



POTATO PRODUCERS GROUP SNAPSHOT

TOGETHER WE CAN MAKE A DEFERENCE

VALUE CHAIN DEVELOPMENT ALAVERDI, ARMENIA



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TRANSFORMATION OF A COMMUNITY

This Snapshot describes the transformation between relationships of potato producers in Arevatsag with other value chain actors.

How they increased incomes by around US \$125,000 within 12 months.

The role World Vision played in encouraging the formation of the first farmers group and linking them to more lucrative markets.



The day of signing internal regulations. Arevatsag farmers decided to take the initiative in ending competition among Lori Marz farmers.

From Left: Vito Sargsyan, Ararat Hovhanissyan, Khoren Gevorgyan, Artur Meliqsetyan, Davit Davtyan & Artsrun Karapetyan

CONVERSATIONS WITH COMMUNITY



February/5/2014 the first meeting in Arevatsag municipality: project team introducing the value chain project and asking opinion of the community about possibility of its implementation.

Arevatsag is a community located in Lori Region of Armenia. Like most of Alaverdi and Stepanavan the main source of income is either from Potatoes or Livestock. Every year this region produces about 16000 tons of potatoes and of this around 8000 tons is for sale.

The Arevatsag Value Chain project was launched in November 2013 and coincided with an urgent inquiry for 200 Tons of Potato. During our meetings with some of market buyers, we informed the Arevatsag community about the offer and they asked for a meeting with us. About 16 farmers attended. Unfortunately most farmers have already sold their potato at an average price of 100 AMD per kilo (USD 0.25) even though this new offer was for 120AMD.

During discussions with the community members we explained that we can support them to identify better market options also assist them to explore ways in which they could more effectively work together to increase their bargaining power.

During the second meeting the picture was changed. Farmers asked about what hard assets the project would provide, unfortunately, some of them left the room immediately once they heard that the project contained no hard assets. The remaining 6 farmers asked more about the project and they accepted our invitation to visit market of Yerevan which is Armenia's capital around three and a half hours drive from Arevatsag. Some of the farmers confessed it had been over ten years since they had been to Yerevan.



Field visit: discussing available resources and understanding farmers' strengths and weaknesses



Market visits to Yerevan: understanding market trends, validating opportunities and clarifying common misperceptions

OPPORTUNITIES FOUND

POSSIBLE PRICE INCREASE

20-45%

We noticed big difference in prices between village and market profit which means there are opportunity for having a much higher profit for farmers in case of collective marketing

POSSIBLE COST REDUCTION

30-38%

Input prices are lower in case of buying bulk, which means farmers could cut input costs by minimum 30%

POSSIBLE PROFIT INCREASE

20-100%

In case of inputs bulk purchase and Products collective marketing Farmers could double their profit from potato business without any investments.

INVESTIGATING OPPURTUNITIES

Filtering Opportunities

Potato was one of the 62 agricultural items identified during a survey of Alaverdi district. World Vision then used 3 filtering steps (obvious discard, BCG matrix & Porters 5 forces) to determine those products that had the highest likelihood to improve incomes amongst poor families. The potato value chain was seen as having great potential because of the seasonality advantage in that region.

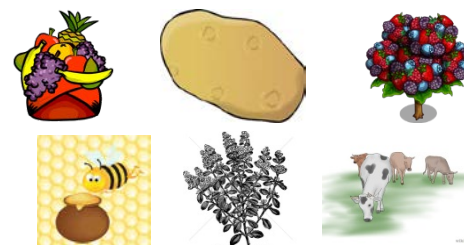
Farmers informed us about the market shortage during August which is when they start harvesting. According to information received by farmers we estimated that even in that one village they could increase their collective income by AMD 42,000,000 (US\$. 100,000) each year.

After validating this hypothesis with buyers and using rough calculations we expected to increase PG income by around AMD 23,000,000 (US\$ 55,000) during the first year.

Constrains

In working with the community World Visions Market Facilitator identified the following constrains that may prevent farmers from forming producers groups and having better market access.

- ❖ Shortage of cash for making investments to improve quality.
- ❖ Strong culture of individualism and difficulty in working out joint goals.
- ❖ Lack of business sophistication.
- ❖ Poor previous history in trying to form functional groups.
- ❖ Poor quality of roads and machinery.
- ❖ Lack of understanding of market actors and demand.
- ❖ Women were generally excluded from producer groups.
- ❖ Lack of enthusiasm for training and workshops.



Recommendations

Many discussions made led team to decide on how to react for each constrain.

- ❖ Capacity building: Using the LVCD handbook methodology and tools that already address these problems (Engaging producers group and action planning).
- ❖ Considering macro environmental factors: Manage farmers' expectations so they choose strategies and goals that are independent from these factors.
- ❖ Gender participation: Psychological expert to conduct training with the group and with their wives so he could provide us with guidance about this issues.
- ❖ Capacity building delivery method: Conduct non-formal trainings where facilitation aimed to address the benefits of trainings then to suggest trainings.

Lesson Learned

One of the first lesson we learned was how to make farmers believe. Some ideas suggested by farmers or colleagues we personally didn't believe in from the first sight but we spend efforts on finding the proofs just to understand why they thought in that way so we knew how to deal with such ideas. Then during investigation not only we started to believe in these ideas but also they already supported it. Repeating the same thing it became a habit and it resulted to believe in things whether or not we agree on them from the first sight. Which means believing in almost everything. And eventually farmers were infected with the same habit which make our work much easier with them.

JOURNEY TOWARD COMMON VISION

From Competition to Cooperation

In different countries farmers cooperate in different forms such as cooperatives, unions, associations, farmers groups etc... In Armenia almost none of the above exists, the common situation is destructive competition. Which means farmers compete directly on prices even when they recognize that a price war is bad for everyone. But why farmers do not cooperate is the key question that we focused on according to our Learning Hub and LVCD Handbook's recommendations. The first step was to facilitate creation of a common vision by farmers. Arevatsag farmers' common goal became the cooperation itself, they agreed together to reach a good point of cooperation and they understood they need to achieve something together that they can't do it individually so their minds would be able to see the benefit of cooperation.

Motivation, Confidence & Capacity Building

We spend about 3 months looking for opportunities in the market, and eventually we became excited. The next step was to help farmers see the same opportunities that made us believe and become excited.

Together we visited the market in order to better understand buyers' requirements and conditions, also to establish relationships with them.

After the market visits farmers got motivated and started to think about the options they may cooperate on in this stage. We coached them on planning, setting common goals and conducting assessment on their capacity needs. At the end using LVCD handbook PG [checklist](#) assessment tools farmers conducted self-assessment and established capacity building plan. "Since we cannot change reality, let us change the eyes which see reality". Nikos Kazantzakis



Davit Davtyan member of Arevatsag Farmers group, his opinion about potato sorting strategy, during this meeting there were communication barriers therefore farmers decided to obtain the roman senators method of presentation when everyone had specific time to express his opinion.



Farmers during market visit exploring Yerevan market opportunities and discussing how together they can manage the delivery of minimum orders and quality standards



As a result of non-formal training game farmers admitted that they are used to seek competition rather than cooperation. "This activity gave me reason to think about many things" Khoren Gevorgyan.

Lessons Learned

Let the community choose

During this visits we had many ideas that we tried to convince farmers on, but eventually farmers did what they said, they also pointed our wrong views when they proved it, therefore we saw that it was better to not urge or push on them from the beginning.

Skills	Before Capacity Building	After Capacity Building	% skills Increased
Group Management	68%	90%	22%
Internal Saving & Lending	25%	64%	39%
Marketing	69%	86%	17%
Natural Resources management	67%	75%	8%

Increased Income

The first producer group exceeded their goals and was the main factor in increasing the community's income by an additional US\$ 125,000. The key was in better understanding the qualities and sizing expected by buyers and their development of more possible buyers thus strengthening their bargaining position.

The objectives to achieve the goal were the following:

1. Analyzing Yerevan market pricing structure, conditions of buying and MOQ's (Minimum order quantities)
2. Creating awareness within the whole community about the quantities and qualities that the market was demanding and better understanding the best times to sell in order to maximize income.
3. Creating agreements with end market (supermarkets, tender buyers) to work with them if necessary.

After 6 months of intensive meetings the group was able to sell their goods directly to more than 10 Supermarkets and this meant that on average they increased their profit by 35%. Part of this success was communicating with the whole community and an agreement not to sell to middlemen for 10 days resulting in a price increase of nearly 20% alone over the prices that people in neighboring communities were achieving.

At this point we have no comprehensive analysis on how the additional incomes are being utilized. We know that some is being used to repay Bank loans of the community members. Past practices have meant that this community of 400 members has more than US\$ 1,000,000 in loans with a hefty 24% annual interest rate. Some community members also have personal loans with interest rates of up to 10%. At the end a negotiation made between them and the middle men to leave the direct relations between the PG and some key customers in return of raising the buying price from their community.

Davit member of potato farmers' group, due to this project he was able to cover his daughter's university fees. Vito and Khoren, two farmers from the same group said, that they reconsidered their migration plans to Russia with their families.

Sustainability

Farmers received no handouts during this project and throughout the project emphasis was given to them making their own decisions to maintain true local ownership of the process and the results.

One of the participating farmers, Arthur said that prior to this project there were destructive competition between farmers "we were ready to kill each other" and he added "but now our relationships are transformed and we understand that there is no more time for disagreements, we need to put every disagreement beside and looking forward to setting common goals and working toward positive changes.

End Market Analysis

The group, visited potential buyers and supported by World Visions Market Facilitator evaluated their marketing strategy as well as documenting the lessons they had learned as a group for the next season.

"At first the potatoes from this area were often very low quality, Potatoes had holes in them which make it very difficult to sell, I became angry with the farmers. However when I began to work with the farmers group I could communicate the quality I was looking for and as a result the Potatoes supplied were bomb (very good quality) I even started to sell to near stores where I understood that the benefit of working with a Producers group is that I can communicate my needs and quickly receive that product in a better conditions" Norig vegetable store owner in Kvartal

Nana an owner of a glossary store in Massive said "when we were dealing with other sellers, we used to collect the goods from outside the store, but the farmers always brought it inside the shop and helped us in organizing the potatoes in the display boxes"

"We learned that tailoring our service leads to creating value, and developing loyal customers who pay higher prices and give us confidence that we have a sustainable market." Arture Meliksetyan, member of Arevatsag producers group

"Our product became the same, it's no more selling a product to a buyer, we have changed our thinking and it is now about us and the buyers meeting the needs of consumers". Arture Meliksetyan Arevatsag Farmers group member

AROUND THE VILLAGE



Common Community Strategy

Arevatsag Producers creating awareness about the market dynamics and suggest cooperation on holding the prices for 10 days in order to increase their bargaining power with middlemen.



More Options

Because Arevatsag Potato Group better understood prices being paid, they also understood that they were being exploited by middle men. As a result they made contact with the biggest supermarket chain in Armenia exploring options for direct sale. The upshot was that after two days later the middle men came back with a better offer for the whole community



United Voice *Arevatsag Farmers conducted serial of meetings with near village mayors to hold prices of Potato with the middle men.*

THE COMMUNITY FUTURE

The First Lori Potato Conference

During the first year we can say that environment for cooperation has been improved for some communities in Alaverdi and Stepanavan, but there are many challenges remaining including an absence of agricultural infrastructure (warehouses equipped with refrigerators and sorting machines), governmental support and lack of agricultural services (soil analyzing laboratories, machinery rental, local consultancy, marketing services),

We ended the first year by inviting all potato value chain actors under one roof. This event was called the First Lori Potato Conference. Potato Farmers from 11 communities, buyers, input suppliers and support organizations participated. During the event they discussed opportunities and challenges, to developed options as to how working more closely together for the benefit of all parties.

After the conference farmers defined not only Potato Value chain's improvement opportunities and challenges, also their strengths and areas for improvement.

The result was the defining of a strategy for increased cooperation to improving market information and the creation of more value for a range of key value chain actors.

Community Empowerment

During the course of the year it became clear to the Arevatsag Farmers Group that they needed to find ways to build trust within their community in order that people would more readily cooperate in joint business initiatives. The result of their discussions lead to the creation of the Arevatsag Kti Jokhi game competition (An Armenian game similar to Baseball). The aim of farmers was to involve youth in their communities and provide a creative way for people form within the community to get together. World Vision provided some advisory support and secured the donation of some uniforms. The group's resurrection of this ancient game lead to the initial creation of four teams of youth, joint research in unearthing common rules. Ultimately it was the youth themselves who were able to get the rules from their grandfathers and it was decide to name the competition "BABITS TOR" which means from grandfathers to grandsons.



Farmers Union

During the First Lori potato conference Farmers came to the conclusion that a farmers union could solve most of their problems. And forming producers groups then networking them is the way for forming such union



Identifying Next Steps

Potato Farmers from different communitites of Alaverdi and Stepanavan suggesting solutions together in order to increase incomes and improve the market function of their value chain.





POTATO PRODUCERS GROUP SNAPSHOT

Alaverdi ADP, Armenia

Whether you think you can, or you think you can't--you're right."

— Henry Ford

We worked with farmers searching for opportunities, setting common goals, internal regulations, action plans and internal saving mechanism. Until the group was able to role itself and think that they could work with their community to improve the market function.