

An Auction for Finger Millet in the Southern Highlands, Tanzania

By Bahat Tweve¹

Bahat Tweve, who is now organising the Southern Highlands Biashara Mapema (SHBM), has recently received a RAVI loan to enable him to do ‘cash on the bag’ deals. These included an auction to sell the finger millet produced by his farmers’ groups. This story shows how despite setbacks SHBM have been able to provide a good service to sellers and buyers and to take a commission to pay for their service.



Bahat Tweve at the Dodoma Trade Fair

The Farmers’ Groups

We have organised two new farmers’ groups to add to the 50 in Mufindi, which we have already linked to the markets. The new groups are Ihomasa Farmers’ Association (IFA) and Umoja Mazao Isaula (UMI). I am organising an auction to sell the finger millet that UMI farmers have produced. The farmers want to get a good buyer for the ten tons of finger millet that they have produced; the upcoming auction will make the buyers compete. We have identified ten potential buyers so far. The buyers want to take part, as this will be an easier way for them to buy. I have already sent samples to some of them.

Cash on the Bag

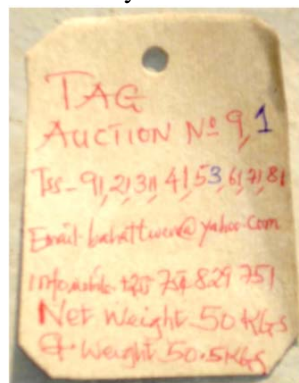
Other villages have asked us to do auctions for crops like beans. The farmers will produce

more if they know how to sell. Transaction security is still a headache as there is no Mpesa (a money transfer system using mobile phones) that we can use as yet but we will be able to pay farmers ‘cash on the bag’ (COB) using the RAVI loan to bridge the gap between the time we pay the farmers and the time that the buyers’ payment gets into our account.

The farmers do not have a store, so this is done individually. All the bags will be tagged; these tags are all recorded on an Excel sheet. On 15th November the farmers will bring all the finger millet to one place for collection and quality control. The farmers are going to have an auction committee so they can decide which of the bidders they will sell to. The commission for the network is Tsh 10/ per bag. Some of this will go to RAVI to pay for the interest on the loan. We can use the commission that we earn to fund other COB deals.

I need to use the COB fund to stop side selling – for those who need money or will sell early we can pay some money in advance. The buyer will pay me into an account and I will pay the farmers directly when they bring their produce.

We are using the tagging system to give details to the buyer of which farmer provided which



bags—so the buyer can find out and track any problems via me. If there are problems, then the commodity will come back and the farmer must refund the money he has been paid.

An example of an auction tag

The Auction Process

This idea to hold an auction started in August. The auction committee, made up of representatives of the farmers, will sit five days before the auction to decide on an acceptable buyer. After the auction there are five days to settle things. The buyer informs us if he will collect the finger millet or wants it to be delivered to him. We can pay the transport fees but this will be added to the price. The buyers must settle their payments by cheque;

¹ Interviewed by Anne Dennig in November 2009

these take about seven days to clear. The farmers will be paid on the 15th November and we will have to pay at least seven days commission on the RAVI loan. There will be a written agreement or delivery note concerning the farmers and buyers through our Market Access Company (MAC) as an agent, with RAVI as a financier. We expect a price of not less than Tsh 500/ per kg to a buyer who is collecting the produce himself.

The auction members do not know who is in the auction – this is secret. The buyers are from Morogoro, Dar and locally from Makumbako, Mafinga and Iringa. Two buyers have responded and we are now waiting for the others to contact us.

The Delayed Auction

Ueli Scheuermeier takes up the story:

The first COB payments were planned for paying the farmers who produced the finger millet for the auction in Isaula. Everything was ready, there were even interesting bids from buyers. But there were two problems: first there is no warehouse in the whole Mgororo area; so that means the bags have to reach the loading point at exactly the time when the truck arrives to pick them up. Secondly heavy rains made it impossible for trucks to reach there. This auction had to be cancelled so now the farmers are selling to small local traders.

Learning: Quality can get a better price!!

Even though the auction was cancelled the effect of Bahat's link with the farmers has been that farmers get a better price even with the smaller traders. This is because the farmers have learned from Bahat how to thresh finger millet in mortars instead of on the ground. This results in millet with less sand and dust. The farmers are happy with the good price that they got due to the links that they have made with the Southern Highland Biashara Mapema (SHBM), and are keen to try the auction again.

A Successful Auction

Once it was clear that the auction with finger millet wasn't going to work out, SHBM immediately sourced a ten ton maize deal from Chunya outside Mbeya to Mbalizi market near Mbeya. The sellers were a group of farmers, and the buyers were small traders in the Mbalizi market. SHBM paid the farmers Tsh

5,000/ per tin of maize instead of Tsh 4,500/ (more than the going price). The traders we also pleased as they bought the maize for slightly less than they usually had to pay; so both sides were happy. SHBM also made a commission of Tsh 51,000/; this was lower than expected because the transport costs were still too high. From this experience SHBM have learned two important things.

- It is possible to give farmers a higher price and traders a slightly lower price and still make a commission.
- There is a need to become more efficient in transporting produce, to bring down the costs.

The RAVI COB loan, which was given to SHBM, has already generated Tsh 97,000/ more than when it started. Not bad at all for the first 20 days and with all the problems that were faced. So far commissions were added to the fund and not paid out to involved members of the SHBM. SHBM will now get a business registration and their own bank account. Each member will have his or her own account in SHBM and the commissions will in future be distributed into these accounts according to who did what for making a deal happen.

Contact: Bahat Tweve

Email: bahattweve@yahoo.com

Mobile: +255754829751