by rice producers and their ability to adapt, while conditions for agriculture activity have deteriorated significantly in Niger in recent decades and both technical and organisational support to farmers from the government is dramatically insufficient.

In a country where less than a third of farmers are organised, FUCOPRI serves as a model, along with some other farmers' organisations in the country, for its ability to provide economic services that are adapted to its members. Farmers in irrigation schemes enjoy two distinct advantages: on the one hand, a «modern» production system and on the other hand, special attention from the political authorities for the irrigated rice sector, where infrastruc-

ture and equipment represent the remains of a proactive public policy. This attention is reflected in practice through the guaranteed purchase of a portion of rice production each season, which undoubtedly facilitates access to bank credit for FUCOPRI, as we have seen.

In any case, in the medium term, given the new order in land tenure and modes of production in West Africa (see agribusiness development), the ability of FUCOPRI cooperatives to improve productivity in the developed areas, and ensure efficient and transparent management of resources, will be crucial in convincing critics of family farming that small farmers can indeed contribute to their country's food security. FUCOPRI's expansion to non-irrigated rice producers also represents a huge challenge.

Documents used for this edition:

- ☛ *Stratégie Nationale de Développement de la Filière Riz, Ministère du Développement Agricole, Niger, November 2009.*
- ☛ *Mouvement coopératif et organisation du monde rural au Niger: bilan, perspectives et propositions pour l'avenir, Abdou Bonti-anti, Les Cahiers d'Outre-Mer, No. 223 (January-March 2003).*

This issue of Farming Dynamics was written by Nedjma BENNEGOUCH, Partnerships Manager for SOS Faim (Benin, Niger), with contributions from Ayouba Hassan, Director of FUCOPRI.

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For several years, SOS Faim supports different farmers' organisations in Africa and Latin America. SOS Faim publishes *Farming Dynamics* which deals with the challenges faced by agricultural producers' and farmers' organisations in their development.

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SOS Faim – Agir avec le Sud

Rue aux Laines, 4
B-1000 Brussels - Belgium
Phone: 32-(0)2 511 22 38 **Fax** 32-(0)2 514 47 77
E-mail info.be@sosfaim.org

SOS Faim – Action pour le développement

88, rue Victor Hugo
L-4141 Esch-sur-Alzette - Luxembourg
Phone: 352-49 09 96 **Fax** 352-49 09 96 28
E-mail info-luxembourg@sosfaim.org

Editor: Freddy Destrait, rue aux Laines 4, B-1000 Brussels (Belgium).
Coordinator: Marine Lefebvre
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