Banana Sector Study for Somalia

Marketing Study in the Lower Shabelle Region

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1 Introduction

The success and sustainability of any agricultural production depends on economic and financial gains by farmers participating in the activity and can be measured by proceeds accruing after marketing the produce. These gains serve as incentives to farmers as they are able to meet their basic social and economic needs of their households including the ability to finance the next crop. There is therefore a need to link crop production with marketing preferably by working backwards from the consumer and market demands to help determine what to plant, when to plant and quantities to produce.

The purpose of this market study was therefore to survey and evaluate the existing marketing channels with a view to recommending suitable marketing processes and other related options that may help enhance agricultural production and profitability in the former Banana growing zones particularly lower Shabelle region. It involved visits and discussions with producers and traders in order to determine the flow of different products from production to end markets, costs involved in produce preparation, loading, transportation and delivery to the markets for sale. Attempts have been made to assess produce quality at both ends: produce supply and demand, prices and other related factors which influence the marketing process. Since there is no regulatory framework in Somalia, roles of established institutions with emphasis being placed on farmers groups and associations on their involvement in marketing support activities in the region were assessed.

2 The Products and Markets

Visits to farms and markets within the lower Shabelle Region identified a wide range of crops being grown or are available at the markets. The dominating crops are shown in Table 1.

Table 1. List of crops grown and marketed in Lower Shabelle Region

Cereals/Legumes/Oil Crops	Vegetables	Fruits/Nuts
Maize	Tomato	Water melon
Sesame	Onion	Mango
Peanut	Pumpkin	Lime
Cowpea	Carrots	Grape fruit
Sorghum	Spinach	Coconut
Rice	Dudhi	Banana
	Cucumber	Guava
	Lettuce	Papaya
	Capsicums	Annona spp
	Brassica spp	
	Turnips	

Maize and Sesame, being staple food crops are grown by almost all farmers and form key marketed commodities in the region. Between 25% to 100% of harvested maize is retained by farmer for own consumption and the balance sold to help finance essential home needs depending on the quantity harvested and the family size. As for sesame, about 20% is retained for home use and 80% sold. All fruits and vegetables are predominantly passed through the marketing chain although some small quantities are utilized at home.

The markets: The major market outlet is Mogadishu, the capital city of Somalia which in 1998 was estimated to have a population of about 1.0 million habitants. Present population is known but it however is still the urban centre which consumes most commodities, locally sources or imported. It also seems as an exchange centre for most produce from the North and South of Somalia and imports due to its location and availability of a sea port.

Other markets which can be served through Mogadishu include Bosaso, Hargeysa, Galkacyo, Belet-Weyne and Jowhar, all to the North.

The towns which can be served direct from the lower Shabelle region include Kismayo, Baar Dheere, Baydhaba and Baakol which are regional capitals. The populations of the different regional capitals are difficult to estimate but are assumed to be inhabited by substantial number of consumers, being large urban centres.

3 The Marketing Process

An attempt has been made to present the way produce flows through different channels from production to the markets considering the different functions that are carried out in getting the product to the primary market. The primary market is a wholesale outlet where produce can be retailed or sold wholesale for distribution to other secondary markets.

3.1 Marketing Channels

The main functions in the marketing chain involve production, packaging, collection, purchasing, transportation and delivery to the retail or wholesale market. Six channels can be distinguished as presented in Figure 1 below. The common factor is that all deliveries to the wholesale markets are through brokers.

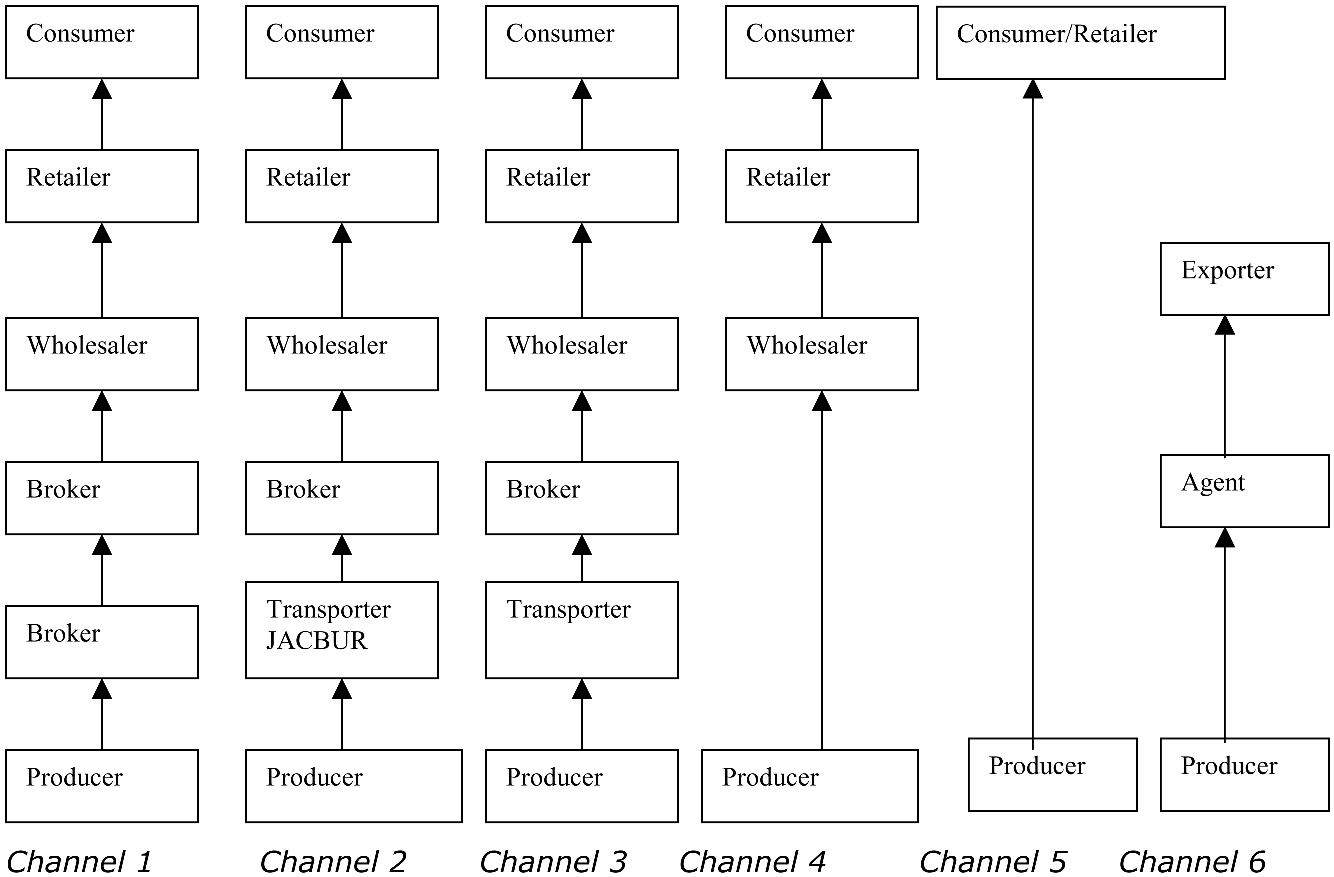

Figure 1. Basic produce flow through the marketing chain

Channel 1

This is where the producer delivers produce to a broker in the nearest market. The broker normally deals with very small farmers, collects enough volumes and transports to the wholesale market through another broker. The farmer is paid very low prices in cash.

The farmer hands over produce to broker at the local market. The broker (1) then transports produce to a wholesale market where it is sold to wholesaler through broker (2).

Small holders utilize this channel and about 10% of vegetable/fruits and 40% of cereals are marketed through this channel.

Channel 2

In this channel, producers hand over produce to an organized transporter (JACBUR) and produce is charged per load transported. The transporter takes charge of produce pays levies at checkpoints, sells produce through a broker and recovers transport and other incidental costs from each farmer also had given produce. Farmers with small to medium quantities of produce use this system.

Farmer hands over produce to transporter. About 30% of produce pass through this channel. Farmer is paid by transporter after sales.

JACBUR: A business person who transports produce to the market at a fee. Farmers within a production area hand over their produce for transportation and sale at a market and the transporter (Jacbur) recovers his costs after selling. The transporter then brings back proceeds to the farmer less transport and other incidental costs. There is little transparency and accountability but a lot depends on trust.

Channel 3

This channel involves a producer or group of producers hiring a lorry to deliver produce to the market. The transporter is paid an agreed amount and takes care of all incidental expenses. The producer or an agent accompanies produce.

The channel can also cover producers with own lorries. But in most cases producers with own lorries prefer hiring due to risks on the road especially encounters with war lords and wear and tear of the vehicle.

40% of farmers use this channel for all marketed produce. Farmer is paid directly at the market.

Channel 4

On some occasions, traders contact producers directly, buy produce from them and organize transport to markets. This is more common in markets near production areas e.g. Merka, Kismayo etc

About 5% of sold produce use this channel.

Channel 5

Some producers have been able to sell direct to retailers and consumers thus by passing brokers and wholesalers. The consumers are mostly hotels and institutions.

There are minimal transactions through this channel.

Channel 6

Export banana and sesame have been transacted through this channel where agents based in Somalia buy for delivery to various destinations.

N/B: It is worth noting that most producers cannot bypass brokers for fear of retaliation/revenge. Farmers also never negotiate prices—this is left to the broker/auctioneer.

Almost every Somali citizen is armed and retaliation refers to probability of fights from the aggrieved party who is being left out of the trade.

The most efficient and less costly channel is where there are few players between farmer and market outlet i.e. channels 4 – 6. Channels 1 – 3 tend to exploit farmers as there are many players who consume part of the proceeds.

3.2 Direct Marketing Costs

The major cost items in the marketing process are market preparation (sorting, grading, loading) transportation, levies at checkpoints and market and off loading. The costs are not uniform for all products but vary depending on value/volumes of transactions and who is involved. Table 2 shows estimated produce handling costs at the farm and market.

Table 2: Produce handling costs in Somali shillings at farm and market. (1 USD = 17,000 SS)

Produce	Grading/Loading Offloading per lorry	Transport	Checkpoint	Broker
Maize (80kg)	100,000	20,000	700,000 – 1m	4,000 (per lorry)
Sesame (50kg)	100,000	25,000	700,000 – 1m	
Tomato (120kg)	150,000	25,000	700,000 – 1m	4,000 – 50,000 (per 120kg)
Water-melon (10MT)	150,000	3,500,000	700,000 – 1m	100,000
Banana (10MT)	150,000	3,000,000	700,000 – 1m	100,000

- **Transport costs**
  Lorry is hired or produce loaded and charged per container

- **Check point charges**
  There are normally 5 security checkpoints to Mogadishu one managed by Transitional National Government (TNG) and the others by war loads. TNG charges SS20,000 per lorry while the rest is taken by the war loads who don't have fixed charges. One can also come across illegal checkpoints where up to SS1,000,000 can be demanded. Costs paid by transporter.

- **Loading/Off loading costs**
  These include sorting, putting into containers and loading at the farm and off loading at market when lorry is hired. Costs paid by farmer.

- **Brokers fees**
  Brokers are involved in produce auctioning at the wholesale market and normally charge per bag or packaging. However, tomatoes are charged by value which can reach SS50,000 per 120kg container when prices are high. Costs recovered from produce sales.

- **Market charges**
  Charges are only available for Merka which was visited during the study. There were observed numerous variation depending on ownership of stalls or shops where traders operate.

  - **Banana wholesaler**

TNG Levy	- SS20,000 per lorry load
Rent per month	- SS200,000
Night guard weekly	- SS5,000

  - **Vegetable Fruit Retailers**

TNG Levy	- SS2,000 to 3,000 per bag
Daily Rent	- SS2,000 (no charges if owner occupier)
Store Rent	- SS120,000}Where no space for store
Porter per Day	- SS2,000 }
Night guards weekly	- SS5,000
Daily Security	- SS1,000

  - **Cereal Stores**

TNG Levy	- SS2,000 - 3,000 per bag
Rent per month	- SS200,000
Night guards weekly	- SS5,000

- **Market Facilities and Services**

There are no other services provided except for security by TNG and those paid for directly by traders. There is no water, electricity and traders take care of sanitation. Some traders display produce on mats on the ground while most have tables (wooden or galvanized sheets)

3.3 Produce Prices

Farm gate prices can be estimated by deducting direct marketing costs (which tend to be consistent) from market prices as shown in Tables 2 and 3.

- **Local market**

Distinctive seasonal price variations are common and a trend of marked peaks and dips are evident in all production from the area. Some seasonal variations can be predicted, for example, supply is normally affected for most vegetables and bananas during the cool, dry and windy periods of May to July while it's also expected to have reduced levels of water during dry periods leading to shortages and high prices, seasonal, cropping patterns also have a direct bearing on supply as most farmers plant and harvest at the same time. Such productions depress prices due to over supply.

Average prices for some produce at wholesale market in Mogadishu and demand trends are shown in table 3 below:

Table 3: Wholesale prices at Mogadishu in Somali shillings. 1 USD = 17,000 SS

Produce	Prices at High Demand Period	Prices at Low demand Periods
Maize (80kg)	180,000 March – July	50,000 August - October
Sosame (1.0kg)	15,000 March – May	5,500 June – Sept
Tomato (120kg)	300,000 May – July	25,000 Aug – Oct
Water melon (50kg)	120,000 Jan – April	20,000 June – Sept
Banana (100kg)	120,000 May – July	60,000

- **Export market**

Only banana and sesame have been exported in the recent past. Agents of a Libyan based company have signed a 6 year contract with Shabelle Fruit Association (SHEFA) to purchase up to 150,000 cartons of 12.5kg per month at a price of USD 1.5 per carton for the first 2 years and increasing to USD1.85 during the last 2 years of the contract. The exports are to start from September 2003. Destination will be Libya or Middle East.

For sesame, the last export season was in 1998 and produce was purchased at US$4.0 per kg through an agent for export to the Middle East.

3.4 Market Information

There is no formal market information system in place and it is difficult to determine supply, demand and prices at various production areas and markets. The farmers and traders have however their information gathering network including:-

- Fellow farmers who have been to the market
- Communication by phone between traders and farmers

Farmers make decisions based on such information sources

3.5 Packaging and Produce Quality

There are no standards packaging for most products except cereals. The packaging specifications for some products are as follows:-

- Bags: - Maize(80kg), sesame (50kg), Pumpkin (50kg)
- Drums (steel) cut into half - tomato (120kg)
- Cartons – banana (12.5kg) for specific markets and export

Bananas and water melons are not packed but loaded direct onto trucks. Other products are packed into any available material including bags, baskets, crates etc.

The quality of cereals is good except for maize which has been stored underground. Such maize lose 25% to 50% of value when marketed.

Fruits and vegetables are characterized by poor quality at the farm and market ends. Harvesting techniques are poor and produce is rarely sorted or graded before packing and transportation. The handling and transportation also accelerate deterioration as they are kept in the open under direct sun heat, heaped and transported on open trucks. The resulting damage and bruising can lease to losses of up to 50% at the market level. These have a bearing on the price at the wholesale market and the retail and consumer end.

Some banana producers have collection sheds with manual equipment and pits for processing bananas.

4 Institutional Framework

With no functional government in Somalia, most farmers' operations are independent but are curtailed by lack of regulations. A part irrigation canal management groups under a manager (YERSAN) there are few functional institutions which support agricultural activities are in existence. In addition to international NGO's the following have agriculture related activities.

Somali Small Scale Growers Association (SOMALITACAB)
Formed 2 years ago and based at Shalanhood village, their objectives are

- Assist improve crop production, sharing knowledge and arbitrate over members disputes
- Mobilize farmers to maintain irrigation canals
- Serve as a lobby group and link members with collaborators including donors

It has a membership of 3,500 farmers who are active and own up to 20ha of land. They have no funds and rely on donations to run an office and implement its functions. They have no market support roles.

SHABELLE FRUIT ASSOCIATION (SHEFA)
This association has been operating since 1998 with a membership of 100 owning an average of 30ha each, all fruit growers. The associations' objectives include:

- Uniting fruit growers
- Undertaking marketing (export) activities
- Training of members to improve productivity

It has managed to sign a contract with Shabelle Agro products Ltd to supply bananas for export of between 100,000 to 150,000 cartons of 12.5kg per month after 6 months. Deliveries start in September, 2003.

HIRTA SHEIKH HASHI COMMUNITY
This is a religious community based at Buloo - Mareer composed of 500 farm families. They undertake joint production and marketing of their produce and have heavy equipment normally used for canal clearing. At times, they receive external support.

5 Constraints

The following summarises the major constraints related to marketing:

- Unplanned production in relation to produce demand in the local market
- Lack of market information (demand, supply, prices)
- Uncoordinated marketing approaches
- High transport costs, levies and poor roads
- Poor produce quality/post harvest handling procedures
- Hostile export environment
- Inability to diversify into new products and also explore alternative market outlets and channels
- Insufficient availability of improved crop production technologies
- Lack of market facilities and services
- Competition from imports
- Inability to commercialize farm operation

6 Recommendations

The following are highlights of areas for possible interventions:

- Enhancing local market linkages and improving efficiency

    - Channel produce through a system that reduces the number of players. This will bring marketing costs down and improve farmers' earnings and at the same time lower consumer prices thus making products more affordable.

    - Set up a market information system through NGOs and farmers institutions linking major outlet markets and the production areas. Information on prices, produce demand and supply, market accessibility etc can then be relayed between the two important ends.

      Market Information System: Somalia has a good network of telecommunication through landlines, mobile phones and radio phones. Radiophones are relatively cheap to use and can be used in this case to link major markets and production areas. NGO's operating in Somalia have offices in both production areas and major towns and can therefore provide the rudimentary linkage by visiting the wholesale markets, determining prices, supply, demand of produce and access to markets by road and informing regional offices.

- Improving produce quality and production capacity

    - Facilitate access to improved planting materials/seeds, farm inputs, improved water use and irrigation to enhance production techniques. This will assist improve production capacity and reduce production costs.

    - Create awareness on produce quality requirements in relation to produce standards, harvesting and post harvest procedures including packaging, transportation and storage. Export market entry will be easier at an appropriate stage when high quality produce is available.

  Consumers are aware of product quality and can pay higher prices especially those with better incomes.

  Higher consumer prices will definitely trickle back to the farmer in terms of better income. This can encourage improvements on handling and hence quality.

  Poor quality is enhanced by poor post-harvest handling procedures including being left in the sun for hours after harvesting, packaging mode of transportation and storage (for cereals). The harvested produce is fair to good quality at the farm.

- Supporting development of farmers' institutions

    - Establish reliable out grower groups which can organize production and marketing for themselves. This will lead to reliability and consistency in produce delivery and produce quality.

    - Support will be required in training on group management, farm management, record keeping and market dynamics.

    - The farmer-based institutions can be linked to other established NGOs and any other rudimentary agencies like TNG

- Adding value through small scale agro processing

    - Fruits and vegetables can be preserved through drying, making jams, marmalade, pastes or juices to extend shelf life and make them available over longer period of time. This can be substitutes to imports.

- Examples of small Scale processing products include:

    1. Solar drying and processing of fruits and vegetables.
    2. Juice making is already popular for grapefruit, lime and mango although there is room to make it more efficient, hygienic and to extend shelf life of products.
    3. Jams, jellies and marmalade can be made from citrus and mangoes.
    4. Solar drying of fruits and vegetables.
    5. Tomato paste/sauce
    6. Pickles and chutneys with acid, salt and sugar
    7. Canned/bottled products.

    Individuals or groups can operate these operations which need very simple equipments which can be fabricated locally.

General Comments

The greatest positive short term impact can be through diversification and improving productivity and quality.

Regional and external markets can be targets with the right quality products if available in enough volumes and reliability in supply is assured.

I however, noted that most Somalis are very pessimistic about change in their way of doing things as there is very little hope of peace. They have been too used to instability and have accepted it as a way of living. It will require much effort to convince them that there is need to change.