

# AGRA

knowledge series

## An Improved Enabling Environment opened new opportunity for farmers Organizations in Amhara

By **Techno Serve**,  
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In the 10 years that Girum Tessema has worked for Merkeb Union, he has seen it grow in impressive style.

The Merkeb FCU is multipurpose union that was established in June 2001 with 19 primary cooperatives (PCs) and with Birr 1.14 million capital. Currently the number of PC shareholders have increased to 135 in 12 woredas with a capital of 137 million birr, and the number of farmers who are members of the union has reached 225,105 with 18% female membership.

Merkeb aggregates teff, maize, haricot bean, rice and other commodities from its members. It has one wheat flour factory, one animal feed processing plant, more than 5 warehouses in different towns with a capacity of 30,000 tons. It provides mechanization services, including tractors and threshers, to its members.

Merkeb also distributes agricultural inputs such as seeds, fertilizer, pesticides as well as consumer goods to its members through PCs. The union has a strong financial base as it is also a shareholder of Abay Bank and Amhara RuSACCO federation. The FCU also actively participates in other community development activities such as construction of schools and clinics. Merkeb has 93 permanent employees.

In the last ten years he has worked with Merkeb Union, Girum says, the unions were not able to advance its marketing work and increase its market share as much as they desired due to the prohibitive nature of the regional cooperative



**Mr. Girum Tessema**

procurement guideline. This specific guideline was a regulatory guideline that was mandatory for all unions to follow. Non-adherence to the guideline results in legal consequences to the staff of the union and the union itself.

More specifically, Girum says, the old cooperative procurement guideline, which was used for more than 10 years, affected the union's marketing performance in two ways:

1. It dictated unions to undertake transaction only through open bids. This prohibited the union from working with private buyers, such as private processors, small and micro enterprises, institutional buyers, etc. through direct contract negotiations. Such direct market linkage was only possible with similar cooperative enterprises.

2. It also prohibited the union from directly procuring farm machineries, processing equipment, vehicle purchase and rental service and consumer goods by themselves without government interference.



**Mr. Ato Alemzewud Simeneh, Director of Marketing Directorate of Amhara Region Cooperative Promotion Agency (CPA),**

Ato Alemzewud Simeneh, Director of Marketing Directorate of Amhara Region Cooperative Promotion Agency (CPA), agrees with Mr Girum. He said that “the old procurement guideline worked for more than 10 years and it no longer fits the stage of growth of the existing farmer organizations and the transactions they currently manage. Thirty-four current farmer organizations are not only aggregators, but also factory owners, processors, exporters, mechanization machinery renters and so on.”

He added: “Even though the agency knows the challenge exists and affects transactions of farmer organizations, because of financial problems and technical capabilities, we were not able to modify the procurement guideline for a long time. When unions want to directly sell through contract agreement or procure directly by themselves, we were giving short-term solutions, which was usually writing waiver letters. This did not bring long-term solutions.”

“When AGRA funded IMPACT-Amhara project, through TechnoServe, conducted industry demand assessment and identified the farmer organizations’ key market related bottlenecks, the same challenge was identified as the most important priority for the organizations to actively engage in structured marketing especially with private processing industries, industry parks, institutional buyers and SMEs,” he said.

According to Mr Alemzewud, the challenge was discussed at office level and consultation work-

shops were organized with relevant stakeholders to reach a common understanding on the need for the revision and also to determine how to go about it. At the end of the workshop, a team of four experts was formed to work on the amendment necessary on the old cooperative procurement guideline by using the inputs obtained from the workshop.

The team prepared an amended cooperative procurement guideline. The draft was reviewed by cooperative and marketing experts and a management team of CPA. The draft was also presented and validated in a workshop co-organized by IMPACT and CPA. The regional cooperative agency management team approved the validated procurement guideline as a working document starting from December 30, 2019.

“IMPACT- Amhara /TechnoServe/ identified our pain point and healed it,” Said Alemzewud and Girum in one statement

Girum Tessema speaks with relief remembering the past: “Now, we are at the turning point of growth and change since the big limiting factor is solved. We sell our products to all buyers through negotiation and signing contracts. Our volume of transaction and sales started increasing. So far, for 2019/20 marketing season, we took five agreements with a volume of 1,100MT teff and 10,100MT maize from private processors. As a marketing person who worked here for long, I have not witnessed such a great change in a short period.”