

**DEVELOPMENT OF CO-OPERATIVES FOR AGRICULTURAL AND
AGRO-INDUSTRIAL COMMERCIALISATION IN THE CENTRAL REGION OF
MOZAMBIQUE**

**PRESENTATION OF BUSINESS PLANS AND IMPLEMENTATION STRATEGY
Volume I (main report)**



Prepared by:
VERDE AZUL CONSULT LDA

For:
ORAM - Associação Rural de Ajuda Mútua and NOVIB

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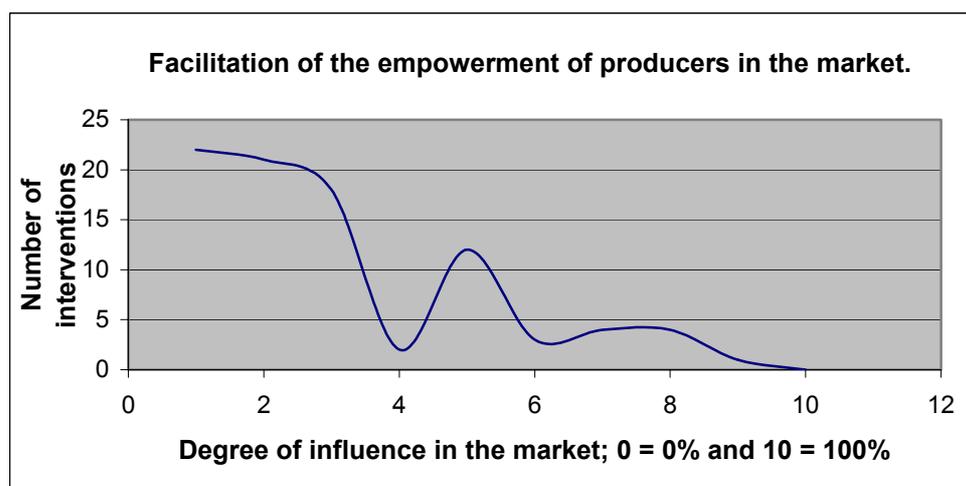
EXECUTIVE SUMMARY

Background

In May 2001, three rural organizations, the National Farmers Union or “União Nacional de Camponeses” (UNAC), the “Associação Rural de Ajuda Mútua” (ORAM) and Agrarius, with technical assistance from Rabo Bank International Advisory Services (RIAS) formulated a “*Strategy for the development of commercialisation structure for the agricultural sector and rural banking system in Mozambique*”. The essence of the presented strategy is the development of transaction based sustainable legal entities. With respect to commercialisation, it is proposed to create two tier co-operative enterprises. With respect to rural finance, it is proposed that a co-operative rural bank be created that over time will have national coverage. The present study was funded in the end of 2003, and in early 2004 a consortium Gapi – RIAS was created with means to formulate a business plan and to execute an implementation plan for a rural bank.

An inventory of the situation with respect to commercialisation at the district level in the central region of Mozambique

An inventory was made in 15 districts with agricultural potential (9 in Zambézia, 4 in Manica and 2 in Sofala) to describe activities in terms of commercialisation, entities involved and opinions of producers. 87 stakeholders were identified and interviewed. The different stakeholders were classified on a scale of 1 to 10, depending on the contribution they make to the empowerment of the producers in the market.



In the figure above the market interventions are shown for varying levels of influence that the producers had in the market. Level one represents the situation where the producer has to sell his or her produce against the imposed price by the buyer. Level 10 represents the situation where the existence of producers controlled transaction channels and prices can be negotiated and influenced for the benefit of farmers. The figure shows that the majority of the market interventions are actually taking place at levels 1, 2 and 3 where producers are not able to influence prices. This results in the farmers being unable to increase the added value of their products for their benefit and consequently does not enable them to reduce the poverty wherein they live.

There do exist various intermediate organizations, which facilitate the market access of the producers (levels 4 to 7). However, they have not been able to significantly influence the setting of produce prices so as to benefit the farmers. The farmers interviewed in the Sussendenga District

clearly identified the main problem in the agricultural sector in Mozambique as being the creation of sustainable supply chains owned and controlled by farmers. They stated that this problem still exists today and is unresolved in spite of the existence of many implemented projects. The farmers felt that they have not yet reaped the benefits of a free market economy. They referred frequently to the structures that in the past provided market stability and to institutions that supported agricultural activities. These included “Grémio” in the central region and in other parts of the country “o instituto” referring to ICM, institutions which nowadays do not exist. During the various meetings the producers expressed their concern with the “anarchy” during the commercialisation seasons. This discontent with the present market structures makes all the more urgent the establishment of commercial co-operatives operated by the producers. These hold the promise of providing the farmers with control of sustainable supply chains and the increased pricing stability that they desire in a free market economy.

Development of the institutional frame work of co-operative enterprises for the commercialisation of agricultural produce

A strategy was developed, which identifies three different types of institutions to be created by farmers to eliminate poverty:

1. Membership organisations to defend interests (identity and rights) of the members.
2. Commercial institutions to guarantee market access.
3. Financial institutions to guarantee access to credit and savings.

The successful implementation of these institutions also requires a supportive legal and politically enabling environment where the government pro-actively works to benefit the farmers. Proposals are made for capitalization systems (“zero-loss” policy), governance (proportional voting system) and communication (transparency for the members). These basic principles for the creation of modern co-operative enterprises (first and second tier) will reduce risks and maximize the benefits of the members. To operationalise this strategy, the actual law that will approve the code for the co-operatives was analysed.¹ Following this analysis, a meeting was conducted with members of the Committee for legal aspects and human rights of the National Parliament to discuss proposals to amend the law. A version of the law with proposals for changes was produced (see Volume II). For the initial two co-operatives, legal statutes that are compatible with the present law were designed while a framework of the future statutes (after changing the law) were also developed. The next steps would be to petition the parliament to actively consider and move forward on these recommendations.

Presentation of the business plans

Fieldwork studies were carried out in various geographical areas in Mozambique utilizing modern business criteria that would promote economic success for local farmers. These studies resulted in the identifying of viable opportunities that are set forth in the next table:

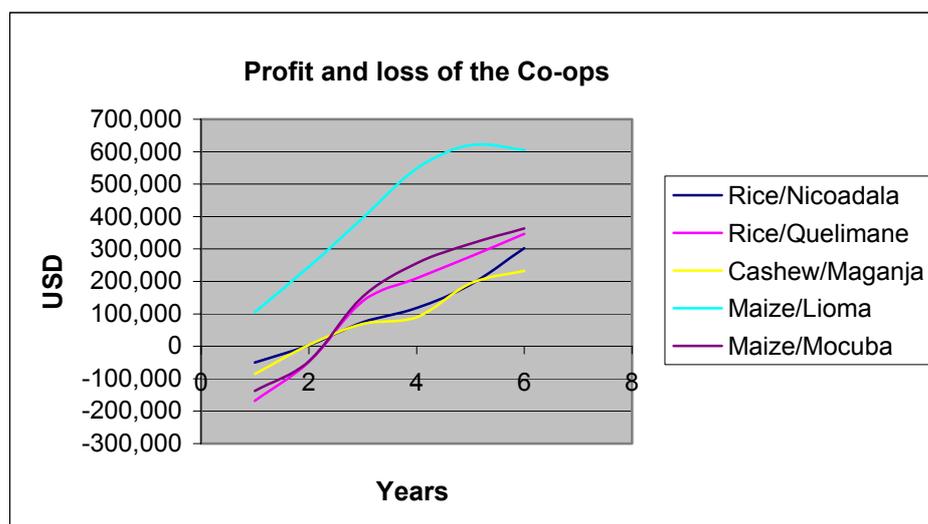
¹ Based on the principles of the International Cooperative Alliance (ACI), cooperatives are considered to be political instruments that support the Government in reaching macro-economic and social objectives. However, this is not in accordance with the objectives and principles of the cooperative societies proposed in this study.

	Crops	One - Tier Co-Op	One - Tier Co-Op
1	Rice	Nicoadala/Namacurra	Quelimane /ICM
		Maganja da Costa	
		Mopeia	
2	Maize and Beans	Gondola	Chimoio/Grémio
		Gorongosa	
		Sussendenga	
3	Cashew	Cariua	Mucubela - Maganja da Costa
		Bajone/Naico	
		Missale	
		Mucubela	
4	Maize and Beans	Gurué/Lioma	Mocuba
		Alto Molócuè/Nauela	

The following table gives a summary of the needs in terms of capital for the investment and functioning of the proposed co-operative enterprises:

Capital Needed	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL	%
Credit for investment	299.600	3.872.100	874.000	236.600	74.700	5.000	0	5.362.000	37
Donation	570.000	2.410.000	250.000	0	0	0	0	3.230.000	22
Credit for functioning	470.588	1.946.524	1.165.775	1.155.080	946.524	347.594	53.476	6.085.561	41
Total	1.340.188	8.228.624	2.289.775	1.391.680	1.021.224	352.594	53.476	14.677.561	100

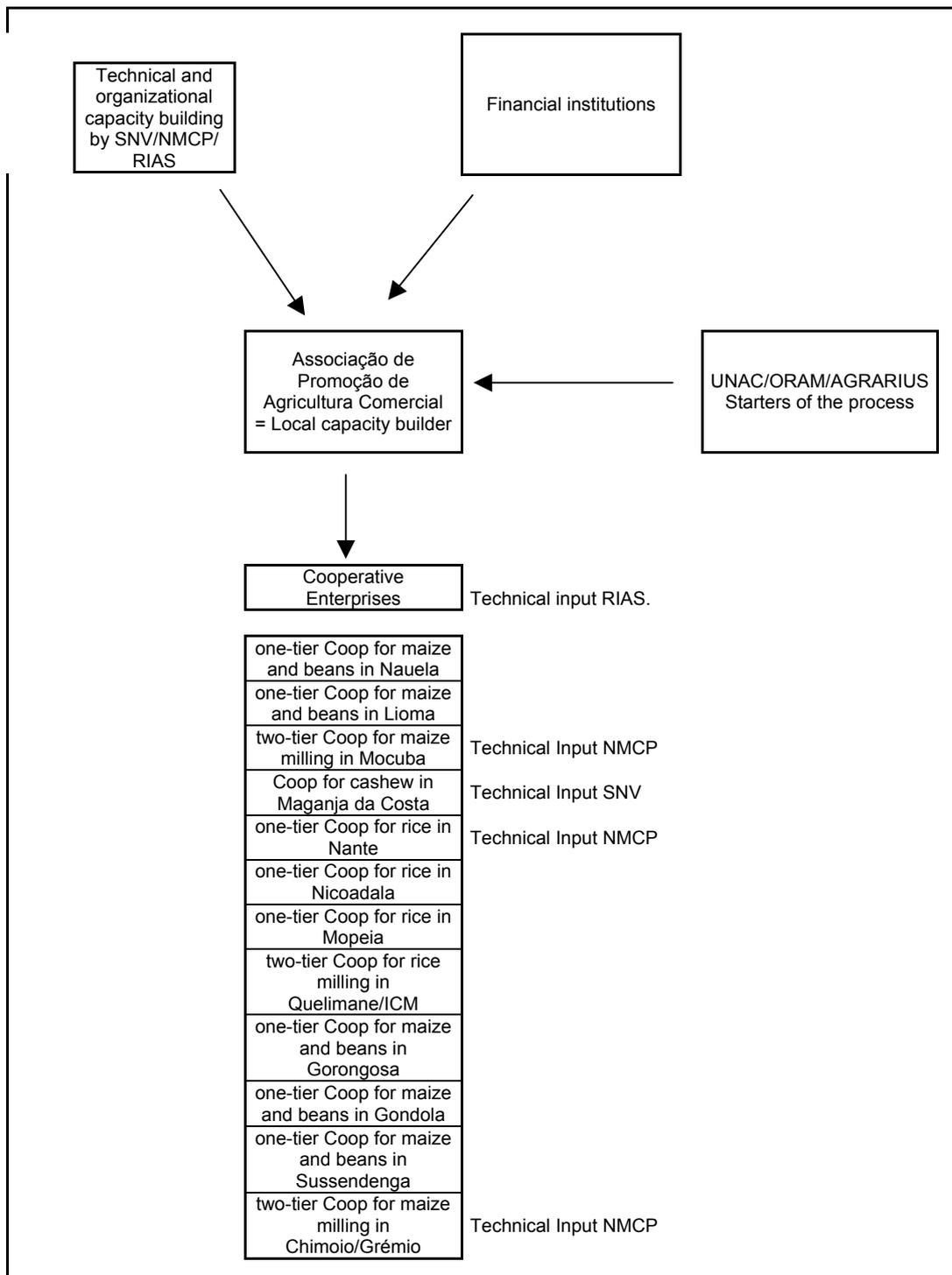
An interest rate for the investment in foreign currency of 8% was considered, while for season credit 18% was used. The figure below shows the projected profits and losses of the different co-ops:



Due to start-up in costs, as in typical businesses, almost all Co-ops will have losses during the first years. However, they become profitable shortly thereafter.

Implementation plan

This study includes a five-year implementation plan. To implement this plan, a facilitating organization, “Associação de Promoção de Agricultura Comercial”(APAC), was founded which will have the responsibility for the installation and capacity building of the new co-ops. This new entity will link the future co-ops to the various partners in their development path. Methods for linking of relationships between the different partners are shown below:



To ensure the success of the farmer co-operatives, activities in the field of promotion, investigation, advocacy and capacity building are foreseen. The capacity building focuses on the work and responsibilities of each member of the co-operative: the local farmers, the elected members in the boards and supervisory committees and for the management. The report presents these activities for both one-tier and two-tier co-operatives. A detailed time line is also presented of the steps necessary to secure a sound implementation of successful commercial co-operatives that will benefit the farmers of Mozambique.

Maputo, February 2005

CONTENTS

VOLUME I (TEXT)

EXECUTIVE SUMMARY.

1. INTRODUCTION

- 1.1. BACKGROUND**
- 1.2. THE TEAM**
- 1.3. WORK METHODOLOGY**

2. INVENTORY OF THE SITUATION CONCERNING COMMERCIALISATION AT DISTRICT LEVEL IN THE CENTRAL REGION

- 2.1. DESCRIPTION OF EXISTING SUPPLY CHAINS**
- 2.2. COMPARISON AND SYSTEMATIZATION OF THE SITUATIONS WITH RESPECT TO COMMERCIALISATION IN THE DISTRICTS VISITED**
- 2.3. SELECTION OF AREAS OF INTERVENTION**

3. DEVELOPMENT OF THE INSTITUTIONAL FRAMEWORK OF CO-OPERATIVE COMMERCIALISATION ENTERPRISES

- 3.1. VISION AND STRATEGY**
- 3.2. CONSULTING THE LOCAL COMMUNITIES**
- 3.3. CONDITIONS AND PRINCIPLES OF THE FUNCTIONING OF CO-OPERATIVE ENTERPRISES**
 - 3.3.1. FACILITATING ENVIRONMENT**
 - 3.3.2. CAPTILIZATION SYSTEM**
 - 3.3.3. THE MANAGEMENT AND COMMUNICATION SYSTEMS**
 - 3.3.4. ORGANIZATIONAL, ADMINISTRATIVE AND LOGISTICAL PRINCIPLES OF THE CO-OPERATIVE ENTERPRISES**
- 3.4. THE LAW THAT APPROVES THE STATUTES OF CO-OPERATIVES**
- 3.5. THE STATUTES**
 - 3.5.1. MODEL OF THE STATUTES FOR ONE-TIER CO-OPERATIVE ENTERPRISES**
 - 3.5.2. MODEL OF THE STATUTES FOR TWO-TIER CO-OPERATIVE ENTERPRISES**

4. PRESENTATION OF THE BUSINESS PLANS

- 4.1. RICE IN ZAMBÉZIA**
 - 4.1.1. SOME OBSERVATIONS ON THE RICE MARKET IN MOZAMBIQUE**
 - 4.1.2. EXPERIENCES OF THE RICE PRE-CO-OPERATIVE IN NANTE**
 - 4.1.3. COMPARISON OF CENTRALIZED AND DECENTRALIZED OPTIONS OF RICE PROCESSING IN BAIXA ZAMBÉZIA**
 - 4.1.4. BUSINESS PLAN OF THE ONE-TIER SCRL FOR RICE AND FRUIT IN NICOADALA**
 - 4.1.5. BUSINESS PLAN OF THE TWO-TIER SCRL FOR RICE IN QUELIMANE**
- 4.2. CASHEW IN MAGANJA DA COSTA**
 - 4.2.1. GENERAL INFORMATION ON THE CASHEW SECTOR IN MOZAMBIQUE**
 - 4.2.2. CASHEW PRODUCTION IN ZAMBÉZIA PROVINCE**
 - 4.2.3. BUSINESS PLAN FOR THE CASHEW SECTOR IN MAGANJA DA COSTA**
- 4.3. MAIZE AND BEANS IN ALTA ZAMBÉZIA AND THE MANICA PLATEAU/GORONGOSA**
 - 4.3.1. OBSERVATIONS ON THE MARKET FOR MAIZE (FLOUR)**
 - 4.3.2. BUSINESS PLAN OF THE ONE-TIER SCRL IN ALTA ZAMBÉZIA**

4.3.3. BUSINESS PLAN OF THE TWO-TIER SCRL FOR INDUSTRIAL MILLING IN MOCUBA

4.4. MAIZE AND BEANS IN THE PROVINCES OF MANICA AND SOFALA

5. IMPLEMENTATION PLAN

- 5.1. ESTABLISHMENT OF A NEW ORGANIZATION FOR THE REALIZATION OF THE IMPLEMENTATION PLAN**
- 5.2. PROMOTION OF THE STRATEGY AND THE WORK METHODS**
- 5.3. MARKET RESEARCH**
- 5.4. LOBBY AND ADVOCACY IN THE POWER AND DECISION-MAKING STRUCTURES, INCLUDING THE CREATION OF ALLIANCES AND PARTNERTSHIPS**
- 5.5. FUND RAISING FOR THE IMPLEMENTATION**
- 5.6. ESTABLISHMENT OF THE CO-OPERATIVE SOCIETIES**
- 5.7. IINSTITUTIONAL DEVELOPMENT OF THE CO-OPERATIVE SOCIETIES**
- 5.8. TRAINING OF THE MEMBERS OF THE CO-OPERATIVE SOCIETIES**
- 5.9. MONITORING, FINANCIAL AUDITING AND EVALUATION**
- 5.10. IMPLEMENTATION AND TIMEFRAME**

LIST OF FIGURES

LIST OF TABLES

PERSONS CONSULTED

BIBLIOGRAPHY

CONTENTS

VOLUME II (ANNEXES)

1. TERMS OF REFERENCE
2. TIMEFRAME OF ACTIVITIES
3. THE BILL THAT APPROVES THE CODE OF CO-OPERATIVES, WITH AMENDMENTS
4. STATUTES OF THE ONE-TIER CO-OPERATIVE SOCIETIES
5. STATUTES OF THE TWO-TIER CO-OPERATIVE SOCIETIES
6. SEMINAR PRESENTATION IN CHIMOIO (MAY 2004).
7. LIST OF ICM WAREHOUSES IN THE CENTRE OF MOZAMBIQUE
8. CONTRACT FOR THE PRODUCTION OF TOBACCO FOR THE 2002-2003 CAMPAIGN; TABACOS DE MANICA LIMITADA
9. BUSINESS PLAN OF THE ONE-TIER SCRL FOR RICE AND FRUIT IN NICOADALA
 - 9.1 ORGANIZATION OF THE RICE PRODUCERS IN NICOADALA
 - 9.2 BASIC DATA ON THE BUSINESS PLAN OF THE ONE-TIER SCRL IN NICOADALA
 - 9.3 ACCESS ROADS AND COMMERCIALISATION POST IN THE DISTRICT OF NICOADALA
 - 9.4 TRANSPORT OF RICE FROM FIELD TO FACTORY
 - 9.5 SALARIES AND OPERATING COSTS OF THE MANAGEMENT TEAM
 - 9.6 BALANCE AND DEPRECIATION COSTS OF THE ONE-TIER SCRL IN NICOADALA
 - 9.7 RESUME OF CASH FLOW FOR THE YEARS 05/06 – 10/11
10. BUSINESS PLAN OF THE TWO-TIER SCRL FOR RICE IN QUELIMANE
 - 10.1 BASIC DATA ON THE BUSINESS PLAN OF THE TWO-TIER SCRL IN QUELIMANE
 - 10.2 INVESTMENT FOR THE TWO-TIER SCRL IN QUELIMANE
 - 10.3 BALANCE AND DEPRECIATION COSTS OF THE TWO-TIER SCRL IN QUELIMANE
 - 10.4 QUANTITIES PURCHASED AND PROCESSED BY THE TWO-TIER SCRL IN QUELIMANE
 - 10.5 CASH FLOW OF THE TWO-TIER SCRL IN QUELIMANE
 - 10.6 PHOTOGRAPHS OF THE RICE HUSKING AND PROCESSING FACTORY IN THE CITY OF QUELIMANE
 - 10.7 PROFITS AND LOSSES ACCOUNT OF THE TWO-TIER SCRL IN QUELIMANE
11. BUSINESS PLAN OF THE ONE-TIER SCRL FOR CASHEW IN THE DISTRICT OF MAGANJA DA COSTA
 - 11.1 INVENTORY OF CASHEW PRODUCERS IN MAGANJA DA COSTA
 - 11.2 BASIC DATA ON THE BUSINESS PLAN OF THE ONE-TIER SCRL IN MAGANJA DA COSTA
 - 11.3 SALARIES AND OPERATING COSTS OF THE ONE-TIER SCRL IN MAGANJA DA COSTA
 - 11.4 INVESTMENT FOR THE ONE-TIER SCRL IN MAGANJA DA COSTA
 - 11.5 BALANCE AND DEPRECIATION COSTS OF THE ONE-TIER SCRL IN MAGANJA DA COSTA
 - 11.6 RESUME OF ANNUAL CASH FLOW OF THE ONE-TIER SCRL IN MAGANJA DA COSTA

11.7 PROFITS AND LOSSES ACCOUNT OF THE ONE-TIER SCRL IN MAGANJA DA COSTA

12. BUSINESS PLAN OF THE ONE-TIER SCRL FOR MAIZE AND BEANS IN ALTA ZAMBÉZIA

12.1 COMPARISON OF MAIZE PRICES IN CHIMOIO, GURUÉ, ALTO MOLÓCUÈ AND GORONGOSA

12.2 BASIC DATA ON THE BUSINESS PLAN OF THE ONE-TIER SCRL IN RUACE

12.3 CALCULATION OF TRANSPORT OF MAIZE HARVEST TO WAREHOUSE IN RUACE

12.4 INVESTMENT FOR THE ONE-TIER SCRL IN RUACE.

12.5 BALANCE AND DEPRECIATION COSTS OF THE ONE-TIER SCRL IN RUACE

12.6 CASH FLOW OF THE ONE-TIER SCRL IN RUACE

12.7 PROFITS AND LOSSES ACCOUNT OF THE ONE-TIER SCRL IN RUACE

13. BUSINESS PLAN OF THE TWO-TIER SCRL FOR MAIZE PROCESSING IN MOCUBA

13.1 BASIC DATA ON THE BUSINESS PLAN OF THE TWO-TIER SCRL IN MOCUBA

13.2 BALANCE AND DEPRECIATION COSTS OF THE TWO-TIER SCRL IN MOCUBA

13.3 PURCHASING AND PROCESSING PATTERN AND CASH FLOW OF THE TWO-TIER SCRL IN MOCUBA

13.4 PROFITS AND LOSSES ACCOUNT OF THE TWO-TIER SCRL IN MOCUBA

14. STATUTES OF THE ASSOCIATION FOR THE PROMOTION OF COMMERCIAL AGRICULTURE

1 INTRODUCTION

1.1 Background

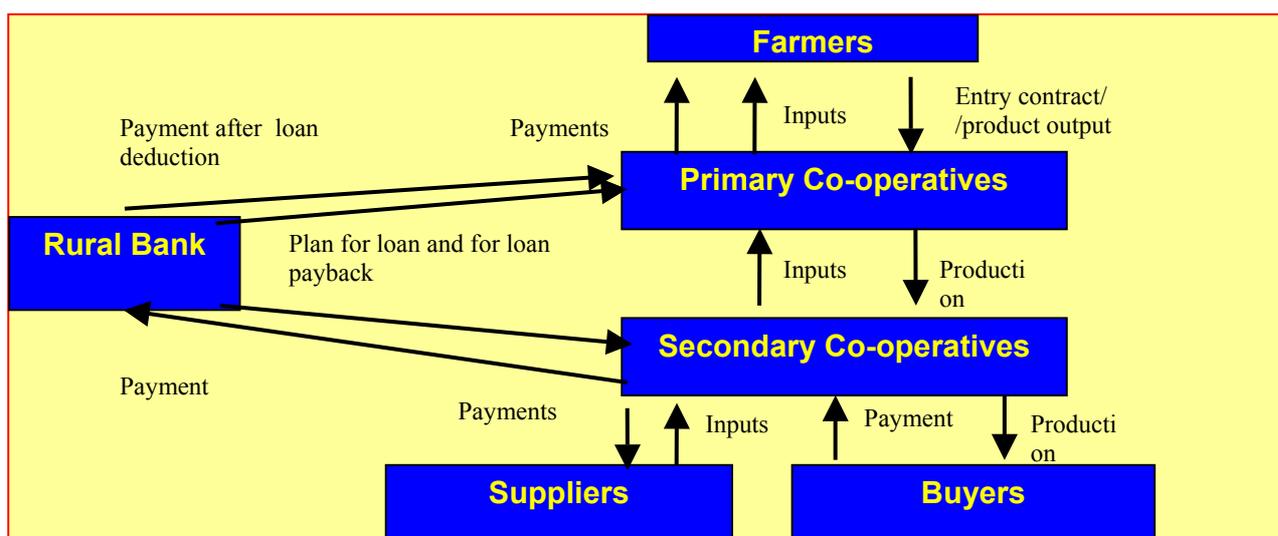
1. The present study is in accordance with the Terms of Reference of the Contract signed between the Associação Rural de Ajuda Mutua (ORAM) and the company Verde Azul Consult Lda, financed by the Dutch NGO NOVIB. The Terms of Reference are attached in Annex 1. This report is the result of bibliographical research, field studies and inventories, and of negotiations with various stakeholders in the commercialisation processes of the centre of Mozambique during the year 2004.

2. During the last few years ORAM has been searching for ways to promote commercialisation, including the improvement of access to agricultural credit. In 2001, two farmers organizations, the *União Nacional de Camponeses* (UNAC) and *Agrarius* with support from the Rabo Bank International Advisory Services (RIAS) established a *Strategy for the development of a commercialisation structure for the agricultural sector and of a rural banking system in Mozambique* (bibliography, 1]). The essence of the strategy is the development of transactions based on sustainable legal entities.

With respect to commercialisation, the creation of co-operative enterprises of two levels are proposed: (i) primary co-operative enterprises based on the efficient supply of inputs to its farmer members and on the collection of commercialisable surpluses; (ii) secondary co-operative enterprises owned by a group of primary co-operative enterprises, which mainly dedicate themselves to negotiating the acquisition of inputs and the sale of produce in such a way as to obtain the best possible prices for the farmers. With respect to rural financing, the strategy proposes the creation of a rural co-operative bank, which after a reasonable period of time will attain national coverage.

3. The following figure represents in diagram form the way the strategy functions:

Figure 1: RELATIONSHIPS BETWEEN FINANCIAL SERVICES AND COMMERCIALISATION STRUCTURES.



4. The above strategy guided ORAM's lobby and advocacy activities in 2002 and 2003. During this period, the interests of the Government as well as of farmers groups and of various financiers was mobilized for the realization and implementation of the new structures. Towards the end of 2003, funding was secured for carrying out the present study and in the beginning of 2004 the

consortium GAPI – RIAS was created, which was equipped with the necessary means for preparing a business plan and for the implementation of a rural bank.

1.2 The team

5. The following table shows the composition of the work team. A total of 439 working days were spent in developing this study.

Table 1: WORK TEAM.

	FUNCTION	Name	Entity
1	Coordinator	Carmen Ramos	Verde Azul
3	Maize specialist	Josef Teich	NMCP
3	Rice specialist	Robert Elmont	NMCP
4	Specialist in Co-op Enterprise	Wim van Diepenbeek	RIAS
5	Economist	Stephen Gudz	Verde Azul
6	Cashew specialist	Antonio Quinze Nhamaze	SNV
7	Lawyer	Arlet Patel	Verde Azul
8	Community facilitator	Jan de Moor	Verde Azul

The core team consisted of consultants from the company *Verde Azul Consult Lda*, whereas for specific issues staff from the companies RIAS, NMCP (Netherlands Management Cooperation Program) and SNV (Dutch Development Organization) was contracted. The team of *Verde Azul Consult Lda* assumes responsibility for the final text.

1.3 Work methodology

6. In brief, the following work method was used (see Annex 2 for day to day activities):

- Before starting with the fieldwork, various governmental and financial institutions were visited in order to identify current policies and to try to ascertain sensitivities concerning the subject.
- In 15 districts of the provinces of Sofala, Manica and Zambézia, 111 semi-structured interviews were conducted with different stakeholders in the commercialisation process (See the list of consulted persons at the end of this report).
- In June 2004, the districts and crops for which a business plan would be made were selected, based on the information available at the time.
- In these districts, an exhaustive inventory was made of the producers and the respective production areas. The producers are considered as the main participants of the future interventions in surveying production and surpluses to be commercialised.
- Group meetings were held with the producers in order to evaluate the potential of adherence to joint commercialisation and to analyse opportunities and constraints for this organization
- . In each province, a seminar was organized with government officials, NGOs and farmers organizations, for the presentation of the collected information and for probing and discussing opinions about options and solutions (see, as an example, Annex 5, which contains a presentation of the seminar held in Chimoio).

- In the course of 2004, a pilot commercialisation program (in the rice sector) was developed along co-operative lines, with a view to obtaining practical and realistic experiences that provide a sound basis for the structured business plans.
- Finally the present report was developed. After a description of the current situation in the districts under consideration, this report presents:
 - a proposal on the organization and functioning of one- and two-tier commercialisation co-operatives, including statutes per type;
 - business plan proposals for co-operatives of rice and fruit (Nicoadala, Namacurra, Mopeia, Maganja da Costa and Quelimane), maize and beans (Alta Zambézia and Mocuba, Manica and Gorongosa) and cashew (Maganja da Costa);
 - a proposal to ensure the implementation of the above plans.
- These proposals constitute the initial basis for negotiating support for the development of these structures. In the course of their implementation, the plans will be adjusted in accordance with the conditions that will have developed in each case

2 INVENTORY OF THE SITUATION CONCERNING COMMERCIALISATION AT DISTRICT LEVEL IN THE CENTRAL REGION

7. During the months of January – June 2004 a number of districts were visited where team members conducted interviews with various stakeholders in the commercialization process. The districts are the following (see table):

Table 2: DISTRICTS COVERED BY THE INVENTORY.

Nr	District	Province
1	Milange	Zambézia
2	Gurué	Zambézia
3	Alto Molocué	Zambézia
4	Ile	Zambézia
5	Mocuba	Zambézia
6	Morrumbala	Zambézia
7	Mopeia	Zambézia
8	Nicoadala	Zambézia
9	Maganja da Costa	Zambézia
10	Caia	Sofala
11	Gorongosa	Sofala
12	Gondola	Manica
13	Sussendenga	Manica
14	Manica	Manica
15	Barué	Manica

This chapter reports in detail the situation of the producers with respect to negotiating power in the market (section 2.1). It presents a summary of the results from the inventory (section 2.2) and it concludes with the selection of the areas where interventions will be planned (section 2.3).

2.1 Description of existing supply chains.

8. In the description of the commercialisation processes the following points are taken into account:

1. Organization of producers.
2. NGOs and intervening enterprises.
3. Capacity of existing storage facilities.
4. Access roads and means of communication.

9. The districts the analysis of this study focussed upon are:

- In Zambézia Province the districts with major agricultural potential and market turnover.
- In Sofala Province the districts of Gorongosa and Caia.
- In Manica Province the four districts along the Beira corridor.

All districts that were visited have a wide range of commercial agricultural activities. Each has different groups of producers having their own profile and work strategy. In order to clarify the differences between the districts, we used historical farming and production methodology information, present production capabilities as well as production data concerning each district.

MILANGE.

10. The agricultural products most produced in the district of Milange are maize and beans. Exact information on produced quantities does not exist. In 2003, the commercialised quantities registered by government structures were 12.550 tons of maize and 2.214 tons of beans (information from the District Director of Commerce).

11. During colonial times the district had two big Portuguese traders: Maia in Manjawa along the Shire river (75km from the village) and Vale in Liaze (36km from the village). Manjawa had an industrial mill with a huge storage capacity, a dam for hydroelectric power and a ferry that ensured the connection with the market in Malawi. Both traders had a network of rural shops. Today this system no longer functions, and Manjawa is nearly abandoned. However, there are some recuperation initiatives in other places, such as Liaze, where the trader Reis started some activities. Warehouses still exist in Mongué, Salimba (rehabilitated) and Mulumbo. The road network is limited. The connection between the small town of Milange (at the border) with the provincial capital Quelimane is problematic during the rainy season. Milange town only has a fixed telephone network from TDM. It has access to electric energy bought from Malawi.

12. Commercialisation of cereals in the district is done by big traders (company V&M, which during the last two years was replaced by the Export Marketing Company), Malawian enterprises and hundreds of informal traders. The two ICM warehouses (300 and 5000 tons) in Milange town were leased out to the V&M/Export Marketing Company. In 2003, V&M and the Export Marketing Company suspended their operations in Milange and this led to a big flow of maize being transported by bicycle to Malawi by informal traders. During the 2004 campaign, the flow of maize to Malawi was also large. On 26 May 2004, the Verde Azul team observed hundreds of informal traders hauling maize in the district interior by bicycle, and crossing the border. On that date, the purchase price in Sabelua (at 50km) was 10 Kwachas (2.150,00 MZM/Kg) and the selling price (1km across the border) was 15 Kwachas (3.225,00 MZM/Kg).

13. There are also other, more complex systems. The following figure shows another commercialisation mechanism in this district:

Figure 2: COMMERCIALISATION OF MAIZE FROM MOZAMBIQUE TO MALAWI (CROSS BORDER TRADING).

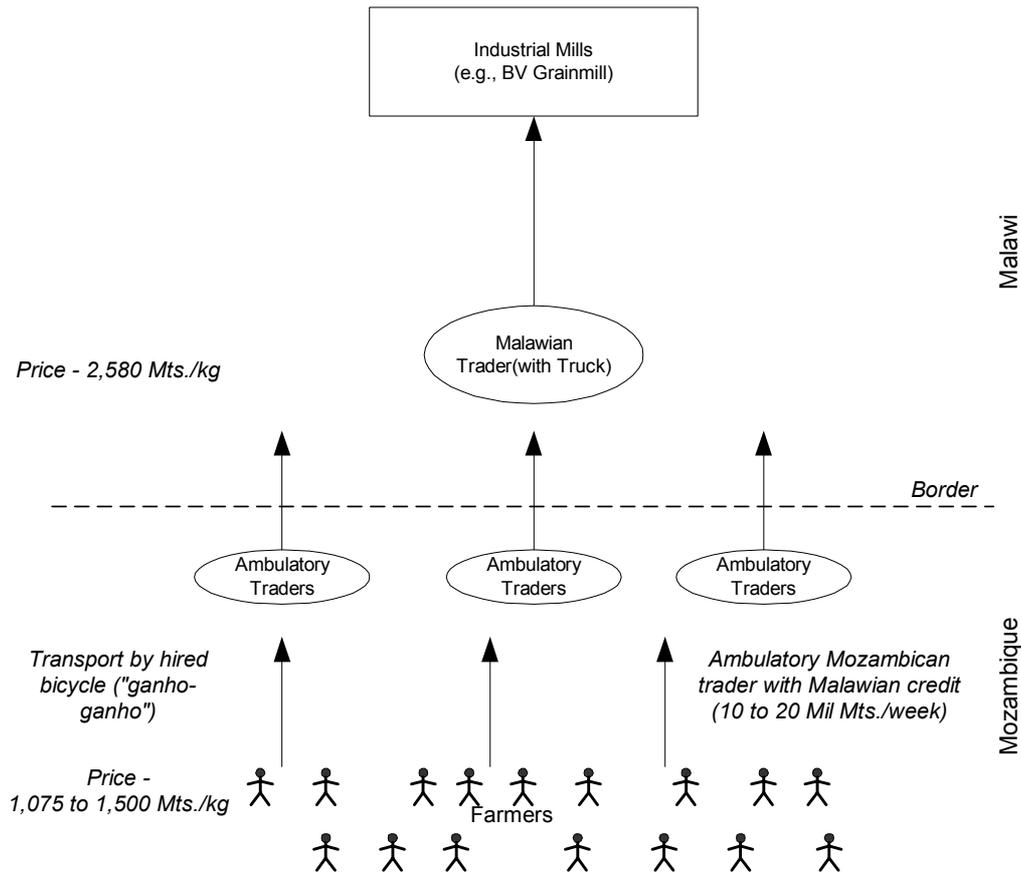
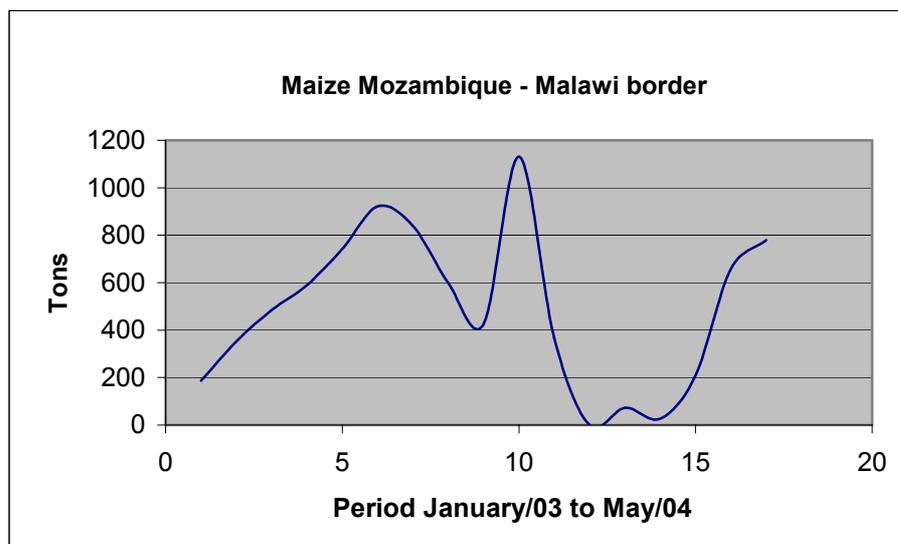


Figure 2 shows a doubling of the price immediately upon crossing the border!

14. Figure 3 indicates the volume of maize crossing the border (mostly by bicycle) via the bridge over the Mulosa River.

Figure 3: MAIZE CROSSING THE BORDER FROM JANUARY 2003 UNTIL MAY 2004.



In 2003, 6640 tons were transported from Mozambique to Malawi. In the period of January – May 2004, 1745 tons were transported.

15. When it comes to facilitating the link of the producers in Milange with the market, there is the Food Security Project in Milange from the NGO, World Vision (PROSAM), financed by the EU. This project works with 2.000 farmers organized in 40 groups and 13 forums. The activities developed in the last few years include mediation involving buyers and the companies ZANNTREX and NASFAM from Malawi, the granting of credit for small scale agricultural processing equipment, literacy campaigns (17 groups), etc. These activities are along the lines of the model introduced by Clusa in Nampula in the mid-nineties.

GURUÉ.

16. The district of Gurué can be divided into two quite distinct agricultural zones; the Northern zone with big interventions in the colonial area by settlers (Lioma and Tetete) and later on by the state enterprises UDARLI/CAPEL, and the Southern zone characterized by family farming. The zones are separated by the Namuli mountain range. The *machambas* and tea companies have been established in a semi circle around the Namuli ridge. In colonial times, the tea companies belonged to private farmers. After independence, they were transformed into one single state enterprise, Emochá (divided into 12 production units). Then after the peace accords, at the end of the nineties, the company again changed into private hands and management (JFS Group, Gulamo Group, SDZ). The area around Namuli mountain, including the small town of Gurué, has a microclimate that differs from the rest of the district. It is characterized by abundant rainfall, which hardly allows for the drying of cereals in the sun.

17. In terms of access and communication, the district has a network of good quality roads connecting Gurué town with the neighbouring districts; with Malawi (200km) by way of Milange; with Nampula (320km) by way of Mepuagiua – Nauela; with Cuamba (170km) via Lioma and with Quelimane (360km) by way of Ile and Mocuba (200 km). The road to Quelimane has recently been asphalted. The other ones are dirt roads. During the rainy season the connection with Malawi turns out to be difficult for trucks and trailers, in particular the first 50km stretch out of Gurué. There is a fixed telephone connection type system from TDM, in Gurué district. Since September 2004, the district is also covered by one of the mobile phone networks of the country.

18. There are various operators who facilitate the link between producers/farmers and the market. These include:

1. World Vision, through the OVATA program financed by USAID.
2. Clusa, financed by USAID.
3. CCM, co-financed by the EU.

The first two operators facilitate the connection with commercialisation enterprises such as OLAM, Ikuru, Napanja & Filhos, ZANNTREX and the company SAGAR. In addition to these enterprises there are the traders from the south of the country (often women), who mainly buy beans. These women use the network of the so-called “informals” or informal traders. To better illustrate the commercialisation environment in Gurué and the intervening parties, and to evaluate the real power of producers on the agricultural market, it is necessary to describe each party and their connections with the others.

19. The CCM (Christian Council of Mozambique) is a Mozambican NGO, which, in 1999, was contracted by the European Union to implement a project aimed at promoting food security in the administrative post of Mepuagiua. It should be noted that the district of Gurué has been divided by

NGOs in zones of influence where they carry out their operations to avoid duplication of efforts. The north is the zone where the OVATA program works while the CCM and Clusa develop their activities in the district's southern area. As far as commercialisation is concerned, the CCM limited itself to injecting small credit funds for the informal traders of the area. Along the Gurué – Mepuagiua road, one encounters small *baracas* (rural shops) made from conventional (traditional) material where sellers engage in their businesses, both of buying agricultural surpluses, as well as selling consumer products.² Apart from commercialisation activities, the CCM carried out extension activities with 45 groups of producers, each one of which consisted of 20 farmers on average, totalling 900 families (8% of the overall number, according to the 1997 census).

20. Clusa opted for more structural solutions, by following its model from Nampula. Thus, based on farmers associations, it set up commercialisation forums (4 in Gurué – Nipive, Mepuagiua, Incize and Muagiua, 5 in Alto Molocué and 3 in the district of Ile). All of these forums as yet do not have a legal statute. There are plans to form a Union of Forums based on the existing commercialisation forums. This Union will have the role of technical assistance provider to the associations. Clusa uses Ikuru to commercialize the produce of its members. The Clusa interventions are not merely “facilitating the link with the market” (FLM); they also cover extension activities (for soy), literacy campaigns and training. The Clusa groups in the south do not overlap with those from the CCM.

21. World Vision, through the OVATA program, intervenes in the northern part of the district in the administrative post of Lioma. It has formed forums in Nihoma and Metovola, but also has not succeeding in legalizing them as yet. World Vision is also setting up forums in Namarrói. In 2003, it negotiated 47 tons pigeon pea with SAGAR (on behalf of 20 farmer groups) and in 2004 it intends to intermediate for some 160 tons of pigeon pea. In 2003, the Forum purchased the pigeon peas from its members at a price of 2.000,00 MZM/Kg and sold them at 2.500,00 MZM/Kg to SAGAR. Since the price at the factory gate was 3.000,00 MZM/Kg, many farmers brought their produce directly to Gurué by bicycle. Another experience noted is a mediation between the forums of Lioma and the trader Napanja & Filhos (of Malema) for the purchase of 80 tons of maize.

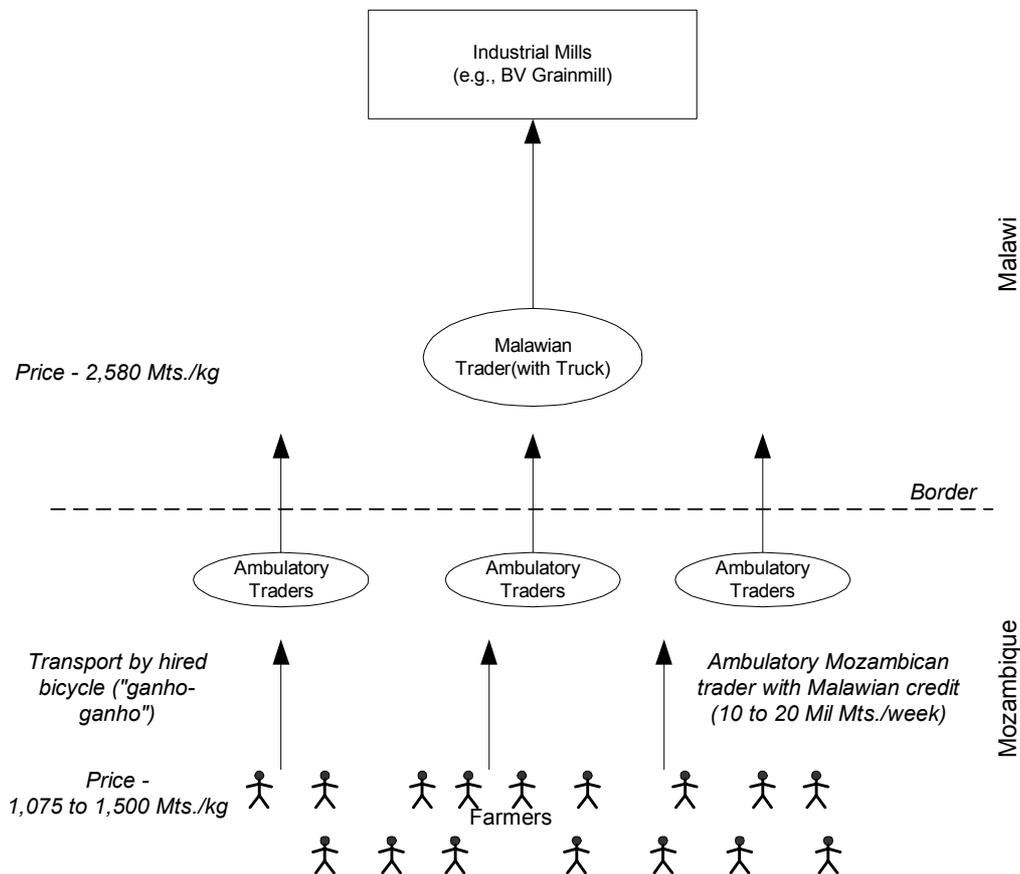
22. SAGAR – a private intervening party in the agricultural market of Gurué – is a company founded by the Society for the Development of Zambézia (SDZ). SAGAR is an agricultural society for the commercialisation, processing and export of Pigeon peas. The technology used in the factory is rather traditional and imported from India. Management is also in the hands of people originating from India. The factory's capacity is 5000 tons/year, working in 3 shifts. However, in July 2004, a mere 900 tons/year were being processed in the factory. The “transformation” process is rather simple: cleaning, husking, mixing of beans with oil (dahl), packaging and export. The transformation produces: 23% bran; 2,8% impurities and 75% dahl. The company encounters difficulties with respect to drying in its installations in Gurué.

23. The international market (India and Malawi) for dahl is 400 USD/Ton (10 to 12.000,00 MZM/Kg). SAGAR also exports pigeon peas in bulk during the month of September when the opportunity arises. In 2003, SAGAR faced serious problems in obtaining sufficient raw material, mainly due to competition from buyers coming from Malawi. It was necessary to acquire pigeon peas in Milange and Namarrói. According to SAGAR the production potential in Gurué is 3000 tons/year. The society also intends to participate in promotion activities, something that has not been done so far because of financial reasons.

² The CCM program ended in May 2004. However, one of the partners of the Irish TROCAIRE Council was willing to finance the period June – December 2004. Within this period, the CCM was supposed to present a proposal covering the next years.

24. The informal traders play an important role in the commercialisation system of the district of Gurué, but the following analysis also holds true for the remaining districts as well. Figure 4 shows in diagram form the functioning of the transaction chain with respect to butter bean.

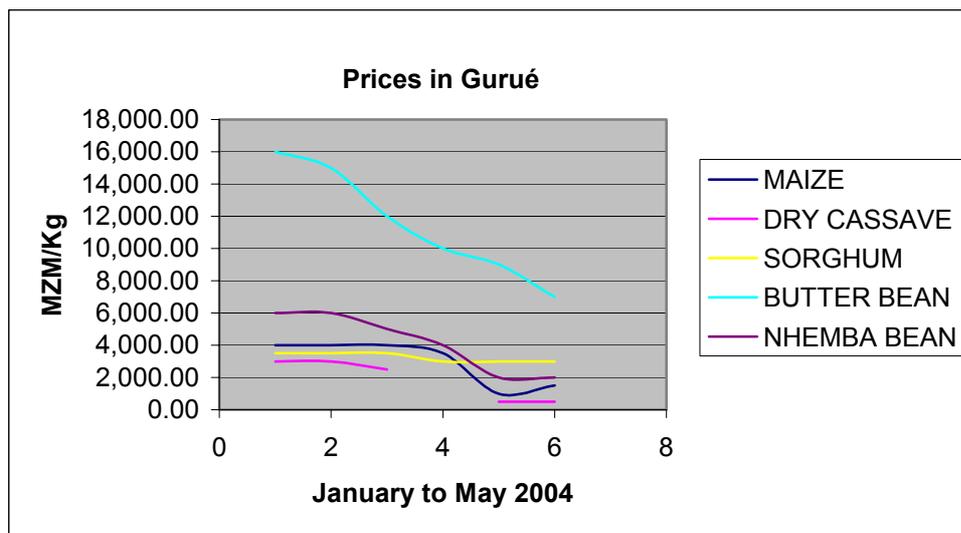
Figure 4: SUPPLY CHAIN FOR BUTTER BEAN FROM GURUÉ TO MAPUTO.



25. The informal traders transport and sell between 0,5 to 2 tons per day per person. The transport price between the field (Ruace or Mulumbo) and the town is around 250.000,00 MZM/ton. The three-day work cycle consists of buying one day, hauling one day and selling one day.

26. Figure 5 illustrates the prices of some products for the producer in Gurué during the period of January until May 2004.

Figure 5: PRICES OF THE MOST IMPORTANT AGRICULTURAL PRODUCTS IN GURUÉ.



The figure reveals the common pattern of price fluctuation during the annual cycle from January onwards (“time of Hungry”) until May, which is the time of abundant harvests. It is important to note the price reaction of dry manioc which accompanies the lowering of the prices of maize and beans, thereby showing its substitution in times of food shortages.

ALTO MOLOCUÉ.

27. The district of Alto Molocué, located along national highway number one between the urban centres of Quelimane (at 360km) and Nampula (at 200km) is better positioned in terms of market access than Gurué and Milange. The district has both fixed and mobile telephone networks. During the last decade, this district experienced abrupt changes with respect to access to agricultural markets. After the Peace accords, when agricultural production started to rise, access was problematic, and many producers did not have a market for their surpluses. Between 1995 and 1998 this situation changed rapidly due to the activities of formal and informal traders. At the time, the excessive commercialisation of maize and beans caused food instability in the district. Nowadays, in view of new market perspectives, there are attempts to diversify production. There are various NGOs and outgrower schemes active in Alto Molocué, which try to work with the population in promoting different crops. In the following sections, we will describe some of the more salient aspects of the development of commercialisation in this district.

28. In colonial times a settler colony was established in the Nauela area; in addition to stimulating Portuguese farmers the Government, through ICM, promoted family agriculture. Alongside the roads *machambas* were parcelled out for families, opened up with heavy equipment, and mechanized tillage on credit was introduced, which was to be reimbursed after the harvest. The ICM purchased the produce at a big scale, in particular maize. At present the commercial complex of Mugema, with two warehouses (one recuperated) of 5000 tons capacity each, is the last testimony of this impressive agricultural past.

29. The Associação Moçambicana para o Desenvolvimento Rural (AMODER) is active in the district of Alto Molocué since 1996. The strategy of this association is to provide loans to private operators in this area, with a view to stimulating the rural economy. Loans of 25 to 75 million MZM are granted for the rehabilitation of rural shops, for the setting up of mills, for commercialization, etc. In a 1997 survey AMODER’s portfolio in Alto Molocué showed serious problems with respect to

down payments, and even bad faith on the part of the debtors (one of them simply fled with the capital destined for rehabilitating the shop at the rural community of Nivava). In May 2004 AMODER had a portfolio of 20 loans; 4 debtors had fulfilled their obligations; 7 had delays and the remaining ones had received reminders from the financier (AMODER). Generally speaking, it seems that the strategy implemented by AMODER does not offer perspectives for solving the commercialization related problems of the majority of the population. There are also doubts about the sustainability of the operations carried out during the last 8 years in Alto Molocué.

30. In the mid 1990s, the Ibramugy group from Nampula acquired the cotton installations in Alto Molocué. However, they did not make a positive impact on the rural economy partly due to the drop in cotton prices on the international market, which occurred in the beginning of 2000. In 2003, three private farmers/traders from Nampula Province were admitted as shareholders in the company and the Sociedade Algodoeira de Alto Molocué (SAAM) was established. The SAAM works with 40 foremen and 11 technicians. During 2004-05, it intends to make contracts with 7352 families for the production of cotton in the concession area (4011 families in Alto Molocué and 3341 in Gilé and Ile). Cottonseed production in 2003-04 amounted to 1500 tons; in 2004-05 the plan is 5000 tons. The average yield is planned to be 600 to 700 Kgs/ha. The processing capacity installed in the factory is 1600 Kgs/hour (8 bales/hr).

31. The technical staff from the DDADER of Alto Molocué estimates the following volumes to be commercialised in 2003-4: maize - 16.000 Tons; beans - 5.000 Tons; dry manioc - 14.000 Tons. The prices indicated were: maize – May: 1.500 MZM/Kg; August: 2.500 to 3.500 MZM/Kg and in December: 6.000 MZM/Kg; beans - 8.000 to 10.000 MZM/Kg in the harvest month and 12.000 to 18.000 MZM/Kg six months later.

32. The storage capacity in the district is large. In Mugema, the ICM has a usable capacity of 5.000 tons and another 5.000 tons is to be rehabilitated. In the district centre, the ICM owns an additional facility with 1.500 tons capacity. The mill's storage capacity is around 3.000 tons. The cotton factory has three 100x30 meter warehouses, while the company CFM has a 100x50 meter warehouse.

33. From 1996 onwards, the company João Fereiro dos Santos (JFS), from Nampula, is promoting tobacco production in Alto Molocué. During the 2003-04 campaign, they worked with 2.500 families, producing Burley and 76 Virginia (first year), in 0,25 ha plots per family. The technique for preparing the nurseries is rather complicated; traditionally the farmers use firewood to disinfect the beds, but now the company provides chemicals (Asefate) on credit. The sowing of the beds is precision work, due to the need to use a small quantity of seeds. The cycle includes 4 treatments and 2 fertilizations. The total input package for 0,25 hectares costs 520.000 MZM, provided on credit by the company. The crop requires intensive supervision by the farmer and the technician, but yields can be profitable. The following table exemplifies what may be possible in theory.

Figure 3: THEORETICAL YIELDS – FAMILY PRODUCTION.

Weight/Kg	Class	Price Unit/ MZM	Value/MZM
50	1	37.000,00	1.850.000,00
200	2	28.000,00	5.600.000,00
100	3	23.000,00	2.300.000,00
50	4	15.000,00	750.000,00
50	5	10.000,00	500.000,00
50	6	7.500,00	375.000,00
500		TOTAL	11.375.000,00

Unfortunately, the results in practice are different. During the 2002-03 campaign, 2.500 families produced 225 tons of tobacco, i.e., an average 90 Kgs per family. These poor results caused JFS to change its entire team (foremen, technicians and the engineer)!

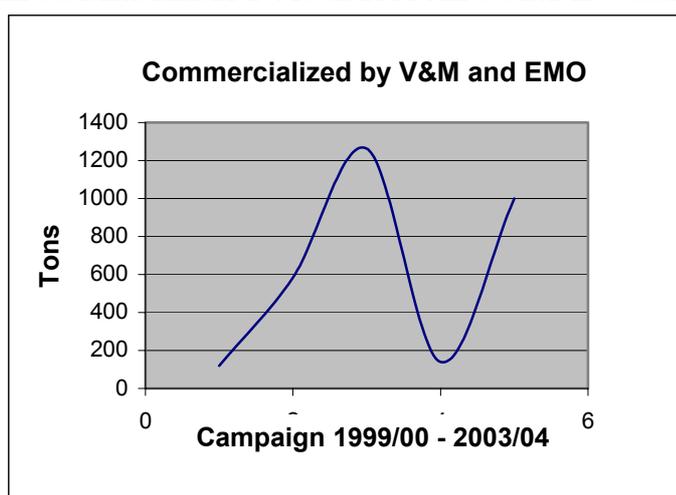
34. The trader, Ali Ossene, is owner of the Sociedade Agrícola da Zambézia (SAZAM). During the course of the privatization process in the mid 1990s, he acquired the Teixeira mill built by the Portuguese during the colonial era. The equipment’s make is RONCAGLIA (Italy 1971). The mill functioned until 1974 with a capacity 1,5 tons/hour, 156 hours per week, 50 weeks per year, i.e. with an annual capacity of 11.000 tons. It employed 80 workers.

In the future, SAZAM intends to produce flour in packages of 50, 25 and 12,5 Kgs. The important market for this mill is the city of Nampula (with transportation costs of 500.000 to 600.000 MZM/ton) and a calculated margin of 1.000 to 1.500 MZM/Kg of flour. In practice, the mill is being used way below capacity, due to technical problems and due to the fact that the owner does not pay sufficient attention to it because he has many other businesses (forestry concessions, industrial agriculture, cashew trade, etc.).

35. Apart from mediating between the 5 forums and Ikuru Sarl, Clusa dedicates itself to the production of soy in Alto Molocué. Through its global network, it succeeded in interesting a buyer from northern Europe and therefore mobilized farmers, organized in groups, to introduce the crop on 0,5 ha plots. The technical file shows that financial revenues from 1 to 1,5 million MZM per ha can be reached (with 30Kg/ha of seeds at 13.000 MZM/Kg; obtaining yields of 800 Kgs/ha and selling at 3.600 MZM/Kg to Ikuru), an amount that does not differ much from that obtained with other beans that are grown traditionally. Soya requires specialized techniques, such as inoculation.

36. The companies, V&M and Export Marketing Company have entered into commercialisation in this district, using a warehouse from ICM in Mugema (recuperated). Figure 6 indicates the volume of purchased maize.

Figure 6: VOLUME OF MAIZE COMMERCIALISED IN MUGEMA BY THE COMPANIES V&M AND EXPORT MARKETING.



Prices applied in the 2001-02 campaign (in acquiring 1262 tons) vary from 750 MZM/Kg in May, to 1.000 MZM/Kg in June, to between 1.750 MZM/Kg and 2.000 MZM/Kg in December and 3.500 MZM/Kg in January. One of the forum leaders in Gurué characterized V&M’s purchasing policy as follows: “...when the Malawians enter, V&M increases the price a bit...”.

37. Another aspect of the purchasing policy of V&M and the Export Marketing Company is the great instability with respect to purchased volumes. The local communities of Naulela never know whether there will be commercialisation. During the Verde Azul team's visit to Mugema, at the end of May 2004, it was still unclear whether the Export Marketing Company would buy the maize or not. In the course of another visit, in December 2004, one learned that 1014 tons had been bought, but that commercialisation was halted for lack of a market. The purchase price varied between 1.700 and 2.000 MZM/Kg, whereas in Quelimane the price ranged between 3.300 and 3.600 MZM/Kg and the local traders commercialised maize from Mugema for Quelimane. The Export Marketing Company is not interested in this business because volumes are small and therefore tries to sell its maize in Malawi and other countries.

38. V&M started buying maize in Mugema in 1999, using its "foot soldiers", i.e., salaried people who purchased the maize at the various commercialisation posts. This system turned out to be not feasible, which is why the company started buying the produce, at the factory gate, from the informal traders of the area. Prices were slightly higher for bigger volumes (2.300 instead of 2.000 MZM/Kg) in June 2004. However, the company abandoned this policy as well, and after moving its activities from Zambézia and Nampula to the province of Manica, V&M now uses private traders who, with V&M credit, buy maize and other produce in great quantities and subsequently supply the company. In other words, during the last five years, V&M abandoned the system of purchases directed by itself, and started large scale purchasing of agricultural produce through big intermediaries, who directly deal with the company and also use V&M credit.

39. In addition to maize, the big companies purchase other produce, such as butter bean, *mapira*, cowpea and pigeon pea. Butter bean is sold in Maputo, hauled by hired transport companies, mainly the transporter, Latji. Cowpeas and pigeon peas are exported through the Nacala port.

40. In a community about one kilometre from the complex of Mugema, one of the community leaders of the area, Mr. Lopes Napiracué held strong views about commercialisation in Mugema. He stated, "... the population is not liberated..." he said, referring to the prices being dictated by the big buyers, due to the lack of a market or to the monopolization of the market in the area. He referred to colonial times when there was stability and the producers could count on the market. He also said of the informal traders, commonly referred to as "the informals", that "... they are our children, but they no longer respect the most senior people ...".

ILE

41. The district of Ile constitutes the "zone of passage" between the poles of Gurué and Mocuba. Situated in the middle of the district, where the national highway providing the connection with the town of Gurué runs, various aspects of the environment make one aware of a lethargy. As is the case in other districts, there exist networks of informal traders. Clusa has taken the initiative to set up forums in the areas of Namanda, Nipiode and Mugulama (the last two along the national highway to Alto Molocué). The post of Mulevala, an area located a distance from the district centre, has a different commercial dynamic due to the activities of some agricultural associations.

MOCUBA

42. In contrast to Ile, the district of Mocuba presents itself as an important centre of commercial agriculture. During colonial times, Mocuba was a centre of sisal and cotton production. State intervention after 1975 gave rise to Mocuba Sisal and the Cotton Company of Namagoa EE. However, during and after the armed conflict, these agricultural activities went through a period that

may be characterized as a “slow death”. Until the end of the 1980s, Mocuba Sisal processed sisal, but the cotton centre in Namagoa (located in the triangle formed by the bifurcation of the Licungo and Lugela rivers) was completely destroyed. Contrary to what one expected, the enormous investment in equipment and construction of the textile mill of Mocuba did not change the course of events.

43. After the Peace Accords, the Government tried to reactivate the cotton production by privatising the Cotton Company of Namagoa. The newly formed company, PIDICO, started both promoting the growing of cotton as well as production under direct management on the fields of the former state enterprise, which at the time were occupied by war refugees. This provoked a serious land conflict, which, in combination with bad management and a hoped for World Bank credit that did not come forth, resulted in bankruptcy.

44. After PIDICO’s bankruptcy, the Empresa de Algodão of Namagoa was re-privatized into MOCOTEX. This company started its activities low profile, with some promotion activities and using the processing capacity of the cotton enterprise AGRIMO in Morrumbala. In this way it avoided big investments. After obtaining funding/donation of the European Union for diversifying agricultural production in Mozambique, it expanded its activities. In 2004, it has various contracts with families for the production of cotton, under a concessionary system, and it announced a 200.000 USD investment in the rehabilitation of the cotton-ginning factory in the city of Mocuba

45. USAID strongly influenced extension and commercialisation of agricultural produce in the district of Mocuba, through the funding of two American NGOs, ADRA and Clusa. Clusa established an office in the town of Mocuba and set up a network of market extensionists/facilitators in five districts of Zambézia Province. One year later, USAID unilaterally decided to close the operation, leaving many contracts and perspectives suspended

46. ADRA started its activities in Zambézia Province in the district of Maganja da Costa, where it implemented a food security program for a period of five years (1997-2002), with priority for re-plantation of cashew. In 2001/2002, these activities were transferred to the district of Mocuba. In June 2004, ADRA had an office in Mocuba town, a big network of extensionists with a fleet of off-road cars and motorcycles to maintain contacts with the producers in the districts of Maganja da Costa, Ile and Mocuba. ADRA intends to establish the link between the cashew producers and the market, but, according to the program manager, “... cashew is not for any farmer whatsoever ...”. ADRA wants to bet upon the so-called fast track farmers.³ The ADRA program ends in 2006, and they intend to propose an extension until 2011.

47. The administrative post of Mugeba is, in terms of agricultural production, one of the richest areas of the district. It was an area under the influence of the cotton companies (Monteiro&Giro) and the ICM. But according to the head of the administrative post, Mugeba has “... the highest rates of anaemia, especially among children and women ...”. She indicated that one of the reasons for this is the lack of commercialisation; people do not diversify their diet. It is difficult to obtain salt and oil in the interior of the post’s area! Another reason for this problem is tied to gender relations. The system of division of roles between men and women in Mugeba is clear. A man and woman jointly have a *machamba*, but both the women as well as the men have a separate *machamba* of their own. The benefits of the joint *machamba* are for the children and for commercialisation, whereas the produce of the other *machambas* is destined for the respective families. In practice, the man de facto

³ The program in the district of Maganja da Costa partly failed – despite the planting of thousands of new cashew trees – because the farmers were not interested due to the lack of a secure market for cashew.

controls decision power concerning the moneyed part of production. The advice from the head of the post is that any intervention in commercialisation should take these cultural realities into account.

48. In Mocuba, there exists a nucleus of associations (APEMO, UPEMO and AMUZA) that work in the town's surroundings. They had access to credit for agricultural equipment, but encountered serious problems in making their activities sustainable and attractive for other farmers.

MORRUMBALA

49. The district of Morrumbala is Mozambique's richest district in terms of rainfall and soil quality. Since 1950, it has been the centre of cotton production in Zambézia, with the Cotton Society of Zambézia (SAZA) and in its wake three big companies from the colonial era: Textáfrica, the Companhia da Zambézia and Lopes & Filhos. In 1973, cotton production on 12.000 Km² had reached its peak of 14.000 tons. At present, the district hosts a new cotton-ginning factory, built in 1996 by AGRIMO, with an initial investment of 11 million USD, 2 million USD of which was a loan from the International Finance Corporation. According to AGRIMO's vice-director, the plant has a capacity of 24.000 tons/year (bibliography [8], Simon Norfolk and Dalte Soberano, 1998)

50. Based on a realistic estimate of an average yield of 0,75 tons/ha, the factory in the long run needs an area of 32.000 ha of cotton per year. 32.000 *machambas* equates to some 32.000 families. If on average, families consist of 6 members each, one can conclude that the functioning of the factory will benefit 192.000 people, i.e. almost the entire population of the district. Without these quantities, however, the factory will not be profitable. AGRIMO apparently had a certain obligation vis-à-vis the population. The big problem is that both AGRIMO as well as the farmers are completely dependent on the international market price. During the last few years, this price decreased considerably and AGRIMO did not fulfil its contractual obligations to the producers. As a result, the company went bankrupt and subsequently was sold to the American company, Donovan. This is how a much praised economic intervention ended.

51. According to the District Directorate of Agriculture and Rural Development, the production of maize amounts to 32.000 tons, 50% of which is commercialisable. Of the commercialised maize 70% is destined for Malawi. Traders from Maputo are not yet active in the district. There is a considerable shipment of maize from Morrumbala to the Brandão market in the city of Quelimane. The tobacco promotion company STANCOM opened a branch in the administrative post of Derre and intends to introduce tobacco on *machambas* of 16.000 families. There are companies such as Zanntrex (with strong support from World Vision) that have contacted the inhabitants of Morrumbala regarding the production of sesame and sweet pepper.⁴

52. Associations are well known in Morrumbala. There exist 28 associations and UNAC is represented by a district coordinator. The headquarters of the União Distrital de Cooperativas (UDCM), the associations of Chivungu (at 30km from Morrumbala town, and established in 1995) and of Cumbabo (at 7km, and established in 1996) were visited. Summarizing, we can make the following observations about the agricultural and cattle breeding associations in Morrumbala:

53. The direct intervention by UNAC was – contrary to the Union's principles – forced upon it through a donation of agricultural equipment without accompanying capacity building of the farmers

⁴ At the end of the 1990s World Vision, in partnership with a Zimbabwean trader, promoted the introduction of sweet pepper in the area of Pinda. Towards harvest time the market was not guaranteed, and the producers were left with their produce.

in using this equipment. In order not to lose the investment, UNAC (a national structure) was obliged to station a manager in Morrumbala for ensuring the management of the equipment.

54. World Vision focussed its activities in the field of extension and market facilitation on the UDCM associations, and this created a clear distinction between the associations in terms of market dynamics. With Zanntrex as buyer, World Vision introduced sweet pepper. During the 2002-03 campaign production was 130 tons of dry sweet pepper.⁵

55. There are donor driven activities in the associations that are not sustainable. A clear example is poultry farming by the association of Cumbabo, which follows a model of the General Union of Co-operatives (UGC) in Maputo. In 1997, chicken coops were built with donated funds, and both the chicks as well as the feed were imported. After 2 years logistics broke down and the chickens died.

56. The association of Cumbabo practices working collective *machambas*. When asked to express their desires, the members mentioned a collective *machamba* of 4 ha of cotton, yielding 50 sacks of 40 Kgs, at a price of 5.000 MZM/Kg. Thus, each one of the 40 members would gain 250.000MZM. The members expressed this idea seriously, and at the same time with innocence, not considering the unfeasibility of this association at a time when the rural economic situation requires institutions that generate money to fight poverty.

57. During the 2002-03 campaign, the association of Chivungu embarked upon the commercialisation of maize. The capital for purchasing probably came from abroad. 857 cans were purchased at the local market price (35.000 MZM/can) and the maize was sold at the Brandão market in Quelimane for 40.000 MZM/can. Transport from Morrumbala to Quelimane was 10.000MZM/can, while costs for storage, handling and supervision respectively amounted to 1.000, 330 and 500 MZM/can. It was a first attempt to enter the market, but at a loss. The association could not compete with the informal traders from Malawi.

MOPEIA.

58. Mopeia is one of the least developed districts of Zambézia. The reasons have to do with: (i) the transfer of the national highway ferry's location to Chimuara, diverting all North-South traffic and with it the economic and commercial development in its wake; (ii) the paralysis of the Luabo sugar mill during the last 20 years; (iii) the difficult access to certain areas of the district, which, up to now, have remained outside the formal commercial network, such as the area of Conho and the so-called "Zona Baixa". In 2004, Mopeia only had one access road (of 40km), linking the town with the national highway at Zero. The district has electric energy from the national grid and a fixed telephone network of TDM.

59. The Zona Baixa is the left bank of the Zambezi River between the towns of Mopeia and Luabo (72 km), with extremely fertile soils. After the collapse of the bridge over the Cua Cua river (near Mopeia), and with the road not passable during 7 months of the year, the area is devoid of all commercial activity. One of the consequences is the existence of huge price differences within the district. In colonial times – according to the counsellors of the Francisco Assis Association – the

⁵ The manager of Zanntrex used to work as a technician for Chico Mozambique. During the 2001-02 campaign this company promoted the production of sweet pepper in Nampula Province, with funds from the PSOM program of the Netherlands Embassy. Towards harvest time Chico Mozambique simply disappeared from Nampula, leaving the producers without a market. With this experience in mind, the manager founded Zanntrex and started working in Zambézia.

Lower Zone had a network of rural shops managed by Indian traders. The traders supplied the population in times of hunger, often resorting to barter trade.

60. Contrary to its present day situation, Mopeia used to be an important development centre, with the introduction of modern agriculture and its inclusion within a global commercial system. This development took off when, around 1880, Paiva Raposo tried to grow poppy in the Thewe plain, with the intention to export the drug to Europe. However, his mission was destroyed by floods. Years later, the Englishman John Hornung started with his first sugar cane fields in Mopeia Velha, on the basis of which he developed one of the first and biggest sugar industries of Mozambique. In Muruia, on the banks of the Zambezi, a small port was built, from which a railway line was built to present-day Mopeia, where the warehouses of the Sena Sugar Company are located. When Sena Sugar Estates relocated its sugar activities to Luabo and Marromeu, the area was transformed in a settler colony for rice growing. One of the settlers introduced rice processing. After independence, various attempts were made to transform Thewe into a state enterprise for the production of rice. In 1978, after the great Zambezi flooding, the Government tried to relocate the population of the area to a communal village on high grounds near the administrative centre, but in the beginning of the 1980s the war interrupted all activities.

61. There are four agricultural associations in Mopeia: The Associação de Paz (founded at the time of the Peace agreements and supported by the Capuchin monks, with 40 members); The Associação Francisco Assis (founded in the beginning of the 1990s with support from CARITAS/Zambézia, with 168 members); and the Associations of Chiverano (80 members) and Limane (40 members), which were founded with support from GTZ in the beginning of the 2000s.

62. The four associations own land in the fluvial Thewe plain, where one finds the old infrastructure for irrigation and flood defence.⁶ The Associação de Paz is the most developed one. It has managed to minimally rehabilitate the irrigation system. It collects the unhusked rice from its members, processes it and sells the clean and selected rice in shops in Quelimane. Production of commercialised unhusked rice varies between 100 and 200 tons per campaign. There are different packages for clean rice: of 25 Kgs, 12,5 Kgs and 5 Kgs in plastic bags with an emblem that indicates the production site (Thewe) and the fact that no chemicals have been used. The price of first quality rice is 20.000 MZM/Kg.

63. The district has storage capacity. The ICM has its 300 tons warehouse, which is of standardized design (see Volume II, Annex 6), the Sena Sugar Company owns two warehouses of 5.000 tons each and CARITAS is constructing a 200 ton warehouse. The Sena warehouses need some minor rehabilitation.

64. Traditionally the farmers from Mopeia grow rice and maize. The agro-ecological system allows for this rather unusual diversification. A first inventory of the areas with cereals production has been made. In addition to these traditional crops, attempts have been made to grow sunflower, but this failed. Chilli pepper is grown, for which World Vision promotes the partnership between the producers and the company Zanntrex. During the first campaign (2003-04), 3 tons of dried chilli pepper were produced. The textbox below shows some technical data.

⁶ The Associação Francisco Assis succeeded in negotiating a rehabilitation of the infrastructures (400ha) through the Small Scale Irrigation Project (SSIP) of the National Directorate of Hydraulic Agriculture (DNHA).

Growing of chilli pepper was introduced in 0,25 ha plots per family. Sowing is done in beds, during the months November-December. Per 0,25 ha 2 beds (24mx2) and 210 grams of seeds (25.000 MZM) are required. After 42 days, when the seedlings have reached a height of 20cm, they must be transplanted. Harvesting is done in the months May and June. Production per 0,25 ha may be some 50 Kgs of dried chilli pepper. There is a quality classification. The secret is harvesting at the right time; the criterion is “depth of colour: red, almost black...” of the chilli pepper. Drying is partially on the plant but subsequently on mats. There are 5 quality classes with prices varying between 21.000 MZM/Kg to 5.000 MZM/Kg. The Zanntrex technician is the one who determines the quality class! The average yield per 0,25 ha may be 600.000 MZM. The price for the producer is 500 USD/ton. The market is in Malawi, Spain and South Africa. Zanntrex exports dried chilli pepper per truck/container by way of Nacala port.

NICOADALA.

65. The district of Nicoadala has three distinct zones: (i) the coastal strip along the Indian Ocean with a high population density, and with coconut plantations and rice; (ii) the fluvial plain adjacent to the dunes, with one single crop, namely rice; (iii) the relatively high grounds with forest and growing of manioc, beans and pineapple. National highway number 1 crosses the district and from the town of Nicoadala there is a connection (40km) with the city of Quelimane on the coast. Despite the fact that it is located close to the fourth urban centre of the country, Nicoadala still has many places that are only accessible with difficulty, especially during the rainy season. Recently a relay system for mobile telephone communication was installed in the district.

66. Due to the proximity with the city of Quelimane and its suburban surroundings (around 200.000 inhabitants), agriculture in Nicoadala is partially commercial. Production of rice and pineapple has a good outlet on the city markets. However, the whole supply chain is managed by the producer himself. With the rice husking and processing plant in Quelimane and the small fruit canning factory in Licuari (50km) both being idle, processing of these crops has been stalled for the last fifteen years.

67. In the district town there are: (i) two warehouses that were built recently by the Instituto Nacional de Gestão das Calamidades Naturais (National Institute of Natural Disaster Management) (1000 tons); (ii) warehouses with a capacity of 200 tons on the premises of the former state enterprise of M'ziva (25km); (iii) one 300 ton warehouse in the Mucêlo irrigation area. In addition, in Gogodane (30km), at the border with the district of Namacurra, there are ruins of warehouses that may be used as commercialisation posts. The Gogodane installations belong to the Madal Group.

MAGANJA DA COSTA

68. Just like Nicoadala, Maganja da Costa is part of the Zambezi river delta complex, and therefore it also consists of three different zones in terms of agro-ecology: (i) the coastal strip; (ii) the fluvial plains (fertile); (iii) the sandy higher grounds (poor). Access to the district is problematic, with only one connection from the south (Licungo river) to the north in Mucubela (at the crossing of the Nipiode river). The remaining road network consists of tertiary roads and unclassified roads that link the main axis with the coastal areas (Nante, Cabuir, Bajone) and with Mocuba. The organization, ADRA, rehabilitated part of the tertiary roads. The district has a telephone booth of the fixed TDM network. Before long, the area expects to be connected to the national electricity grid, which is being installed.

69. The most important crops in the district are manioc and cashew on the high grounds, rice in the plains and coconut in the coastal strip. The district is vulnerable to flooding, with consequences

for food security. Dry manioc minimizes shortages during times of flooding. There is a system of internal commerce in the district. Cashew is much sought after by traders from Nampula, so that during the months of November and December informal traders are very active in the district (see paragraph 4.2.3). There is almost no market for rice. The family system is to peel rice, haul it to the local markets (or to Quelimane and Mocuba) and try and sell it in small quantities (see paragraph 4.1.3).

70. The Associação Rural de Ajuda Mutua (ORAM) started a rehabilitation program after the 2001 floods in the area of Baixo Licungo, which has the following components: (i) rehabilitation of the irrigation systems and support of rice growing; (ii) rehabilitation of access roads/bridges and roads in the interior; (iii) commercialisation and processing of rice and copra; (iv) building social infrastructures. During the 2002-03 campaign, 94 tons of unhusked rice was commercialised, and in 2003-04 this was 180 tons, at 2.500 MZM to 3.000 MZM/Kg. A shop was opened in the city of Quelimane where clean rice selected according to variety is sold in 25Kg packages that have an emblem, at prices of 10.000 MZM/Kg for non-aromatic rice and 11.000 MZM/Kg for aromatic rice. One has started the creation of a commercialisation enterprise for the purpose.

71. Storage capacity in the district of Maganja da Costa is limited. There are ruins of the rice factories in Nante/Mopeia and of the cotton and plywood factories in Mucubela. After a thorough rehabilitation, the warehouses can be used. In Nante, there is a storage capacity estimated at 800 tons by the consultant, and in Mucubela it is around 1.000 tons. Apart from this, there are the ruins of local shops (Cariu, Missale and Naico) that may serve, after being rehabilitated, as warehouses for commercialised produce.

CAIA.

72. Most of the population of Caia, in the north of Sofala Province, is concentrated on the fertile soils on the right bank of the Zambezi River. During the last 10 years, the people have directed their commerce towards the market of Malawi. The entire commercial production crosses the bridge at Dona Ana to Vila Nova Fronteira and Malawi, transported by bicycle. Consumer goods also come from Malawi. The Caia – Sena road was the main development axis of the district. With the opening of the stretch Inchope – Caia of National Highway number 1 in 2003, the partial isolation was eliminated and the district economy was redirected towards the rest of Sofala Province and even towards the country's south. From 2004, the district town has access to a mobile phone network.

73. The zone of Murraça, located halfway on the Caia – Sena road has a rich agricultural history. It was here that one of the few agricultural co-operative movements in Mozambique started. UNICOOP, inspired by engineer Joaquim Estevão Sentena⁷ was founded around 1960 in order to ensure credit for ploughing and commercialisation/ processing of produce. On the Zangue and Zambezi river planes, 3.000 ha were parcelled out and cleared from trunks, for the growing of various crops (rice, sesame and sunflower) and above all for cotton. To this end, the local population was removed (!) and 56 Portuguese and 12 Mozambican farmers were installed, each one with a 40 to 50 ha *machamba* and a house. UNICOOP functioned as a settler colony. In 1968/69, a cotton-ginning factory was constructed that was put into operation in 1970. Another factory was planned for the production of sesame and sunflower oil. After 1975 all activities were interrupted. In 2004, the entire Murraça agro-industrial complex is still in ruins.

⁷ Engineer Sentena was the first director of the Instituto de Algodão de Moçambique (IAM) and administrator (from 1967 to 1974) of UNICOOP.

74. It was on the basis of this experience, that in 1995, after the return of the population from Malawi, an associative movement started in Murraça, the Associação dos Agricultores de Ordenamento de Caia (ASOCA). In subsequent years, the associative movement grew and in 1998 – with support from UNAC - the União Distrital das Associações de Caia (UDACAIA) was founded, which had 28 member associations in 2004.

75. The following table offers an impression of the dimensions of the agricultural sector in the district of Caia.

Table 4: DATA ON THE AGRICULTURAL SECTOR, CAIA 2002.

1	Surface Area	347.700	Ha
2	Area under Cultivation	39.000	Ha
3	Cultivated Area as % of Total	11,2	%
4	Number of Inhabitants 2002	90.297	Unit
5	Number of Families 2002	18.059	Unit
6	Number of Farmer Families	16.253	Unit
7	Average Area per Family	2,4	Ha

90% of the population live in the rural areas, especially along the Zambezi river valley, in the administrative posts of Mopeia Sede, Murraça and Sena.

76. With financial support from an Italian cooperation group, funds were injected in UDACAIA for the purchase of 100 tons of maize. A warehouse with a capacity of 200 to 300 tons was built as well. The program's philosophy was to realize two objectives: 1. food security, and 2. to obtain a good price for the members of the associations. The program buys maize during the harvest period (20.000 MZM/can) and re-sells it to the members during the "hunger period" (40.000 MZM/can). Part of the maize is sold on the market. UDACAIA is trying to sign contracts with V&M from Chimoio. For the 2004-05 campaign, the purchase of 200 tons of maize is foreseen.

77. In addition to this program, some individual members of UDACAIA through mediation of the Agência de Desenvolvimento Local de Sofala (ADELSO) received credit from GAPI, in order to conduct small businesses along the Caia-Sena-Malawi corridor, to invest in their individual *machambas*, and to obtain a workforce for clearing soil, etc.

78. Information on the areas of crops under cultivation during the 2002-03 campaign was provided by the District Directorate of Agriculture and Rural Development in Caia. According to this information, the area of maize planted during the first period was around 9.000 ha and during the second period it was 6.000 ha. The second biggest crop is *mapira* with 5.100 ha planted, followed by rice with 2.680 ha. It was difficult to get information on commercialisation. However, it is known that the most commercialised crop is cotton, and that the formal network is made up of the Companhia Nacional Algodoeira (CAN), the company V&M (for maize and sesame) in cooperation with the NGO, Food for the Hungry. A large part of commercialised volume goes to Malawi through the informal traders' network.

GORONGOSA.

79. Whereas Caia could compensate for its isolation by focussing on Malawi, the district of Gorongosa was completely isolated during the armed conflict. Years later, the traumatization of the population could still be felt by those who visited the communities in the northern part of the district. All changed with the rehabilitation of the road, and all of a sudden, from one year to the next, the

possibilities of and perspectives for development and business increased. At present, small commercial activities are developing between Gorongosa and Nhamapaza (157km). Apart from having the TDM fixed phone network, the district in 2004 gained access to a mobile network and before long the connection with the national electricity grid will be completed (the only thing still lacking is building the crossing over the Pungué river).

80. The network of accessible roads in the district is limited to the National Highway. However, the rehabilitation of the dirt road that goes around Monte Gorongosa was begun in 2004 starting from the National Highway in Piro (142km) to Casa Banana. It will be completed in 2005 with the stretch to Vanduzi and the return to Gorongosa. The old connection with Inhaminga will be rehabilitated as well, including the bridge over the Zangue River. This road, which forms a half circle around the mountains, will open up a huge potential for agricultural commerce. Still needing to be done is the rehabilitation of the tertiary roads to the villages and the fields of production, apart from the secondary road from Gorongosa to Pinyananga in Gondola, which passes through the community of Sacuza (rich in agricultural products).

81. During colonial times, Gorongosa attracted many people from abroad. Apart from the famous National Park (Wild Game reserve), a settler colony was set up alongside the mountain, exploiting the fertile soil and the hydro resources (Nhabiriri and other rivers). People who want to learn about the history of agricultural commerce from the oldest farmers, will certainly come across the name “*Santa Mosca*”. Santa Mosca was a hunter who started a mill in the district’s commercial zone and in 1967 he built, with technical assistance from Germany, an industrial mill of the make MIAG (including production of animal feed). According to the interviewees, Santa Mosca bought almost all maize of Gorongosa, and he provided credit to reinforce the agricultural campaign, ensuring food security in the district. In order for these activities to function well, he established a rigorous control system and a centralized management. Flour was marketed in the urban centres.

82. The mill’s recent history (the last 10 years) is not very promising, but it is typical of these agro-industrial enterprises in Mozambique. After Santa Mosca left (he owned the most luxurious house in town), the Government intervened in the mill complex, and privatized it in the beginning of the 1990s, when it was acquired by the trader Adamo Amad Seni. Despite the new owner’s many plans and propaganda, the mill never functioned. In 2000, under heavy pressure by GTZ, the Provincial Government retook the installations in order to re-privatize them, this time in favour of the Beira entrepreneur Barca. In 2004, the second owner had the premises painted, a fence erected, some buying posts along the National Highway, and he had bought a small quantity of maize. The mill was still not operational, due to lack of energy.

83. At the end of the armed conflict, the high poverty rate in Gorongosa attracted emergency programmes. Large organizations such as GTZ and Red Barn established representations in the district and helped the Government and the population in the post-war emergency and rehabilitation phase. Red Barn later left the district, but GTZ changed its intervention, and adopted a rural development strategy primarily focussing upon participatory district planning. Within this context, GTZ supported civil society and the União Distrital de Associações de Gorongosa (UDAG). It helped this association to build an office/warehouse, and offered technical assistance. Due to an internal power struggle, this support was probably not accompanied by an internal development within the Union, and at present the UDAG does not play a relevant role in the district.

84. This organizational void, the lack of strategies by local and international organizations⁸ when it comes to commercialisation, in combination with the gradual opening up of the National Highway to the north, has resulted in the commercialisation initiative being confined to the informal traders, who buy for instance maize in Canda (30km) and sell it in Xai Xai in the province of Gaza.

85. The American NGO, “Food for the Hungry International” (FHI) started activities in the district at the end of the 1990s, promoting new crops (sunflower, sesame, honey, etc.), providing market information and mediating on behalf of formal traders, in particular for V&M. FHI’s activities are based on a model that is similar to the one used by Clusa in Nampula. For its operations, V&M uses the ICM warehouse.

86. In the following table, we show some general data on the agricultural sector in the district of Gorongosa.

Table 5: GENERAL DATA ON THE AGRICULTURAL SECTOR, GORONGOSA 2002.

1	Surface Area	765.900	Ha
2	Area under Cultivation	21.000	Ha
3	Cultivated Area as % of Total	2,7	%
4	Number of Farmer Families	16.000	Unit
5	Average Area per Family	1,3	Ha

87. In general, the dynamics of the district of Gorongosa is superior to that of Caia. Information by the DDADER of Gorongosa on commercialisation during the 2002-2003 campaign is summarized below:

Table 6: DATA ON AGRICULTURAL SECTOR – PRODUCTION AND COMMERCIALISATION IN GORONGOSA, 2002-32002 CAMPAIGN.

Nr	Crop	Production (Ton)	Commercialised (Ton)					%	Prices (MZM/ Kg)	
			V&M	INTERBEIRA	MOBEIRA	CNA	TOTAL			
1	Maize	7.259	302	1.225	1.052		2.579	35,53	2.500	3.000
2	Sorghum	4.298	193	262			455	10,59	2000	
3	<i>Mexoeira</i>	1.094					0	0,0		
	Subtotal cereals	12.651					0	0,0		
4	Butter bean	930	736				736	79,14	7.000	
5	Cow pea	180					0	0,0	4.000	
6	Jogo bean	36					0	0,0	2.000	3.000
7	Pigeon pea	19					0	0,0		
8	Peanut	431					0	0,0		
	Subtotal beans	1.666					0	0,0		
9	Manioc	3.048					0	0,0		
10	Sweet potato	750					0	0,0		
11	<i>Nhame</i>	1.260					0	0,0		
12	Reino potato	510					0	0,0		
	Subtotal tubers	5.568					0	0,0		
13	Sesame	50	6				6	12,00	6.000	7.000
14	Cotton	1.000				982	982	98,20		
	Total	20.935	1.237	1.487	1.052	982	4.758	22,73		

⁸ In 1998 ORAM, through its Sofala branch, presented a proposal to GTZ for the construction of a warehouse in Canda, aimed at facilitating the storage of community produce, thus allowing for obtaining better prices in commercialization. This project was not approved by the Government. In 2001-02 ORAM tried to interest GTZ in investing in a mill (at the time Government property), thus laying the groundwork for a future Cooperative Society. GTZ was interested to include the investment in the KWF programme, but did not succeed in doing so.

35,5% of the maize is commercialised by three formal traders. These provide credit to informal traders to collect the maize in the field. During the 2002-03 campaign, Mobeira established its mobile brigades in the district. Part of the maize leaves the district without being registered.

88. The team from Verde Azul (and Rias) met several times with the leadership of the Canda community.⁹ On these occasions, the *régulo* of Canda clearly expressed his dissatisfaction with maize leaving the community at low prices, dictated by the buyers. He referred to the commercialisation system of colonial times through “the Canda shops”. These shops are situated on the mountain slope and are in ruins. A visit to the site showed the reality of this past, when the shop owners had a relationship with the community (boss – client), and succeeded in ensuring a minimum of stability and commercial security. The elderly community members clearly prefer the past system to the “anarchy” of current informal trading.

When the NGOs and the companies entered the district, the agricultural pattern changed. The following Table lists the various stakeholders:

Table 7: INTERVENING PARTIES IN THE SYSTEM OF FAMILY AGRICULTURAL PRODUCTION IN GORONGOSA.

Nr	Crop	Year	Organization	Remarks
1	Sesame	1995/96	Red Barn and Africare	No continuity
2	Sunflower	1997/98	FHI	No continuity
3	Tobacco	2003/04	Daimon	Despite much work negative results
4	Cotton	1996/97 2003/04	and CNA/DDADER	No continuity
5	Chilli pepper	2003/04	Sunsmile/DDADER	Left towards buying period
6	Maize		V&M/FHI	Reasonable

The last column indicates the observations by the community members. Sunsmile deserves special attention. Sunsmile is a Dutch-Mozambican company set up with a view to receiving the subsidies offered by the PSOM (Programme for Cooperation in Emerging Markets) fund of the Netherlands Embassy. Sunsmile asked DDADER in Gorongosa to assist in promoting the growing of chilli pepper in the district. When commercialisation was due, the company bought a mere 2 tons of dried chilli pepper and then halted operations because of lack of funds, sacked its technicians and the managers disappeared. Chilli pepper is a perennial crop!

90. Annex 7 in Volume II shows a photocopy of a tobacco production contract (for the 2002-2003 campaign) between the company Tabacos de Manica Ltd (TdM)¹⁰ and a tobacco producer in Gorongosa. Analysis of the contract shows that the producer has no bargaining power vis-à-vis the company. Prices of inputs, determination of output quality (classification) and, consequently, the price, are completely controlled by the concessionaire. During the 2004-2005 campaign, Daimon works in the district of Gorongosa with 1800 farmers, on a 600 ha area.

GONDOLA.

91. Gondola is the most populated district of Manica Province, with seven administrative posts. The Beira Corridor runs through the district and the junction of National Highways 1 and 6 is also here. The territory of the city of Chimoio is also located within the district, but it is not integrated in

⁹ Canda was the first community in Sofala that – with support from ORAM’s Sofala branch – managed to formalize its rights concerning occupied land. To this end, it implemented a delimitation programme to solve various conflicts about land and natural resources that had surfaced immediately after the General Peace Accords. In accordance with the Technical Annex to the Land Law, a land committee was set up within the context of the delimitation process. This committee initiated various development actions, including actions towards commercialization.

¹⁰ TdM owns the company Daimon. Recently, Daimon joined forces with the company Stancom. From March onwards, the new company, Daimon Standart, will start activities in Mozambique.

the district administration. The town of Gondola has electric energy from the national grid, and a major part of the area along the Beira Corridor has access to a mobile phone network. Because of its location, Gondola has easy access to markets: it has connections with the urban centres of the country's centre, with Zimbabwe and with the south and the north.

92. In the last few years various organizations (all with offices in the city of Chimoio) started activities to facilitate market access of producers. The following information is from the DDADER of Gondola:

- During the 2002- 2003 campaign, in the wake of the drought occurring in the country's centre, the organization Magariro (funded by Concern, from Ireland) launched the initiative to create cereals banks in Mupumubutu (25km) and Pinyananga.
- ACDI/VOCA trained some members of 36 farmers associations in handling market information, the registry of sales and relationships with the companies buying produce.
- IRDP-Kellogg (jointly with ADEM) supports the setting up of interest groups, offers credit and capacity building.
- TecnoServe developed activities to assist banana growers in improving the quality of handling and in guaranteeing more secure markets.

93. There are many informal traders operating in the district, hauling maize and beans to Beira and to the country's south. The formal buyers are Mobeira, V&M and Abílio Antunes (big poultry breeder).

94. In the 1990s, UCAMA in Gondola succeeded in buying maize from its members and selling it to the UGC in Maputo, for poultry breeding. With support from their partners they built a warehouse so as to facilitate the trade. After some years, this business started to flounder and UCAMA entered into a crisis. However, based on these experiences it managed to enter into various partnerships, among them:

- FOS Belgium: subsidies for operational expenses.
- Swedish Co-operative Centre Regional Office Southern Africa (SSCROSA) for working in Barué: facilitation of relations with the market.
- ACDI/VOCA for the districts of Gondola, Manica and Sussundenga: facilitation of relations with the market.
- Oxfam US in the district of Manica: support to associations in breeding of poultry and production animal feed.
- Cuso Canada: consultancy.

95. ACDI/VOCA has based its activities on the UCAMA network (in each UDAC a Business Development Centre – CDN was created), but when one takes a closer look at the partnership relationship one notes that it involves organizations with two very different objectives that are brought together. UCAMA is a lobby and advocacy organization, with social objectives and management systems, and with a long-term vision; ACDI/VOCA (funded by USAID) has objectives that are very commercial, short term and very dynamic. The consultant had the impression that the ACDI/VOCA staff “bang their head against the wall” at the lethargy and sluggishness of the associated members of UCAMA.¹¹ As a result, the American organization has imposed the

¹¹ GTZ-PRODER of Manica carried out an institutional analysis of UCAMA. There was agreement on the necessity of introducing changes in the Union's management. However, these changes were never implemented and GTZ pulled out of the partnership.

obligatory fulfilment of “indicators”, which were assigned by the financier and ACIDI/VOCA itself. In addition, they have set up a control system and a database, so that the commercial performance of each farmer can be monitored. A number of associations were removed from the programme because of insufficient compliance with the indicators.

96. ACIDI/VOCA is mediating on behalf of the associations with a view to supplying:

- Chilli pepper “*sacana*” under contract with Sunsmile (!),
- Maize and peanut seeds (100ha) under contract with Semoc, production for “Freshmark”
- Sweet pepper under contract with Pimento de Moçambique (250 producers),
- Financial products of Gapi,
- Maize, beans, cowpea (brown mix) and sesame under contract with V&M for “sophisticated markets” and for the off-season production of vegetables.

In the three districts, 2575 members of 160 associations (24 were removed) are receiving assistance, with an amount of 500.000 USD of accumulated sales in 2 years (October/2002 to September/2004). One does note a new and rare agro-commercial dynamic (might one call it a *revolution*?) to which the farmer is taken...or maybe “pushed” by the organization that facilitates the relation with the market. Two problems rise: (i) Sustainability – in April 2004, it was as yet not certain whether there would be funding for the second phase of the ACIDI/VOCA project. If funding is not obtained and should ACIDI/VOCA halt operations, will one maintain this dynamic? (ii) will the impact made be registered and evaluated in relation to the total costs of this mediation?¹²

97. In the beginning of the 1990s, the Irish NGO, Concern invested in the post-war rehabilitation of the northern zone of the district of Gondola. In 2001, it created a Mozambican NGO, Magariro, to follow up on the development of the area. Magariro introduced the idea of “cereals banks”. In April 2004, the Verde Azul team visited the bank in the community of Mupumbutu (administrative post of Cafumbe; locality of Mudima). Magariro lent 180 million meticais to a local association, repayable in 4 years, without interest. Apart from the 180 million loan, there are loans for cattle and agricultural equipment. The objectives of the intervention are: (i) ensure the food security of the community, and (ii) increase the financial income of the members. In the following table one finds some indicators concerning the financial operation of the 2002-2003 campaign.

Table 8: COMMERCIALISATION OPERATION 2002-2003, COMMUNITY OF MUPUMBUTU.

Description	Qt/Kg	Price Unit/MZM	Value/MZM
Sales	56000	3.000,00	168.000.000,00
Purchases	56000	2.000,00	112.000.000,00
Gross Margin			56.000.000,00
Labour			28.000.000,00
Handling			2.000.000,00
Total Costs			30.000.000,00
Profit before depreciation			26.000.000,00

¹² It would be important to analyse the costs of Technical Assistance (salaries and other fixed costs, including those of the headoffices) offered by organizations facilitating relations with the market, such as World Vision, ACIDI/VOCA, Clusa, Adra, etc., as well as their relation to results obtained. To this end, one should introduce activity based budgeting in order to calculate total expenses for each activity. That would allow for determining the real costs for each farmer reached. These costs would be incorporated in calculating the desired price of the commercialized product. If the market price does not cover this desired price, what should be done? Up to which point will this assistance be necessary? Will the facilitators have secured the means to maintain it? It comes down to – “are these interventions sustainable?”.

The Association bought 56 tons of maize from the farmers of the community at 2000 MZM/Kg in the months May to September of 2002 and sold these to the same community members at 3000 MZM/Kg in the period from November 2002 to February 2003. The capital return, of 45 million in each one of the 4 years indicates that the operation is economically not viable. The Association has 12 members who at the same time are its staff. The warehouse has a capacity of 50 to 60 tons. The *régulo* is also member of the association. In times of hunger, a community member may ask the *régulo* for a loan in maize, which must be returned in kind come the next harvest.

SUSSENDENGA.

98. A large part of the district of Sussundenga is located on the Manica Plateau. The town of Sussundenga is located at 45km from the city of Chimoio (good quality dirt road). It has electricity from the national grid and fixed telephone connections. There are roads leading to the administrative posts of Rotanda (...km of good quality dirt road) and Dombe (...km). Transporting cargo from the town of Sussundenga to Dombe is almost impossible due to the steep decline of the plateau towards the Dombe plain, therefore merchandise from Dombe destined for Chimoio is transported by way of Muchungo, on National Highway number 1.

99. The area of Rotanda is on the border with Zimbabwe. The area is rich in hydro resources, which the farmers use for irrigation purposes. Main crops are wheat and garlic. The market for garlic is in the south of the country, whereas commercialisation of wheat encounters serious problems. Mobeira tried to use the Rotanda wheat for milling, but for reasons the consultant was unable to verify desisted doing so.

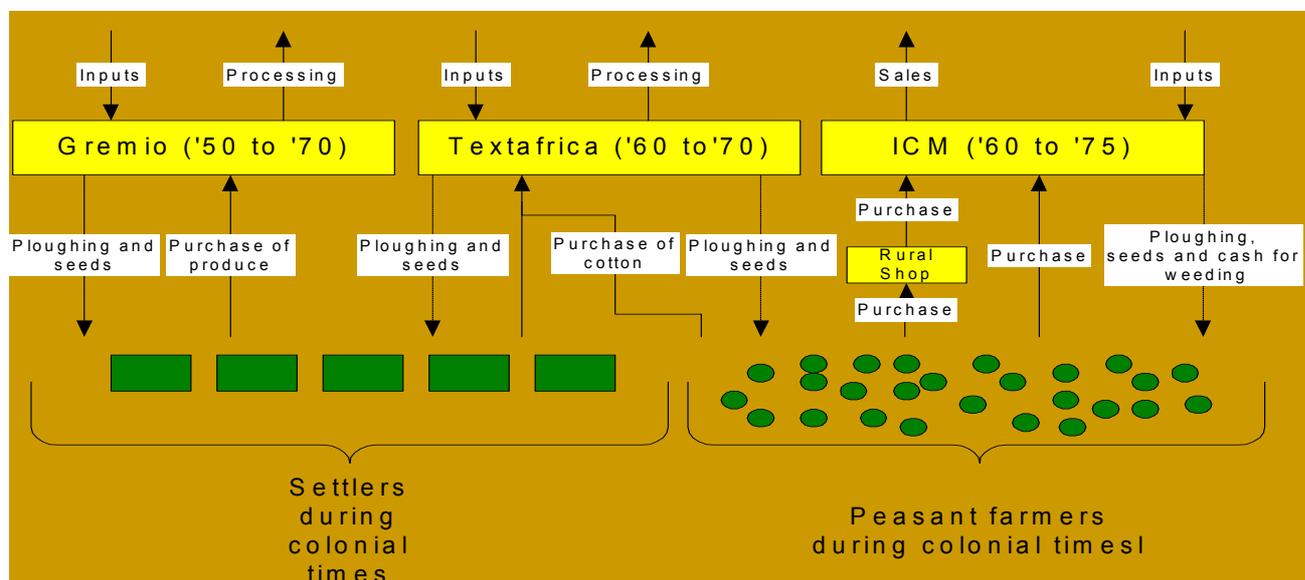
100. 40% of the district population lives in Dombe, which is a zone rich in terms of agricultural production. Family banana plantations are located near the edge of the plateau. Every day trucks carrying bananas leave for the south of the country. During colonial times, Dombe had an industrial mill, of the Italian make Roncaglia. Annual capacity was 2.500 tons and the flour was sold in 1Kg sacks and in 50Kg bags. Part of it was sold locally.

101. The DDADER of Sussundenga estimates the 2003-04 campaign maize production at 27.400 tons, 40% of which was commercialised and 60% stayed in the district for self-consumption. The greater part of this maize is commercialised by informal traders. V&M, which was active in the district, closed down during the 2002-03 campaign. The main warehouse in the town (5.000 tons) was let by the DDADER to a tobacco company, the ICM warehouse in Rotanda (common design – 300 tons) is closed and the warehouses in Dombe have been privatised.

102. The Verde Azul team interviewed farmers from an interest group supported by ACDI/VOCA called *Rambawaraira* (“...are always proving...”) in the locality of Munhinga (40km) in the community of Copenha. One of the farmers (Mr. Lucas Jornal), who is about sixty years of age, offered some clear and firm statements. Currently he and his family cultivate 2ha (using a hoe). He gets some assistance from a youth from ACDI/VOCA, who brings cowpea seeds of Semoc, on credit (25 Kgs). But during colonial times, he managed to work 7 to 8 ha in the same area. The six ha that he doesn't cultivate now, because of lack of means, have turned into bush. During colonial times, he grew maize, cotton, sunflower and even *reino* potato. He got help from ICM with ploughing on credit (the “institute” had various groups of tractors stationed in Rotanda, Dombe, Penhalonga and Sussundenga), and a number of agro-industrial agents commercialised his produce. These included GRÉMIO, which commercialised the maize and *reino* potato, Textáfrica, the cotton, a factory of edible oil bought the sunflower, etc. All these groups have ceased functioning.

103. The farmers of Sussundenga referred to a system that supported production, and which functioned during the last decade of colonial rule. In the following figure, we offer a diagram depicting this rural chain of agricultural commercialisation and credit.

Figure 7: AGRICULTURAL COMMERCIALISATION AND CREDIT STRUCTURES DURING COLONIAL TIMES IN MANICA.



The “Agricultural Society” was an organization defending the interests of the Portuguese farmers (under Colonial Government tutelage), which organized inputs and commercialised the produce. The Society started its work in the 1950s. The ICM was an autonomous institution part of the colonial state apparatus.

104. Farmer Lucas Jornal touched upon the main problem of the agricultural sector in Mozambique that has not been solved, despite the numerous projects that have been implemented to date: the creation of sustainable transaction channels that are controlled by the producers. When one investigates and enters into contact with the generation of farmers who lived during colonial times, one frequently encounters references to “the Society” in the country’s centre region. In other parts of the country people refer to “the institute” and in still other places to the ICM.¹³ These are points of reference for the stability of the rural market and the support structures of agricultural production, which no longer exist.

105. A new phenomenon in Manica Province is the Zimbabwean farmers who, after the agrarian reforms in Zimbabwe in the last 5 years, have settled in Mozambique. Proposals were made for a project that would occupy 500.000 ha of fertile soil along the Pungué River, in the districts of Barué and Macossa.¹⁴ After a study by the UEM and a seminar organized by the ORAM branch in the city

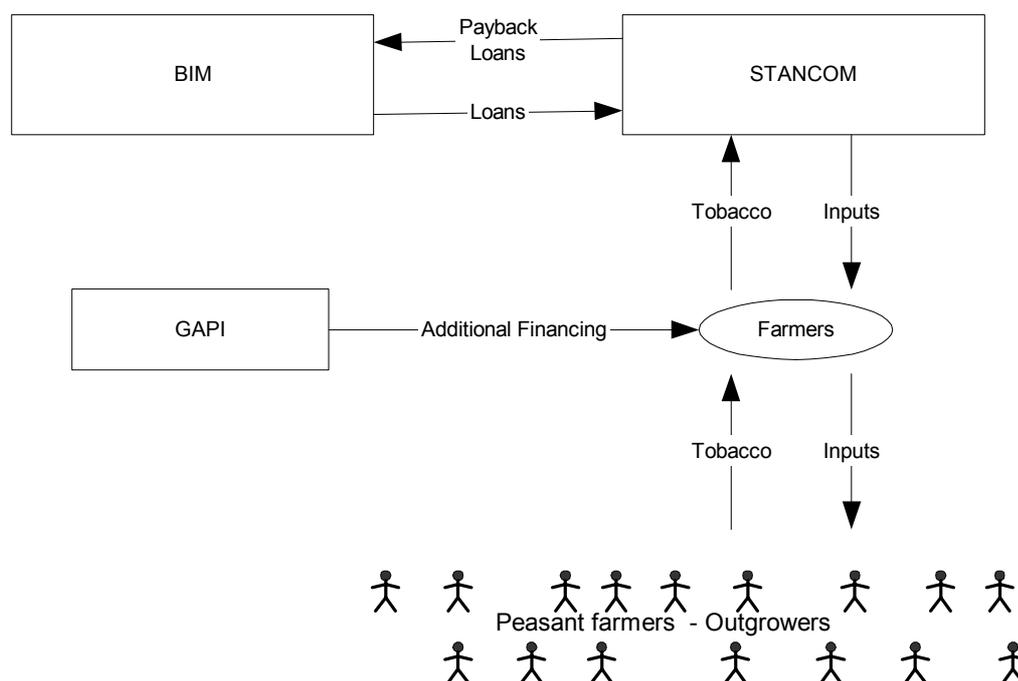
¹³ After the General Peace Accords, the Government again established the Instituto de Cereais de Moçambique, in an attempt to fill in the void left by AGRICOM. Although the statutes of the present ICM have been designed with a view to solving some problems that are pre-eminent in the agricultural sector, in practice the ICM never was equipped to perform in accordance with its objectives. Nowadays the ICM has been replaced by the private sector and does not play a role in the commercialization of surpluses in the rural areas.

¹⁴ The original map, prepared by the consultancy firm STS - Southern Technical Services – identifies the properties (on average 2.600ha each), the new road network, and the areas to which the population would have to move (including “beer halls”).

of Chimoio (February 2002), it became clear that the above option was not socially viable. Therefore, the farmers applied individually for plots of land (often former properties). A place much preferred is the former settler colony of Sussundenga, which covered a total area of 120.000ha (17% of the district).¹⁵

106. Apart from the land issue, these farmers still face problems related to lack of credit and of a secure market. However, flexible as they are, they came up with a partnership model in which they themselves act as middlemen between the multinational agro-industrial companies and the rural population. With respect to the tobacco business in Manico, for instance, the following scheme is developing:

Figure 8: MODEL OF TOBACCO PROMOTION WITH MEDIATION BY THE “FARMERS”.



107. In the opinion of the NGO OSEO, this model incorporates the peasant farmers into the global system, but without them having the possibility to influence the price level. OESO also expressed concern about the use of child labour in the tobacco sector of Manica.

108. Due to the intervention of the South African company, Pine Pinar, the sunflower sector turned very dynamic. For the 2002-2003 campaign, the company signed individual contracts with 3606 farmers in the districts surrounding Chimoio. It provided credit in the form of seeds, and rented the factory of the company “Manica Oil”.¹⁶ However, the experience with the 2002-2003 campaign are not positive from Pine Pinar’s point of view because farmers sold a lot of produce to third parties (“side selling”). Therefore, the strategy for the 2003-2004 campaign was changed. Instead of working with individual farmers, contracts were made with groups of farmers (103 groups, the leadership of which has an important role in ensuring compliance with contractual obligations). The

¹⁵ Information from the DDADER of Sussundenga indicates that the private sector (Mozambican and foreign) has submitted applications for almost all the land of the former settlement.

¹⁶ Manica Oil is owned by three partners and its factory has annual capacity of 2.500 tons, 15% of which is utilized at present.

offering of credit for seeds is not foreseen for the 2004-2005 campaign, because of the risks. The capital for purchasing the produce is from Gapi (months of July to October, with 24% annual rent). The final product is edible oil, bottled in 5 litre bottles and sold at 25.000 MZM/litre. Competition from imported oil is strong.

MANICA

109. The location of the district of Manica along the Beira Corridor and at the border with Zimbabwe offers advantages from the point of view of commerce. In the past, Grémio bought the produce, stored it and hauled it by train to the Chimoio mill. There are ICM warehouses in the district town (which were leased by V&M). The Associação dos Camponeses de Manica (ACAMA) also owns a warehouse. Another warehouse – although in ruins – is to be found in the administrative post Vanduzi (Mavonde, 40km of good dirt road).¹⁷ The district is connected to the national electricity grid and to fixed and mobile phone networks as well.

110. Several NGOs are active in the district: ACDI/VOCA (negotiated 100 million MZM from Gapi for the associations), ADIPSA (provided small credit), KWS (supported groups of women in poultry breeding) and the American Friend Services (with donations). However, according to the District Director of Agriculture and Rural Development, all these small interventions do not solve the commercialisation problems. Commercial traders also do not perform in a satisfactory manner. V&M halted its operations and Casa M'sica also is no longer involved in large-scale commercialisation.

111. A visit was paid to the Association Cucuta Cuchinga (“...Who wants to satisfy himself has to struggle...”), which has 24 members, in the community of Nhahosse. The association owns a self-made natural irrigation system and produces vegetables for the Beira market. In the past, they were assisted by Grémio, which bartered maize for products such as soap and salt. ACDI/VOCA works with the association in (i) providing market information (for instance about vegetable prices on the Goto market of Beira), and in (ii) supplying cowpea seeds from Semoc, and more recently sweet pepper seeds. However, the association members do not agree that ACDI/VOCA functions as a kind of front company in this business. For instance, it was ACDI/VOCA, which, on behalf of Semoc, collected the reimbursed beans. However, by April 2004, the farmers still did not have direct contacts with Semoc. As the members put it: “*Nós queremos conhecer o patrão ...*” (“We want to know who is in charge ...”).

BARUÉ

112. The Pungué River delimits the district of Barué in the south. In the north, Barué borders with the district of Guro. The mountains in the west separate the district from Nyanga Land in Zimbabwe. Barué is located along the National Highway, Chimoio – Tete. Those who travel beyond Barué to the north, encounter drastic climate changes, both in Guro as well as in the district of Changara. While the climate in Catandica is cool, with abundant rainfall accounting for the green landscape, Guru and Changara face a structural lack of rain.

113. A group of farmers from Zimbabwe have settled in the southern part of the district of Barué, along a tributary of the Pungué River (the enterprise belongs to four partners). The 2.000ha plot that

¹⁷ The current post of Mavonde is new, and was established 7km before the old one. A 7km stretch of road and the main Government premises still have to be rehabilitated. Near the Honde river (another 5km) one encounters ruins of warehouses.

was applied for is located within the Sanhamutambe community.¹⁸ A country house and a warehouse have been constructed, both having a temporary aspect. The farmer is producing hybrid maize seeds, using sprinkler irrigation. He also introduced a semi-industrial mill and commercializes maize from the neighbouring population. The mill runs in two shifts, with a capacity of 11 tons per day. The purchase price at the mill's gate is 3.500 MZM/Kg. The whole flour is sold in Chimoio, at 320.000 MZM per 50 Kg bag. The investment in equipment amounts to some 40.000 USD. Also planned is the introduction of beef cattle for the Zimbabwean market. The impression one had was that the maize later is going to serve as fodder for these cattle.

114. In terms of storage, the district has little capacity. In Mpataguenha (40km alongside the main road to the north), a warehouse of 300 ton capacity is under construction. Ruins of a small warehouse (5x10m) can be found in Chuala, and in Cruz (30km to the south) there is a complex of shops attached to a warehouse.

115. The organization most active in facilitating market access is the “Swedish Co-operative Centre Regional Office Southern Africa” (SSCROSA). The organization operates from, and in partnership with, the UDAC from Barué. The methodology used consists in organizing the producers per crop and zone. The following table offers some information on this organization:

Table 9: MEMBERS AND ASSOCIATIONS UDAC/SSCROSA FROM BARUÉ.

Nr	Crop	Qt	Members
1	Tobacco	3	497
2	Bean	7	264
3	Tea and coffee	2	73
4	Garlic	1	17
5	Paprika	6	242
6	Sesame	1	3
	Total	20	1096

	Rural families Barué (census '97)		15189
	Degree of organization		7,22

There are 20 associations (not yet legalized) with a total of 1096 members. Each farmer can be member of various organizations. The organization degree is 7,2%.

116. SSCROSA/UDAC assists producers in the production and post-harvest handling, and in getting access to the market. In the tobacco sector, they also monitor the classification carried out by staff from the company, Daimon. The association succeeded in negotiating a better price for the producers during the 2002-2003 campaign.

¹⁸ According to the Land Law, the applicant is obliged to consult the community before the land title is granted. In this case, the local community, with support from ORAM, objected against the non-compliance with these rules. The consultation was carried out later and the community decided to accept the investment the way it was.

2.2. Comparison and systematization of the situations with respect to commercialisation in the districts visited.

117. After the description of the situation concerning agricultural commercialisation in the various districts, we intend in this section to summarize and describe the observed patterns. Table 10 is an attempt to classify the contribution each intervening party makes to increase the influence exerted by the producer on the agricultural markets in the centre of Mozambique. The consultant marked out this contribution on a 1 to 10 scale, where 1 represents the case where there is no improvement whatsoever of the producer's control over the market – the producer has to sell at a price determined by the buyer.

Table 10: COMPARISON OF THE DIFFERENT INTERVENING PARTIES PER DISTRICT AND PER CROP, IN ACCORDANCE WITH THE EXTENT TO WHICH THEY FACILITATE PRODUCER INFLUENCE ON THE AGRICULTURAL MARKETS.

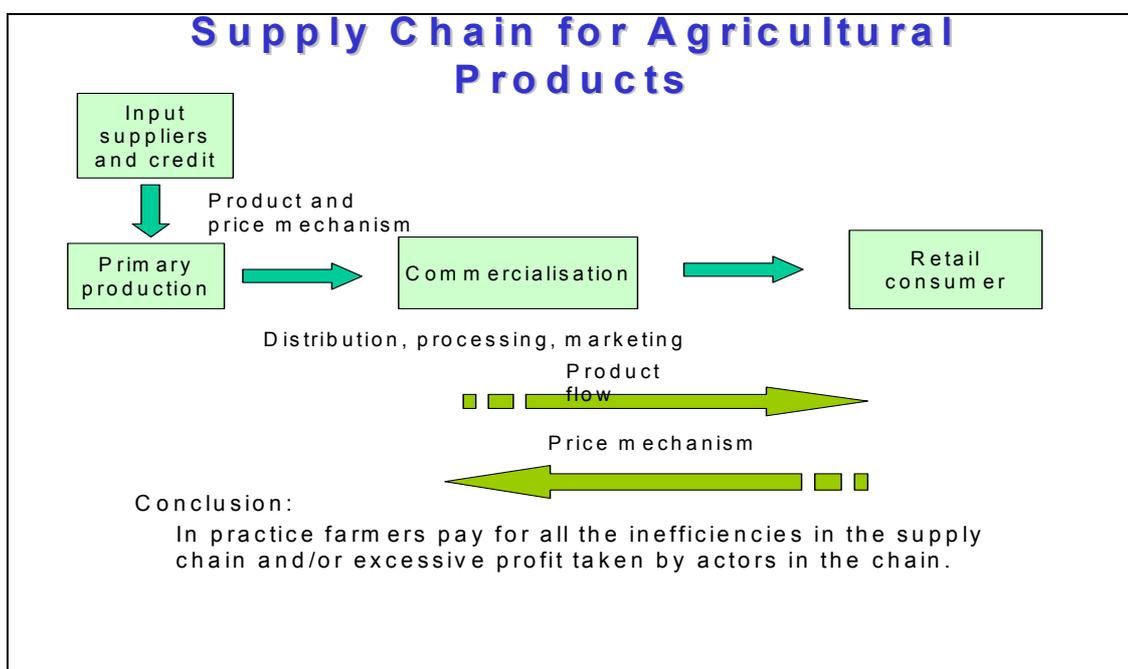
Nr	District	Intervention	Crop	Facilitation of producer influence on the market											
				1	2	3	4	5	6	7	8	9	10		
1	Milange														
		PROSAM / World Vision	New Crops				5								
		V&M / Export Marketing	Maize/Beans		2										
		Casa Liaze / Reis	Maize/Beans		2										
		Zanntrex	Chilli pepper			3									
		Malawian Traders	Maize	1											
		Informal traders	Maize/Beans			3									
2	Gurué														
		OVATA / World Vision	New Crops				5								
		CCM	Multi Crop			4									
		Clusa	Butter Bean						7						
		SAGAR	Pigeon pea		2										
		V&M / Export Marketing	Maize/Beans		2										
		Malawian Traders	Maize / Pigeon pea	1											
		Napanja & Filhos	Maize		2										
		Inkuru	Butter Bean								8				
	"Traders from the South"	Butter Bean		2											
		Informal traders	Maize/Beans			3									
3	Alto Molocué														
		AMODER	Multi Crop			4									
		Clusa	Butter Bean /Soya						7						
		SAAM	Cotton	1											
		JFS	Tobacco	1											
		SAZAM	Maize	1											
		Inkuru	Butter Bean /Soya								8				
			V&M / Export Marketing	Maize/Beans		2									
		Informal traders	Maize/Beans		2										
4	Ile														
		Inkuru	Butter Bean								8				
		Informal traders	Maize/Beans			3									
5	Mocuba														
		MOCOTEX	Cotton	1											
		ADRA	Cashew				5								
		AGT	Cashew	1											
6	Morrumbala														
			DONOVAN	Cotton	1										

Nr	District	Intervention	Crop	Facilitation of producer influence on the market																
				1	2	3	4	5	6	7	8	9	10							
		STANCOM	Tobacco	1																
		World Vision / UDAC	Chilli Pepper					5												
		ZANNTREX	Chilli Pepper			3														
		Informal traders	Maize/Beans			3														
7	Mopeia																			
		ASSOCIAÇÃO DE PAZ	Rice																	9
		CARITAS	Rice					5												
		GPZ	Rice					5												
		ZANNTREX	Chilli Pepper			3														
		Informal traders	Maize			3														
8	Nicoadala																			
		Traders from the South	Pineapple	1																
		Informal traders	Rice /Pineapple		2															
9	Maganja da Costa																			
		AGT	Cashew	1																
		GERALCO	Cashew	1																
		Traders from Bangladesh	Cashew /Copra	1																
		MADAL	Copra	1																
		Alif Quimica	Copra	1																
		Informal traders	Rice /Copra			3														
10	Caia																			
		UDACAIA	Maize																	8
		Adelso	Maize						6											
		CNA	Cotton	1																
		V&M / Export Marketing	Maize/Beans		2															
		FHI	New Crops					5												
		Informal traders	Maize/Beans			3														
11	Gorongosa																			
		DAIMON	Cotton	1																
		Sunsmile / DDADER Gorongosa	Chilli pepper		2															
		FHI						5												
		UDACGORONGOSA	Maize						6											
		MOBEIRA	Maize		2															
		BARCA	Maize		2															
		V&M	Maize/Beans		2															
		Informal traders	Maize/Beans			3														
12	Gondola																			
		UDAC / Asdi Voca	New Crops					5												
		MOBEIRA	Maize		2															
		A Antunes	Maize	1																
		IRDP-Kellogg	New Crops					5												
		SEMOG	Cow pea		2															
		TechnoServe	Bananas						6											
		Sagref / Pine Pinar	Sunflower			3														
		Pimento de Moçambique	Sweet pepper / Chilli pepper		2															
		MAGARIRO	Maize																	7
		V&M	Maize/Beans		2															
		Informal traders	Maize/Beans			3														
13	Sussundenga																			
		UDAC / Asdi Voca	New Crops					5												
		STANCOM	Tobacco	1																

Nr	District	Intervention	Crop	Facilitation of producer influence on the market											
				1	2	3	4	5	6	7	8	9	10		
		Sagref / Pine Pinar	Sunflower		2										
		Informal traders	Maize/Beans			3									
14	Manica														
		UDAC / Asdi Voca	New Crops					5							
		STANCOM	Tobacco	1											
		CASA M'SICA	Maize	1											
		Sagref / Pine Pinar	Sunflower			3									
		Pimento de Moçambique	Sweet pepper / Chilli pepper		2										
		SEMOG	Cow pea		2										
		Informal traders	Maize/Beans		2										
15	Barué														
		DAIMON	Tobacco	1											
		UDAC / SSCROSA	New Crops							7					
		Farmer O'NEILL	Maize		2										
		Informal traders	Maize/Beans			3									

Figure 9 offers a commercialisation diagram. The situation on the ground in Mozambique, as in other countries, forces the producer to accept the prices that are being offered by the buyer. The scale from table 10 indicates the extent to which the intervening party manages to increase the bargaining power of the producers in the chain.

Figure 9: SUPPLY CHAIN OF AGRICULTURAL PRODUCE.



118. As remarked before, classification 1 from table 10 refers to the case where the buyer dictates the price. One encounters this situation for instance in the cotton concessions. In this case, the Government tried to partly act on behalf of the producers, by determining a minimum price after negotiations with the Associação das Companhias Algodoeiras. However, in line with the cotton regulations, the negotiating capacity of the farmers producing cotton is very weak.

119. In the situations classified as 2 in table 10 – the majority of the cases — the buyer uses informal traders, who often originate from the area. In this way, the producer has a minimal influence, and sometimes he may be able to negotiate very small margins with the informal trader. In the situations classified as 3, the buyer works with a facilitator who prepared the producers in participating in a relationship with a promotion enterprise, for instance such as Zanntrex in the purchase of pepper, or Sagref in the purchase of sunflower. The cases classified 5 and 6 are those in which the objective of the intervening party is to help producers to occupy a more favourable position when it comes to negotiations, such as happens with World Vision, FHI, etc.

120. In the situation classified 7 in table 10, the intervening party is helping the producers to create structures that allow them to enter the market as a group. The objective is not the facilitation of market linkages, rather it is the creation of permanent structures. Cases classified 8 and 9 are those where these structures are in place already, like the case, for example, of Ikuru. The producer associations are shareholders in Ikuru Sarl and they have the possibilities – through the annual shareholders meeting – to influence the company’s policy.¹⁹ Value 9 was assigned to the Associação de Paz in Mopeia. This association succeeded, in an innovative manner, to create an instrument for the commercialisation and processing of rice, which is fully under control of the producers – members of the association – themselves.

121. We would attribute value 10 to the situation where the producers would have control over the supply chain (including processing), and in addition would have this situation legalized. In such a way they would be able to penetrate the market down to the level of the retailer, or even to the level of the consumer. Most of the added value would thus benefit the producers.

122. The situations in the districts that were investigated is still far from ideal, as is shown by the following figure. It tries to briefly visualize the conclusions from table 10.

Figure 10: CONTRIBUTION TO STRENGTHENING PRODUCER INFLUENCE ON THE AGRICULTURAL MARKETS.

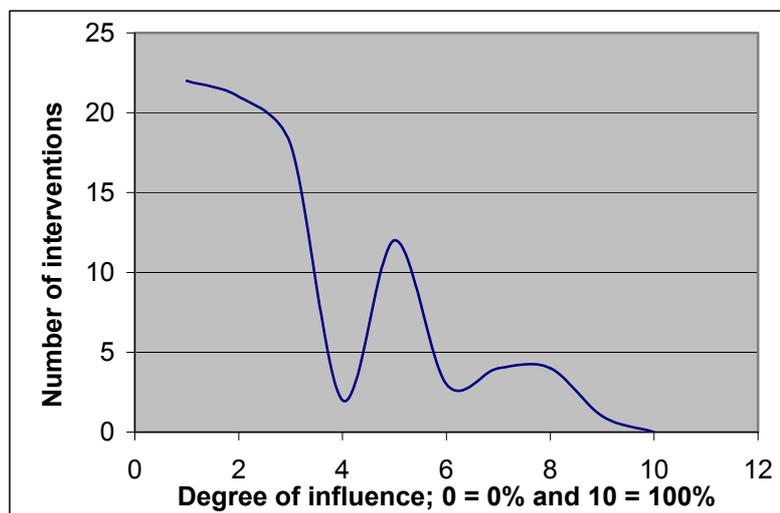


Figure 10 shows the number of intervening parties per value of contributing to the improvement of the producers’ bargaining power on the market. It indicates that most intervening parties act in such a way (degrees 1, 2 and 3), that the producers do not succeed in increasing their power on the

¹⁹ Clusa, which stimulated the setting up of Inkuru, opted for a two tier structure; i.e. Inkuru acts on the provincial level and on inter-provincial level as well. Therefore, the members are spread all over Nampula province, and even in the northern part of Zambézia, which somewhat complicates the members in exercising/feeling their ownership.

market and in collecting the added value of their produce, which would enable them to reduce the poverty they live in.²⁰ But, the producers have at least the advantage that (part of) their produce is bought. In the interventions classified as 1, one should note the situation where the producers act as out growers, a situation in which almost all control over means of production is in the hands of the company or promotion enterprise. Often the producers do not even own the land they cultivate.

123. One may also conclude that there are several intervening parties that facilitate the negotiation of prices by the producers (classifications 5 and 6). However, these operators do not fundamentally change market relations, and limit their activities to the facilitation of market linkages. SSCROSA in Barué for instance, belongs to this category.

2.3. SELECTION OF AREAS OF INTERVENTION.

124. The terms of reference (Annex 1) indicate the elaboration of 16 business plans for one tier co-operative enterprises at district level and 2 business plans for two tier co-operative enterprises. The study and the survey carried out in 2004 showed that it would be convenient to limit the number of plans. In this section, we will indicate the localizations, crops and farmers groups that were selected for the elaboration of the business plans. Basic indicators are presented first, followed by the districts and the crops that were chosen. After that, the reasoning leading to the selection will be explained.

125. The basic selection criteria were:

- 1) Organization degree of producers.
- 2) Agricultural potential.
- 3) Number of NGOs present and quality of their work.
- 4) Access roads and access to fixed and mobile phone networks.
- 5) Existing storage capacity.
- 6) Encouraging Government policies.
- 7) Donors interested in financing commercialisation activities.
- 8) Availability of extension services to accompany the commercialisation process

126. On the basis of the inventory (section 2.1.) and the above criteria, the following districts and crops were selected:

Table 11: SELECTION OF LOCALITIES AND CROPS FOR INTERVENTIONS TO BE PROPOSED

Province	District	Main Crops		Additional Crops		
Zambézia	Nicoadala	Rice				
Zambézia	Maganja da Costa	Rice	Cashew			
Zambézia	Mopeia	Rice				
Zambézia	Gurué/Lioma	Maize	Bean	Pigeon Pea	Sesame	Sunflower
Zambézia	A. Molocué/Naueia	Maize	Bean	Pigeon Pea	Sesame	Sunflower
Sofala	Gorongosa	Maize	Bean	Cow Pea	Sesame	Sunflower
Manica	Sussendenga	Maize	Bean	Pigeon Pea	Sesame	Sunflower
Manica	Gondola	Maize	Bean	Pigeon Pea	Sesame	Sunflower

²⁰ Figure 10 simplifies reality, but it serves to classify interventions from the producer viewpoint. For it to resemble reality more closely, one would have to include the volume of transactions per degree of contribution. Without doubt we would then conclude that with respect to the almost entire volume commercialized in the agricultural sector, the producer has no influence whatsoever on the supply chains – degrees 1 to 3.

127. On the basis of this scheme, four two tier companies have been planned, namely: (i) a rice company in Quelimane, using the ICM installations; (ii) a maize and beans company in Chimoio, using the “Grémio” installations; (iii) a cashew company in Mucubela, using the installations of the former cotton ginning factory; (iv) and a maize and beans company in Mocuba. See the following diagram:

Table 12: STRUCTURING OF THE CO-OPERATIVE ENTERPRISES TO BE DEVELOPED.

	Crops	One-Tier Co-Op Enterprise	Two-Tier Co-op Enterprise
1	Rice	Nicoadala	Quelimane /ICM
		Maganja da Costa	
		Mopeia	
2	Maize + Beans	Gondola	Chimoio/Grémio
		Gorongosa	
		Sussendenga	
3	Cashew	Cariua	Mucubela - Maganja da Costa
		Bajone/Naico	
		Missale	
		Mucubela	
4	Maize + Beans	Gurue/Lioma	Mocuba
		Alto Molócuè/Nauela	

128. The reasons for selecting rice in Baixa Zambézia are the following:
- In July 2003, the Ministry of Agriculture and Rural Development started a campaign to re-launch rice growing, and chose to focus its activities on Baixa Zambézia.²¹
 - ORAM carries out a pilot project of rice commercialisation in the district of Maganja da Costa (Baixo Licungo).
 - There are great possibilities of substituting rice grown in Mozambique for imported rice.
 - One can rehabilitate/benefit from existing processing infrastructure.

129. The intervention in maize and beans in the Beira Corridor is based on the following:

²¹ MADER at the time established the National Task Force-NTF for rice, where the most relevant know how concerning rice in Mozambique was brought together. The NTF is headed by the Director of the Instituto Nacional de Açúcar (INA) and of the Gabinete de Promoção do Sector Comercial Agrário, with the objective to create the basis for the substitution of rice imports, similar to what happened in the sugar sector.

- The existence of a tradition of centrally organized commercialisation and agricultural credit due to the activities of the *Grémio da lavouras* (farming corporation). This valuable infrastructure still exists.
 - The two districts (Gondola e Sussundenga) were selected because of the proximity to Chimoio (important commercial centre), their high production potential and the great interest shown by producers to re-establish supply chains they can benefit from.
 - The district of Gorongosa was chosen because of the experience ORAM has in working together with the communities.²²
130. Cashew in Maganja da Costa was selected fro two reasons:
- Between 1997 and 2002, ADRA, in partnership with ORAM, developed a program to replant cashew, using low-growing cashew trees. To complement the extension program, it is necessary to create a secure cashew market so that there is an economic interest on the part of the producers to properly maintain their cashew trees.
 - ORAM, in partnership with the organization SNV, intends to share the experiences in the cashew sector that were learned in Nampula to Zambézia.
131. The selection of maize and beans in Alta Zambézia was based upon:
- The high potential of the identified areas.
 - The organizational work already carried out by NGOs in the area of commercialisation.

²² The district of Caia has to wait for a second phase because: 1. The long distance between Murraça (one tier) and Chimoio (two tier), and 2. the initiatives and models that have already been developed in the area of commercialization should not be disturbed by new initiatives.

3. DEVELOPMENT OF THE INSTITUTIONAL FRAMEWORK OF THE COOPERATIVE COMMERCIALISATION ENTERPRISES

132. In this chapter we will describe and propose the institutional framework for the institutions to be established. To this end we will present: (i) our proposal of the vision and strategy of the intervention (section 3.1.); (ii) the results of the consultations on the idea of introducing co-operative enterprises in communities from the selected districts (section 3.2); (iii) the proposal of the most important principles for the functioning of the co-operative enterprises (section 3.3.); (iv) proposals for amendments to the *PROJECTO DE LEI QUE APROVA O CÓDIGO DAS COOPERATIVAS* (law that authorizes the statutes of co-operatives), subsequently to be presented to the Comissão dos Assuntos Jurídicos, Direitos Humanos e de Legalidade (Committee on Legal Issues, Human Rights and Legality) from the Assembly of the Republic (section 3.4); (v) the proposal for the statutes of the new institutions (section 3.5.).

3.1. Vision and strategy.

133. According to the Draft Strategy Document Proagri II (Nov. 2003) of MADER, the agricultural sector contributes 32% of the GNP. This represents 80% of the exported value and 70% of the country's employment. 80% of the poor families in Mozambique (with less than 0,5 USD/day) live in the rural areas. The main causes of the high poverty rate are the low production levels and the limited development of the agricultural markets. As a consequence, the agricultural potential is not transformed in a way that would enable the rural population to improve its standard of living.

134. Rural development in Mozambique is a complex process, about which opinions differ. Although there is not a national strategy as yet, the main policy followed by governmental institutions during the last decade seems to have been to leave the private sector in charge of leading rural development. The private sector, in the rural context, appears as an agricultural entrepreneur or company, whose main function is the linkage between the small producers and the market, and who is considered as the factor boosting the rural economy's dynamics. The private sector has occupied key positions in the rural economy, mainly in agro-industry. The farmers, the local communities and the rural population in general are viewed as suppliers of labour and as partners who can ensure access to land, natural resources and surpluses of agricultural produce.

135. In the following table we try to compare the characteristics of the two participants in this partnership for rural development.

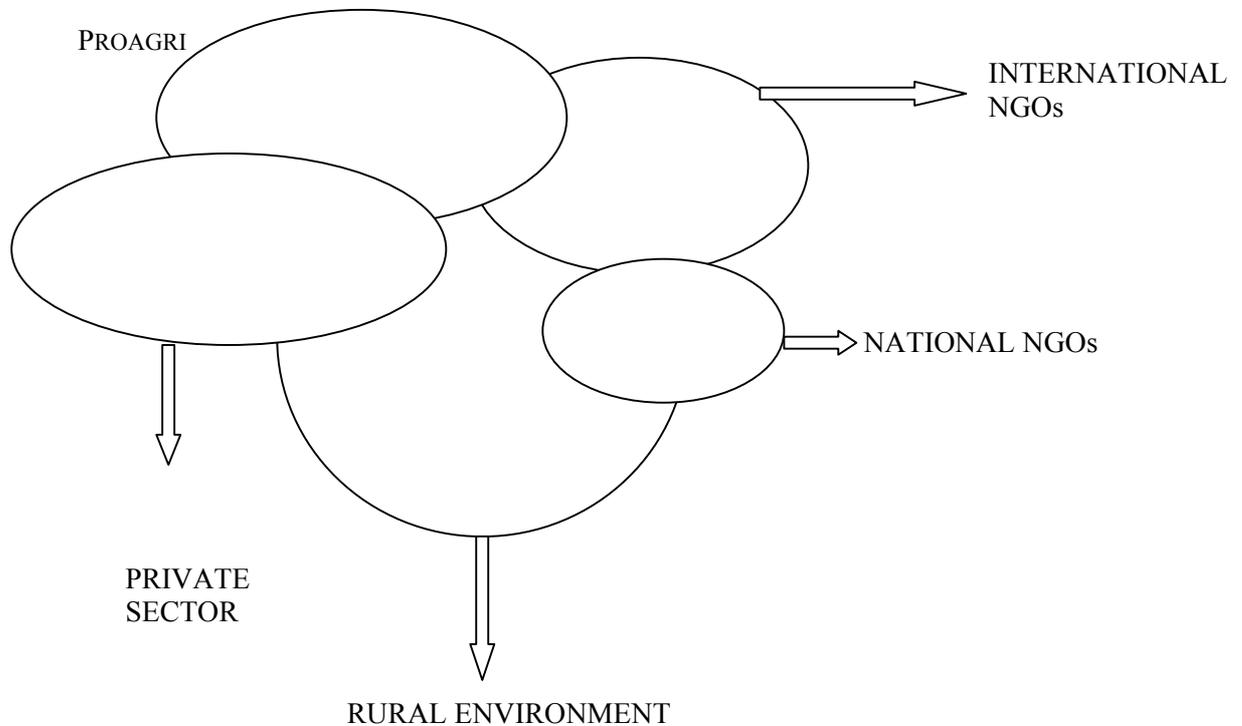
Table 13: CHARACTERISTICS OF THE LOCAL COMMUNITIES AND OF THE AGRO-COMMERCIAL PRIVATE SECTOR.

Local Community	Agro-Commercial Private Sector
Guided by customary laws	Guided by market principles
Semi-collective entity	Individual entity or entity of partners (Ltd/Sarl)
Large group of people with their individual and collective interests (socio-economic and cultural)	Little group of people with specific economic interests
Leadership guided by common interests	Leadership guided by individual interests
Leadership with difficulties in reacting (vulnerable to manipulation)	Leadership with high management and reaction capability
Partially integrated in local market	Directly linked to regional and global market

In practice, these characteristics are often incompatible and thus do not allow for building a genuine partnership. As a result, the rural population is left without room to decide its own future, even under favourable conditions.

136. The following figure offers a diagram of the interventions in the rural environment:

Figure 11: INTERVENING PARTIES IN THE RURAL ENVIRONMENT (STATE, CIVIL SOCIETY AND PRIVATE SECTOR).

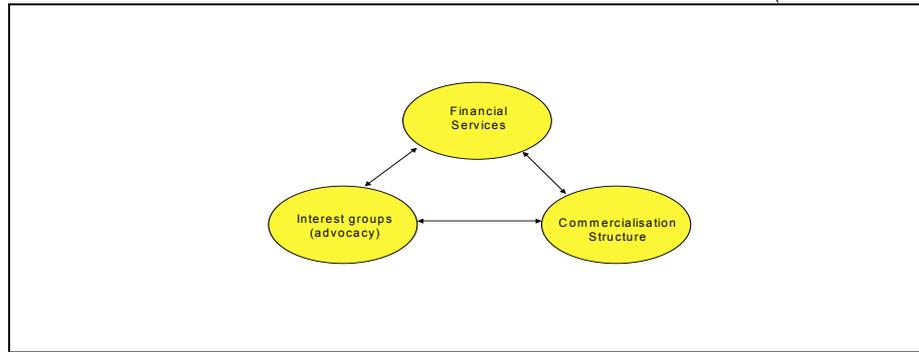


The four intervening groups are in a position to influence, modify and manipulate the agricultural socio-economic structure in the field. Looking at the experiences from the last the years leads us to the conclusion that not one of the intervening parties managed, or had the intention, to create sustainable supply structures under the control of the producers proper.²³ There exists, *de facto*, an organizational void, as a result of which the rural development process is not participatory.

137. In order for the producers to leave this dependency behind and obtain a strong position on the free market, it will be necessary to create their own organizational structures or institutions with a view to commercialisation. See the following figure:

²³ In fact, some of these civil society organizations assisted the producers in organizing themselves into associations and association forums in order to facilitate the linkage with the market. However, its impact on the organization of commercialization to the benefit of the producer has yet to be felt.

Figure 12: SOCIO-ECONOMIC EMANCIPATION STRATEGY OF THE RURAL POPULATION (*IRON TRIANGLE*).



The figure indicates the 3 structures that may sustain the emancipation process of the producers, to wit:

1. Organizations defending interests (their identity and their rights).
2. Commercial entities that ensure the purchase of surpluses.
3. Financial services to guarantee access to credit and savings.

The last two structures and their interconnections have been depicted in figure 1. The objective of this report is to elaborate business plans in order to operationalize commercial entities for the purchase of agricultural surpluses.

138. It should be noted that each one of the three structures has its specific function. In the following figure we compare the two first two structures, the associations (defending interests) and the co-operatives (commercial entities):

Figure 13: COOPERATIVE ENTERPRISES VERSUS ASSOCIATIONS.

Cooperative Enterprises	Associations (ASAM, ORAM, UNAC(UCAMA, UCASN), etc.)
<ul style="list-style-type: none"> • Business structure and instrument for rural development, but does not realize rural development activities as such (the non-existence of these costs may reduce the price of products). • Focussed on profit. 	<ul style="list-style-type: none"> • Communication channels to reduce poverty (mainly structures of services not aimed at doing business). • Organizations such as ORAM, UNAC, etc. should engage in capacity building of farmers, etc. • Focussed on lobby and advocacy.

The farmers simultaneously may be members of co-operative enterprises and associations, such as UCAMA, ORAM, UNAC, etc.²⁴

²⁴ Within this context it should be noted that the transformation of UDACs into commercial organizations constitutes an error in terms of institutional development of producers' organizations. Lobby and advocacy functions are incompatible with commercial functions.

3.2. Consulting the local communities

139. Between July and November of 2004, meetings and seminars were organized with producers, who would, potentially, be the future members of the co-operative enterprises. The objectives of these meetings, the summary of which is presented in the table below, were: (i) consultation of the producers in the selected districts on the strategy to be used; (ii) identification of the farmer leadership capable to manage the second-tier co-operative enterprises, in their function of representatives in the assemblies, or as members of the managing board or Supervisory Boards (see TOR in annex 1; Volume 2).

Table 14: CONSULTATION MEETINGS WITH PRODUCERS.

District	Nr	Crop	Participants in each meeting ²⁵
Nicoadala	6	Rice	40
M da Costa	4	Cashew	35
M da Costa	2	Rice	55
Gurué	1	Maize and beans	45
Mopeia	0	Rice	
Gorongosa	2	Maize and beans	35
Gondola	1	Maize and beans	45
Sussundenga	2	Maize and beans	50

140. The meetings were held at district or administrative post level. Invited parties mostly were from within the community leadership; while efforts were made to avoid inviting political or party structure representatives. The networks of ORAM and its partners were used, and in particular the members of committees on land/local community development, who participated in the demarcation of land, were invited. The following topics were on the agenda:

1. Consultation on the commercialisation problems.
2. Brainstorming with respect to solutions.
3. Introduction of the Co-operative concept.
4. Planning of the inventory to be carried out with respect to the possible future members.

141. It is clear that the agenda is very full for a meeting of half a day and that each subject would merit more consideration. In some districts, it was possible to expand the discussions with the same group, but in other districts the meetings were repeated at administrative post level. Six meetings with the same group were organized in the district of Nicoadala. Compared with the other groups, this one showed a stronger awareness of its own strength and of its capacity to intervene in commercialisation processes. The agenda assumes that point 4 is only discussed in case one agrees to embark upon the process as determined in point 3. In this respect there were big differences between the groups. In Sussundenga for instance, the 50 participants applauded upon hearing the explanation of the idea of the co-operative enterprise; the participants in Gurué on the other hand, clearly showed distrust (“*com um pé atras*”).

142. The consultation session always took almost half of the meeting’s duration. The following figure shows, as an example, notes on big paper sheets that were jotted down during the discussions in the district of Sussundenga.

²⁵ The written reports and the lists of participants of each meeting are available.

Figure 14: NOTES OF THE CONSULTATION SESSION ON RURAL COMMERCE SYSTEMS IN THE DISTRICT OF SUSSUNDENGA.



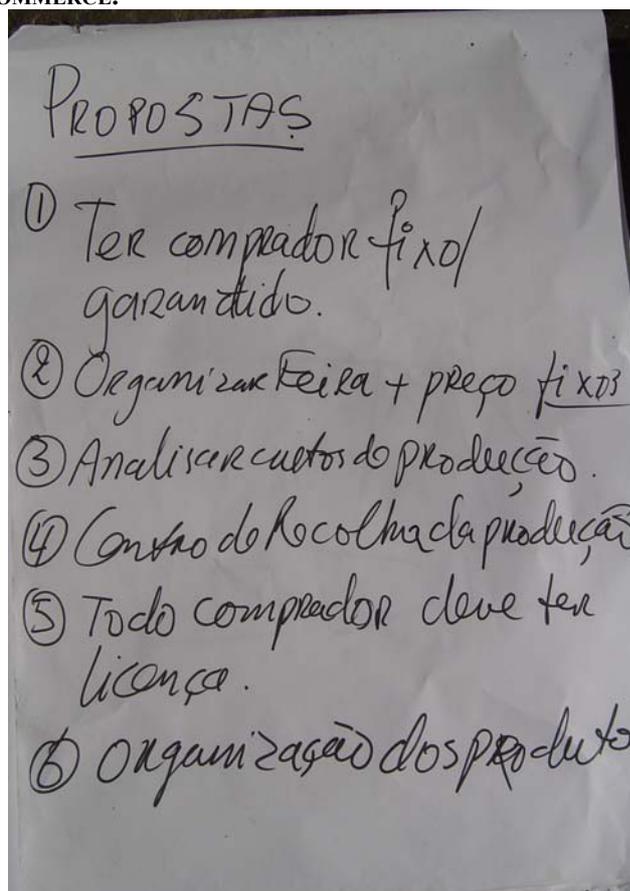
The row at the bottom of the picture represents the products grown by the producers while the row at the top indicates the final markets. For each level, one tried to indicate the price and the added value. The arrow from bottom to top indicates the product’s supply chain plus the agent involved.

143. We observed that in all districts, producers in general did not know (or only had a vague idea) the destination of their produce after having sold it. For instance, it came as a big surprise to the cashew producers of Alto Mutola and Maganja da Costa, when they learned that the cashew they produced, after having been hauled to Nacala, went to India for being processed, and that the final product is often sold in Europe, where it turns up in supermarkets, all beautifully packed, for a public with great purchasing power. It was even hard to grasp the connection between the kernels of maize of the Gorongosa producers, and the pack of maize flour of the brand “TOP SCORE”, to be found in the supermarkets of Mozambique’s big cities.

144. In general, the producers were shown to have no power to influence the price. The participants in almost all meetings stated, “We don’t have any say in this...”.. “The buyer comes with his scales or his can or his galão (measure), and it is he who dictates the price”.

145. After the consultation session, the participants were asked to come forward with ideas and their opinions about how to improve the situation. The figure below is an example of an answer, in this case the ideas of the farmers in Gondola.

Figure 15: PROPOSALS BY THE LEADERSHIP OF THE FARMERS OF GONDOLA FOR ALTERNATIVES TO THE CURRENT SYSTEM OF AGRICULTURAL COMMERCE.



[Proposals: (1) Have a fixed/guaranteed buyer; (2) Organize Fair + stable prices; (3) Analyze production costs (4) Centre for Collection of produce; (5) Each buyer should have a license; (6) Organization of the products]

“Have a guaranteed market” was heard in each meeting. Some participants expressed this wish as follows: “... we want a *patrão* (boss)...”, thereby referring to colonial times when the owners of the rural shops always bought the surpluses. The guaranteed market means stable prices, a fixed commercialisation post and a buyer recognized by the community and the local government. In general, the participants of the different meetings expressed concern about the “anarchy” that prevails at present, and the effects of which they feel during the commercialisation periods.

146. Therefore in the session where the functioning principles of the co-operative enterprises were explained, it was necessary to convince the participants that they themselves can and should directly intervene in the system of commerce, rather than waiting for the arrival of “a *patrão*” – the State, “the institute” or some NGO – to solve the problem. At this stage of the process, one had to face the notions of leadership and submission, that to date continue to dominate and “mess up” the ideas of the farmers in Mozambique. The possibility of standing up and taking the course of their lives in their own hands, remains a challenge to be taken up by the Mozambican farmer.

147. When the meetings came to an end, one came to the conclusion that it is urgent to start the process of creating the co-operative institution, so that the problems of the 2005 campaign could still be solved!! To this end, the farmers agreed that the community leadership (with the heads of the *povoações* – settlements) would collect data concerning the producers. In order to facilitate this

process, 16 inquirers were contracted, who worked together with the local leadership. Table 15 summarizes the situation with respect to the inventories, at the time of the present report's completion.

Table 15: UPDATE OF THE INVENTORY IN THE FIELD.

District	Adm Post	QT	M	A	M	J	J	A	S	O	N	D	Situation field work	Situation of report
Nicoadala		1	X	X							X		Field work completed	Final report completed
Maganja da Costa	Nante	1						X	X				50% of field work still to be done	
Maganja da Costa	Cariua	1					X	X	X	X			Field work completed	Preliminary report completed
Maganja da Costa	Bajone	2						X	X	X	X		Field work completed	Preliminary report completed
Maganja da Costa	Mucubela	1					X	X	X	X			Field work completed	Preliminary report completed
Gurué		1									X	X	75% of field work still to be done	
Sussundenga		2						X	X	X	X	X	25% of field work still to be done	25% Preliminary report completed
Gondola	Amatongas	1								X	X		Field work completed	25% Preliminary report completed
Gondola	Cafumpee	1								X	X		Field work completed	25% Preliminary report completed
Gondola	Inchope	1								X	X		Field work completed	25% Preliminary report completed
Gondola	Macate	1								X	X		Field work completed	25% Preliminary report completed
Gondola	Matsinho	1								X	X		Field work completed	25% Preliminary report completed
Gondola	Zembe	1								X	X		Field work completed	25% Preliminary report completed
Gorongosa		1						X	X	X	X	X	25% of field work still to be done	75% Preliminary report completed
TOTAL		16												

The fieldwork was hampered by the fact that, during the months September, October and November of 2004, the civic and electoral education campaigns were being conducted.

148. The inventory in the district of Nicoadala was completed. In the following table we summarize the final report.

Table 16: SUMMARY OF THE FINAL REPORT OF THE INVENTORY OF RICE FARMERS IN THE DISTRICT OF NICOADALA.

Nr	Local community	Number of settlements	Houses	Family members active in production	Area in ha
1	Mucelo Novo	8	1.221	2275	1.613
2	Mugrima	6	1.640	3925	1.636
3	Mirremene	6	1.195	2.197	1.304
4	Murrua	6	1.704	3766	1.664
5	Mualima	4	794	1.360	531
6	Neriri	1	599	1.308	210
7	Nantide	2	781	1.455	453
8	Mariebe	1	609	1.337	937
9	Mingano	4	1.428	2.603	937
	TOTAL	38	9.971	20.228	9.054

Nine local communities indicated that they own rice fields, three of which have demarcated their land. The 9 communities consist of 38 settlements. There are 9.971 families producing rice on an area of 9.054 ha, involving 20.228 family members. These are the dimensions the intervention in the rice sector of Nicoadala has to deal with!

Table 17: SUMMARY OF THE FINAL REPORT OF THE INVENTORY OF CASHEW PRODUCERS IN THE DISTRICT OF MAGANJA DA COSTA.

Nr	Communities	Settlements	Nr. houses	Old Cashew trees	New Cashew trees	Total of Cashew trees	Fee	Delegates
1	Cariua	12	1.028	18.611	12.722	31.333	62.666.000	11
2	Alto Mutola	14	1.044	46.759	10.104	56.863	113.726.000	20
3	Maneia	10	831	13.668	6.868	20.536	41.072.000	7
4	Mocubela	12	729	14.046	7.687	21.733	43.466.000	8
5	Mucarua	7	258	7.978	2.560	10.538	21.076.000	4
6	Murabiua	6	237	3.603	2.416	6.019	12.038.000	2
7	Muso	8	330	1.845	2.364	4.209	8.418.000	1
8	Mualama	3	159	2.245	937	3.182	6.364.000	1
9	Madabo	6	659	26.922	6.503	33.425	66.850.000	12
10	Murramela	8	1.208	45.053	15.239	60.292	120.584.000	21
11	Missal	11	1.284	50.908	9.041	59.949	119.898.000	21
12	Naico	7	832	39.264	11.921	51.185	102.370.000	18
13	Capitão	1	56	385	642	1.027	2.054.000	0
	TOTAL	105	8.655	271.287	89.004	360.291	720.582.000	125

Table 17 offers a summary of the inventory of cashew trees in a part of the district of Maganja da Costa. The inventory totalled 8.655 families with 360.291 cashew trees (75% old ones and 25% new ones). In the last two columns were calculated: (i) the membership fees, counting on 2.000 MZM per tree; (ii) the number of delegates the General Assembly of the Co-operative should have.

3.3. Conditions and principles of the functioning of co-operative enterprises.

3.3.1. Facilitating environment.

149. The basic conditions that are fundamental for the functioning of the co-operative structures for agricultural commercialisation may be considered to be the following:

1. Security with respect to land among the producers. ORAM's experience shows that land conflicts obstruct the discussions on community development.
2. Monetary and political stability. As a matter of fact, many communities are still politically divided. The most important message to keep in mind is that the new structures to be established should not have any political link whatsoever.
3. Development of the market economy and of the agricultural policy, which recognizes the importance of the potential of the rural economy driven by the small producers.
4. The development of a civil society, which can be trusted by the farmers.
5. A judiciary system where the conditions agreed upon in business contracts can be enforced, in an expeditious manner, through the legal system.

150. The co-operative enterprises for commercialisation that are to be established, should have dimensions that are big enough to be able to influence price-making on the market, and they should have the market volume needed to operate processing industries (for example, a rice husking factory or a maize flour mill) in such a way, that they can cover the entire supply chain, from producer to wholesaler, or even up to retailer or consumer. It should be stressed that these co-operatives will

have to compete on the national, and even on the international market. In this context of globalisation, concepts of small-scale business are neither competitive, nor sustainable.

151. However, large scale and efficient co-operative enterprises cannot be created from one day to the next. A considerable time of development and capital formation, and of confidence vis-à-vis credit providers are obvious conditions, which must be combined with an installation period in which one may expect donations and Government support. This includes for example the readiness of the Government to privatize strategic infrastructure such as rice husking plants, industrial mills or (previously existing) warehouses, for the co-operative enterprises in formation.

152. However, the privatisation of warehouses and mills must not be to the exclusive benefit of private investors or this may, within this context, ruin the development of the co-operative enterprises. In addition it may lead to monopolistic or oligopolistic (market pricing controlled by a few) power in the hands of private investors, rather than to the economic strengthening and capacity building of farmers that one wishes for.

153. The economic system of the co-operative enterprises should operate on a sufficiently big scale to be able to have a real impact on the market. In addition to this, the functioning of a co-operative enterprise should be based on economic concepts and modern management, which differ fundamentally from the social concepts that dominated the co-operatives of the past, and which to date still impede a real development of co-operative enterprises in many developing countries.

154. The business concept of the co-operative enterprises should include the following elements:

- Proportionality with respect to businesses, rights and obligations of the members, including the proportional allocation of revenues, expenditures, reserves, and proportionality of the right to vote.
- A consistent zero-loss policy, i.e. the consistent transfer of market risks to the members (see section 3.3.2).
- A consistent capitalization system for capital formation and the building of trust vis-à-vis providers of credit to the members.

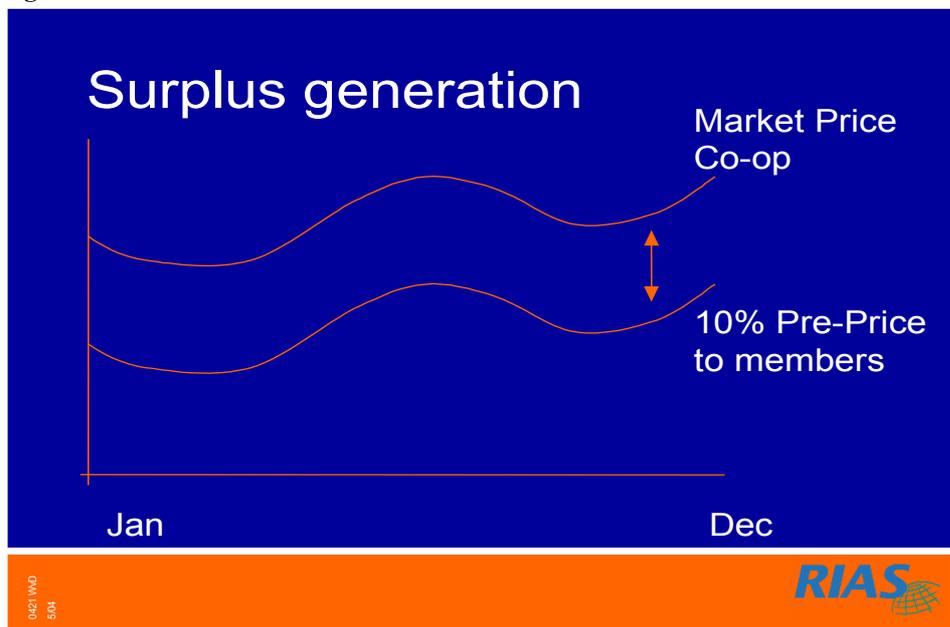
3.3.2. Capitalization system.

155. In order to begin with the capitalization system of the co-operative enterprises, it is necessary to inform the members, in an adequate manner, on the reasoning behind this capitalization and the economic system as such. There are a series of options when it comes to capitalization, but the basic principle is that the co-operative enterprise proper does not take on risks, instead it operates with the risks taken by its members. This means a consistent transfer of net market prices to the members, after the annual reduction of reserves, in accordance with what has been laid down by the General Assembly. One of the options is that the reserves are not applied anonymously as general reserves, but rather in the form of members' accounts. These accounts are risk capital, as is the case with general reserves, but they are distinguished as individual reserves of the members, and distributed to these members after a period of, for instance, 20 to 25 years.

156. The capitalization system is a central element in the development of the co-operative enterprises, because a correct capitalization results in the building of trust on the part of the credit providers, and in the enterprises being "bankable". However, as has been explained above, in order to develop the enterprise, an installation period is necessary. But no matter how, the co-operative enterprise should show, right from the start, that it consistently applies an adequate financial and capitalization policy.

157. The financial policy may be simplified in the following manner:

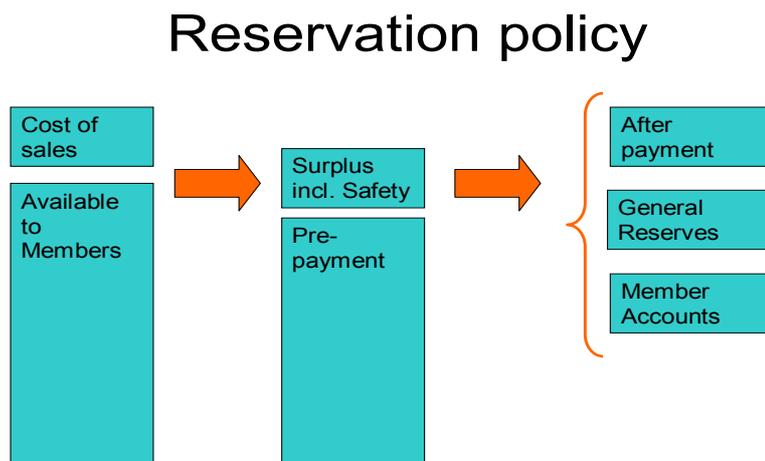
Figure 16: FUNCTIONING OF THE ZERO-LOSS POLICY.



The co-operative has to offer secure prices to its members in such a way that it succeeds in making profits. Pre-payments may differ in the course of the year, but differences should be eliminated in post-payments. In order to avoid post-harvest losses, production will be purchased immediately upon the harvest, in a period of more or less two months.

158. The following diagram shows the allocation of revenues and reserves:

Figure 17: SYSTEM OF ALLOCATING REVENUES AND RESERVES IN THE CO-OPERATIVE ENTERPRISES.



It is extremely important that there are close consultations with the members, so that they are prepared to apply this scheme. Members should be well aware of this financial discipline including a

pre- and a post-payment; which is something completely different from the practice of total payment upon concluding negotiations with traders.

159. As has been explained above, the co-operative enterprises should be oriented towards the agro-industrial economy. However, these co-operative enterprises should also provide inputs for the members; in particular for:

1. Work instruments, manure etc.
2. Mechanized services, especially for preparing land.
3. Organization of a labour force for critical periods during the season.

Special attention should be given to guarantee a just allocation of service costs to the members, so that one will not engage in using a particular activity (for instance commercialisation) to subsidize another one (providing inputs on credit), within the co-operative enterprise.

160. As far as credit for producers is concerned, it should be stressed that a co-operative enterprise can only play a particular and limited role as an intermediary for credit. The co-operative enterprise is not a banking institution, and it cannot grant credit to the farmers as if it were a bank. On the contrary, the co-operative enterprise should stay out of this banking role. It should focus its attention on providing services that are directly related to the growing of crops and to commercialisation, and in becoming bankable as soon as possible. Providing credit is not compatible with the business objective, and in practice it can endanger the co-operative enterprise's sustainability. One should develop financial services in parallel to the co-operative enterprises, but providing such services cannot be a task of these enterprises themselves. Concerning this point, see paragraph 3.

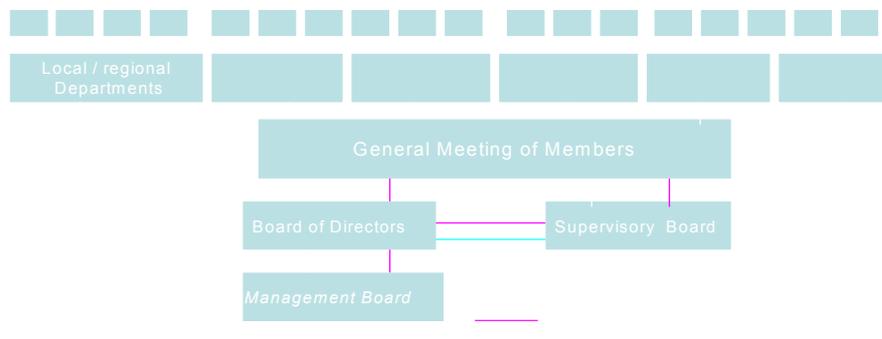
3.3.3. The management and communication system

161. The management and communicating structure required for the co-operative enterprises, is fundamentally different from the one applied by private agro-industrial companies. This structure should be adapted to the local situation and to the conditions of the members so as to guarantee a system of open and transparent communication with these members. This requirement is an absolute and necessary condition when the members are obliged to supply their produce to the co-operative enterprise, pay membership fees and contribute to the financial reserves. Transparency in decision-making and open communication are indispensable factors in obtaining sustainable commitment on the part of the members. Thus, the management and communication structure of the co-operative system, and its consequences and implications, should be very clear for all members.

162. The following model is proposed for the management of a one-tier co-operative enterprise (see the following figure).

Figure 18: MANAGEMENT MODEL FOR THE ONE-TIER CO-OPERATIVE ENTERPRISES.

Agricultural Co-operative One-tier structure



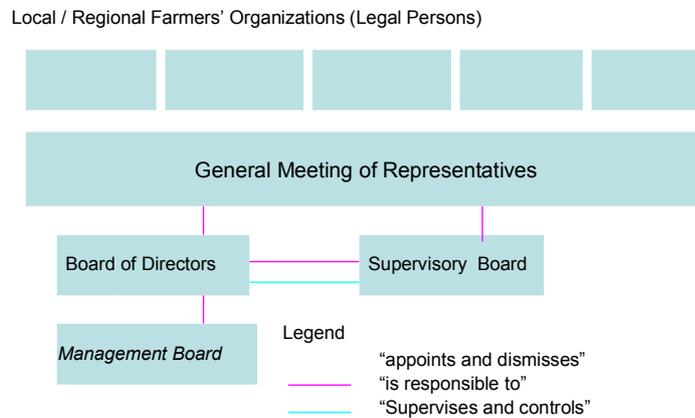
The diagram expresses the following:

1. Individual members are organized in settlements (also indicated as *povoados* or *sabucos* in central Manica), where they meet and discuss questions concerning their co-operative enterprise.
2. Individual members elect their representatives (or delegates) for the General Assembly of Representatives, according to the proportional voting system (for instance 1 to 3 votes, depending on volume commercialised by the member).
3. The number of representatives for the farmers of each settlement in the General Assembly of Representatives, is proportional to the total commercialised volume in each settlement; therefore, in accordance with this principle, the different settlements will send 1, 2, 3 or more representatives to the Assembly. All in all the General Assembly of Representatives will have some 125 representatives.
4. The General Assembly of Representatives is the legal General Assembly, and therefore it will vote without direct influence of the individual members. That is why the communication between the General Assembly of Representatives, the settlements and the individual members is fundamental for reaching consensus, and for creating commitment, viability and sustainability of the co-operative enterprise.
5. The General Assembly of Representatives elects from its midst the Board of Directors, which, when the occasion arises, is entitled to increase the number of non-voting members.
6. The General Assembly of Representatives elects the Supervisory Board, which – if it deems fit - may contract a licensed auditor in order to assist in controlling and supervising.
7. The Board of Directors may appoint a professional manager who is responsible for the preparation and implementation of the daily policy and management. This manager is accountable to the Board of Directors. The Board of Directors makes the main decisions and is responsible for the organization of the Assembly of Representatives.

163. The following model is proposed for the management of a two-tier co-operative enterprise (see the following figure).

Figure 19: MANAGEMENT MODEL FOR THE TWO-TIER COOPERATIVE ENTERPRISES.

Agricultural Co-operative Two-tier structure



The diagram expresses the following:

1. The three (or more) affiliated one-tier Co-operative Enterprises assign their Boards of Directors and Supervisory Boards to establish a General Assembly of the two-tier Co-operative Enterprise. Eventually, if the one-tier Co-operative Enterprises agree, they may decide on proportional voting in the General Assembly, in accordance with the respective commercialised volumes.
2. The General Assembly elects, from the midst of its members, the Board of Directors and the Supervisory Board.
3. The Board of Directors contracts professional managers.

3.3.4. Organizational, administrative and logistical principles of the co-operative enterprises

164. In this paragraph we present some ideas that may be helpful in the implementation of the Co-operatives. The four figures below offer, in diagram form, proposals on the systems of internal control, on the information flow of individual members, and on the structures of internal communication, and logistics and transport.

Figure 20: INTERNAL CONTROL SYSTEM IN THE SUPPLY CHAIN.



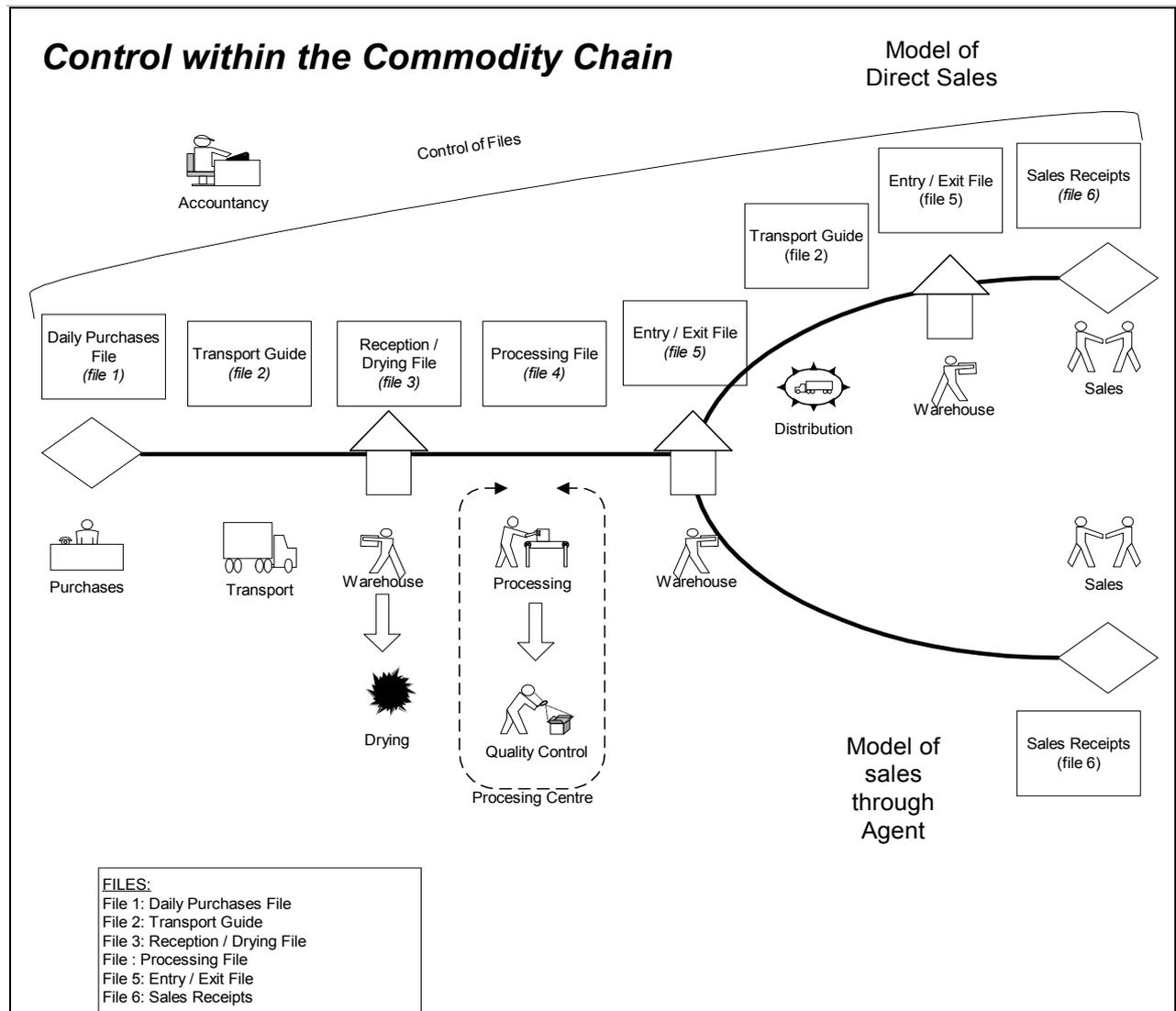


Figure 21: INFORMATION FLOW FOR INDIVIDUAL MEMBERS.

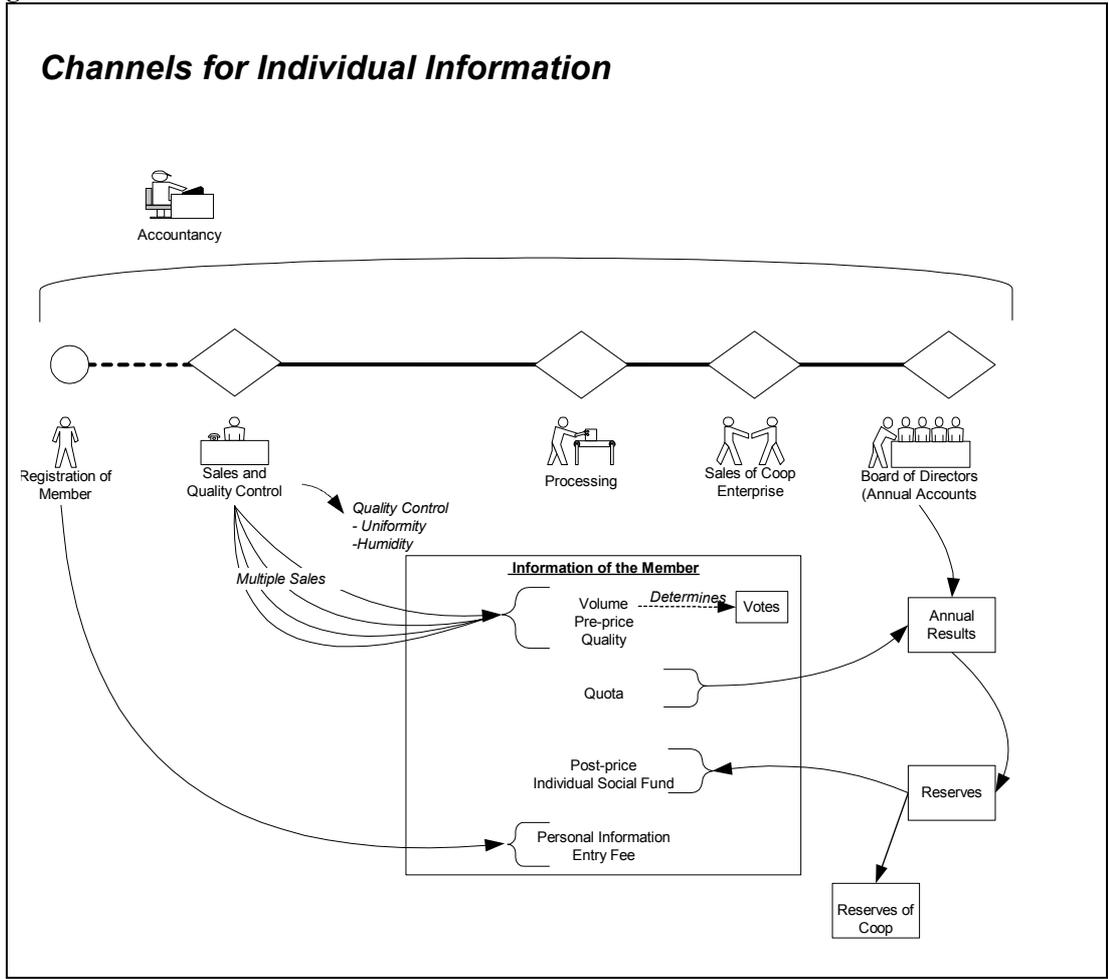


Figure 22: INTERNAL COMMUNICATION STRUCTURE (MEETINGS CALENDAR).

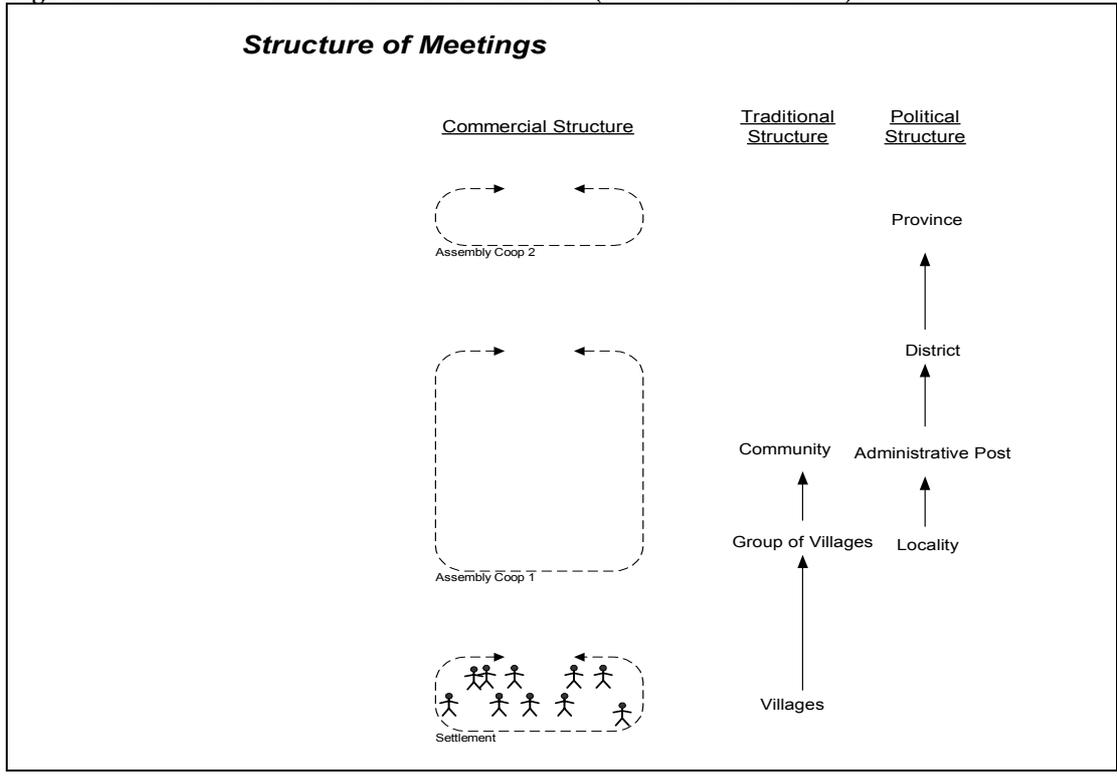
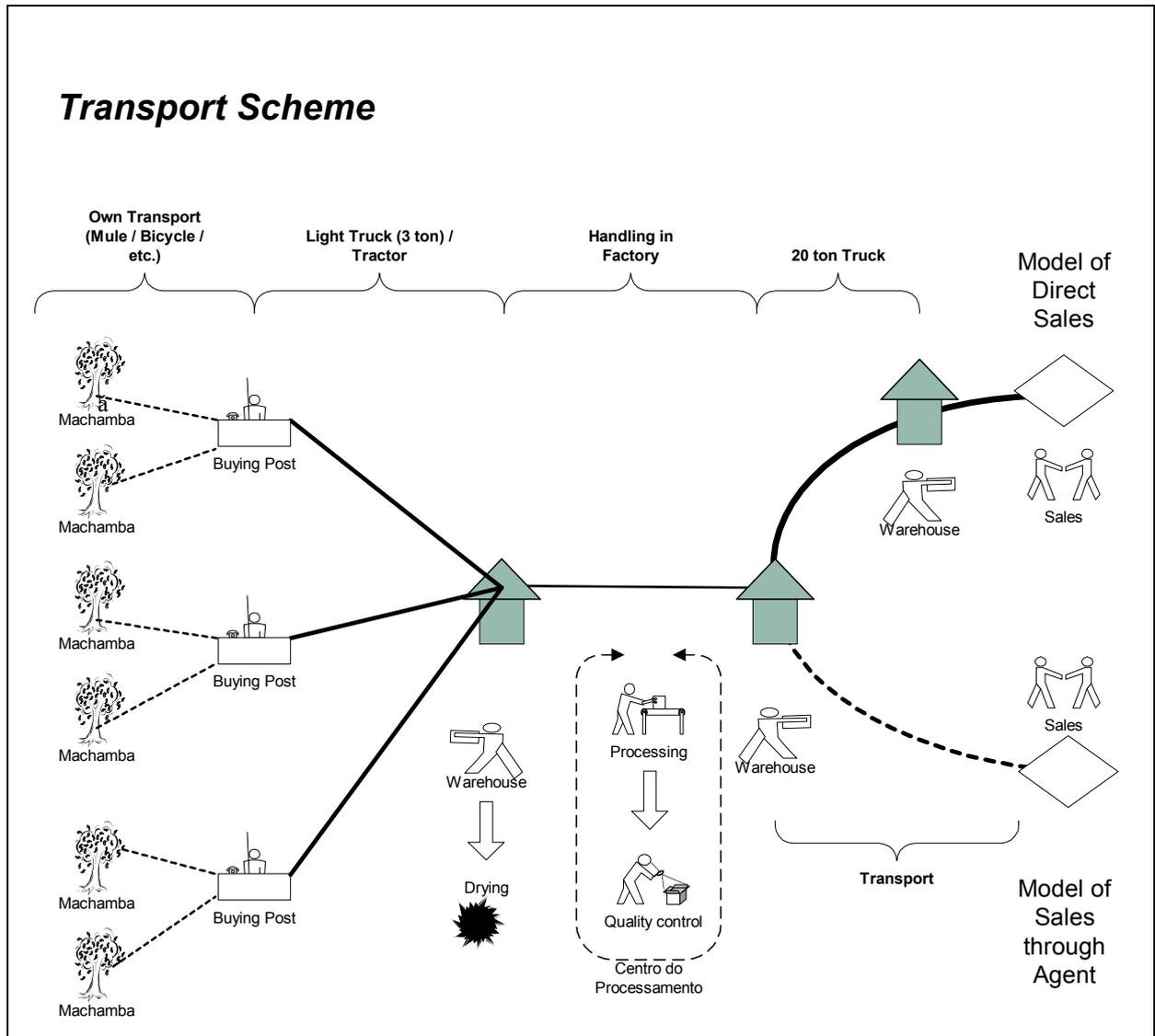


Figure 23: LOGISTICS AND TRANSPORT FOR ONE-TIER AND TWO-TIER CO-OPERATIVE ENTERPRISES.



3.4. The Law that approves the statutes of Co-operatives.

165. There are two laws that are important for the commercial organization agricultural producers in particular; the law that regulates the associations and the law on cooperations. The current law on associations is being contested by many for being very bureaucratic and causing significant delays.²⁶ Since 1996 civil society (national and international NGOs) has been trying to get the law changed. Consultations have been made, seminars held and proposals put forth for alternatives. A proposal for a new law was submitted to Parliament, but it never was put on the agenda during the legislature of 1999-2004. There is hope that the 2005-2009 legislature will pronounce itself on the proposals made.

166. Although associations are an important instrument for groups of farmers who want to organize in order to defend their interests, the operations foreseen in this report – mobilize, process and commercialise big volumes of agricultural produce from many small producers, so that they can exert an influence on the market – call for a legal framework other than that of associations. Therefore the Verde Azul team has sought alternatives by way of the law regulating cooperations. A meeting was held with the “Comissão dos Assuntos Jurídicos, Direitos Humanos e de Legalidade” (Committee on Judicial Issues, Human Rights and Legality) from the Assembly of the Republic, whose representative passed on the text of the proposal “PROJECTO DE LEI QUE APROVA O CÓDIGO DAS COOPERATIVAS” (Law that approves the statutes of co-operatives). In the text that follows we try to formulate some observations concerning this proposal, while Annex 5 (Volume II) contains detailed comments on and proposals for amendments to this law.

167. On the concept of organization of co-operatives: In the European Union, the United States etc., well organized producer co-operatives are market leaders or important participants in the agricultural markets. They have a decisive influence on the market (EU: 50%, USA: 30%). These co-operative are strong negotiating instruments, owned and controlled by the farmers. They are strong competitors of private companies, especially when it comes to products that are homogeneous and commercialised in huge volumes, like for example cereals. It is very much in the interest of the farmers of Mozambique that well organized co-operative play a dominant role in the agricultural markets. One cannot achieve agricultural development which benefits the local population without commercialisation co-operatives. Without them, one would only have monopolistic/oligopolistic market structures in the supply chain, and these would certainly not defend the interests of the primary producers.

Advice: the Government should create an environment that facilitates the development of co-operatives. Legislation is part of such an environment.

168. On the method of legislation: The method of legislation reflected in the “PROJECTO DE LEI” we discuss here, is “enumerative” rather than “basic”. This has to do with differences between countries and does not pose any problem. However, the “enumerative” method runs the risk to prescribe in detail all elements required to register and operate a co-operative, requiring any minor changes in government policy to necessitate changes in the law. What is needed is a general legal framework containing the main elements for co-operative organization, but which allows for sufficient organizational flexibility, because in practice there are big differences among, and within, the co-operatives.

Advice: establish a legislative framework, but one that guarantees self-responsibility and flexibility for the co-operatives.

²⁶ The coordinator of Clusa in Mozambique confirmed that in the Republic of Mali, setting up a farmers association takes 10 days and costs 100 USD, whereas in Mozambique the process is much more expensive and may last more than six months.

169. On social versus economic design: the preliminary version of the law on co-operatives refers to the Aliança Cooperativa Internacional (ACI). It should be noted that the ACI's work method is out of date. It is based on consumer rather than producer co-operatives. The ACI mainly considers co-operatives as socio-political organizations (for example: one-person-one-vote; education for the members, etc.), not as business organizations (for example: voting proportional to commercial volume, etc.) When it comes to issues concerning business, the ACI formulates the "rules of the game" of nineteenth century consumer co-operatives. This way of working is not the appropriate one for the modern co-operatives Mozambique needs. Moreover, the "one-person-one-vote" system promotes cooperations of the poor, of members with a low financial potential, whereas in order to create co-operatives that are viable in terms of financing and management, it is crucial that these can count upon the participation of medium and big farmers. In addition, the ACI ascribes macro-political and macro-social responsibilities to the co-operatives, in their function as private enterprises. This macro-political approach of co-operatives, as substitute and supplement of the State – which is incorporated in the ACI principles – has had a negative effect on the development of co-operatives in many developing countries for the last five decades.

Advice: give priority to modern co-operative concepts. Leave the responsibility with the members, do not treat members as if they were incapable of thinking. Ensure self-determination and flexibility. Admit proportional voting in the co-operatives if the members so wish (topic for the General Assembly).

170. On capitalization of the co-operatives: For them to be viable and sustainable, the co-operatives have to be trusted by credit providers. They will only succeed through an organized capitalization system that includes "individual member accounts". In addition, one cannot forbid the use of external capital for starting the co-operatives. See also the preliminary version of the legislation on initial entries (shares) that seem to be impossible for a large part of the small farmers (article 18 ff.).

Advice: Avoid initial contributions that most future members cannot afford. Facilitate a proportional and flexible capitalization system that includes individual member accounts.

171. On taxes for cooperations: Avoid practices which discriminate against the co-operatives in terms of tax payments, compared to private enterprises. Correct the practices which provide unfairly advantages to informal traders and tax evasion loopholes for the competition. Above all, it is of importance to establish a tax payment system for co-operatives that takes their nature into account, and which recognizes that co-operatives cannot make "independent profits" the way many private companies do, but they produce a "nominal surplus" for account and risk of the members.

Advice: establish equal conditions with respect to competition and tax payment, however, recognize the specific nature of the profits made by co-operatives.

3.5. The statutes

172. In section 3.4 we discussed the Law that approves the statutes of the co-operatives; this law awaits to be discussed in Parliament during the next legislative period. In the meantime, the only legal instruments available for legalizing the establishment of co-operatives are the Laws number 9/79, of 10 July, number 7/82, of 28 April, and the various Ministerial Decrees and Dispositions (see Annex 5). In Annexes 5 and 6 we present the proposals for the statutes of one-tier and two-tier co-operative enterprises. With these statutes the legalization process can be initiated. Adaptations and modifications can be introduced after the change of the legal framework.

A major concern is that the principle of proportional voting be respected. In the two following sections, we present the models of the future statutes (after the change of the current law) for one-tier (3.5.1.) and two-tier (3.5.2.) enterprises. In accordance with the legislation in force, we propose to adopt the judicial statute of the "Sociedade Cooperativa de Responsabilidade Limitada" (SCRL).

3.5.1. Model of the statutes for one-tier co-operative enterprises

173. Name and constitution: On ... of. 2005 was established – in accordance with the Laws of the Republic of Mozambique – the Producers Co-operative of..... (for example: “ SOCIEDADE COOPERATIVA DE COMERCIALIZAÇÃO DE ARROZ E FRUTA DE NICOADALA”).

174. Objectives of the Co-operative: The objectives of the co-operative are the commercialisation of rice, copra and fruit from its members and the supply of inputs to its members, for the account and risk of these members. The co-operative may extend its activities to include non-member farmers.

175. Membership: Producers of rice, copra and fruit (individual persons, with the possibility to include husband and wife in case they carry out separate agricultural operations) may apply for membership if they subscribe to the co-operative’s statutes and regulations. The Board of Directors decides on admission of members. The General Assembly (or the one of the Representatives) decides on the exclusion of members, as defined by law. The member may appeal against the decision with the competent legal entity.

176. Supply of produce: Each member is obliged to exclusively supply to the co-operative the production of all rice, copra and fruit grown by him on his *machamba*, which is not used for sustaining his family or as seeds for the next campaign.

177. Regulation on supply of produce: Each member is obliged to supply the entire production (see 176.) in accordance with the stipulations in the supply regulations as defined by the General Assembly of Representatives. The regulations on supply of produce will stipulate the nature of the produce, the quality of the produce, the necessary packaging, the place and time of supply, etc

178. Activities: The co-operative is authorized to purchase, sell and utilize state property, movable and immovable property, to lend and owe capital and money, employ personnel and acquire, hire and apply other legal means in order to realize its objective.

179. The organs of the co-operative: The organic structure of the co-operative has the following organs:

- The General Assembly, or, optionally, the General Assembly of Representatives.
- The settlements, in case of the General Assembly of Representatives.
- The Board of Directors.
- The Supervisory Board.

180. The composition of the co-operative organs:

- The General Assembly: Each member of the co-operative is a member of the General Assembly as well.
- The General Assembly of Representatives: The number of representatives is around 125.
- The settlements: The number of settlements, their geographical area and the number of representatives sent by each settlement to the General Assembly of Representatives, will each year be determined by the General Assembly of Representatives. The number of representatives of each settlement will be proportional to the production supplied by the settlement in question.

181. The Board of Directors: The Board of Directors consists of 9 members, elected by and from the General Assembly (of Representatives) through secret voting. The representative who is elected to the Board of Directors will be replaced by the settlement in question.

182. The Supervisory Board: The Supervisory Board consists of 5 members, elected by and from the General Assembly (of Representatives) through secret voting. The representative who is elected to the Supervisory Board will be replaced by the settlement in question.

183. Voting rights and powers of the co-operative organs:

- The General Assembly of Members: Each member of the General Assembly of Members will at least have one vote. The General Assembly of Members may decide upon a plural voting system whenever it wishes to. The General Assembly may decide – in accordance with its preference – to install a General Assembly of Representatives, consisting of members' representatives, elected by and from the members.
- The settlements (or local departments): In case the General Assembly of Members decides to install a General Assembly of Representatives; the representatives who represent the members in this General Assembly of Representatives will be elected in the settlements through secret voting, and in accordance with the proportional voting system as determined by the General Assembly.
- The General Assembly of Representatives: In case the General Assembly of Members decides to install a General Assembly of Representatives, it represents the members and has all the legal powers and obligations of the General Assembly, as stipulated by law. In the General Assembly of Representatives, each member/representative will have one vote. The representatives vote voluntarily.

184. Powers and obligations of the General Assembly (of Representatives): The General Assembly (of Representatives) will exclusively:

- Define and change the statutes of the co-operative, and decide upon the voluntary liquidation and/or fusion of the co-operative. Decisions on these matters have to be taken with a 2/3 majority of votes.
- Elect and dismiss the Board of Directors and the Supervisory Board.
- Approve the next year's budget.
- Approve the audited accounts, the annual report and release the Board of Directors and the Supervisory Board from its responsibilities of the previous year.
- Decide on admission of members.
- Take other decisions in accordance with what has been laid down by law.

185. Powers and obligations of the Board of Directors:

- The Board of Directors is elected and dismissed through secret voting by the General Assembly (of Representatives) in accordance with the terms of the law. The Board of Directors appoints, from among its members, a president and a vice-president. The Board of Directors may appoint, if it deems fit to do so, external advisors.
- The Board of Directors decides on admission and exclusion of members.
- The Board of Directors represents the co-operative in any judicial and extra-judicial process whatsoever.
- The Board of Directors prepares and executes the policies and businesses of the co-operative.
- The Board of Directors may contract a professional executive manager, and employ staff if this is necessary in order to carry out the operations of the co-operative.

186. The Supervisory Board:

- The Supervisory Board is elected and dismissed by the General Assembly (of Representatives). The task of the Supervisory Board is to monitor and control – in the name of the General Assembly (of Representatives) – the Board of Directors with respect to the correct application of the statutes and a responsible and correct financial management. It proposes to the General Assembly to approve or not approve the Annual Report. If necessary, the Supervisory Board may contract a licensed auditor for assistance, at the expense of the co-operative. The Supervisory Board may and should advise the Board of Directors upon its request, or on its own initiative. The General Assembly (of Representatives) may rule that certain decisions taken by the Board of Directors require prior approval of the Supervisory Board.
- In case of a long term dispute within the Board of Directors, the Supervisory Board may, upon written request by the President of the Board of Directors, hear and interrogate the various interested parties, and take a final decision so as to resolve the dispute in an appropriate manner. It may request external advice if deemed necessary.

187. Financing and capitalization system and the price mechanism:

- The price mechanism of the co-operative consists in transferring the financial results, based upon the production of the members and after the deduction of the reservations, and attributing the operational costs to the members in accordance with the principle of proportionality.
- To this end the co-operative will apply a system of pre-payments and post-payments, in order to ensure the reservation of an annual margin.
- The Board of Directors in the annual report proposes to the General Assembly (of Representatives) the margin to be reserved.

188. The reservation system:

- Each member must – upon subscription – pay 50% of the legal minimum of the subscription fee.²⁷ They should pay the remaining 50% in two equal payments within a period of two calendar years, in accordance with the stipulations by the Board of Directors. The fees will constitute the first line equity.
- The system of annual reserves must show a certain combination – in accordance with the decision by the Board of Directors – of general reserves and individual member accounts. These reserves will constitute the first line equity.

²⁷ In the first year the subscription fee will be proportional to the size of the *machamba*; while in the second year the commercialized produce will be the criterion for determining the member's contribution to the general reserves and the individual accounts.

- The general and other (mandatory) reserves as specified by law, will be available for being used by the co-operative. They cannot be distributed among the members, except in the case of voluntary liquidation when there is a credit balance. In this case, the credit will be distributed according to the volume commercialised by each member during the last three years.
- The co-operative may accept donations from national and international donor organizations and similar external entities. These donations must immediately enter the reserves of the co-operative and may not be distributed in any way, be it directly or indirectly, among the members. These donations may not – in any way – interfere with the self-determination of the co-operative. However, the respective donor may, upon request and in written form, present his opinion about and recommendations for the Annual Report to the General Assembly (of Representatives).
- The individual member accounts will be distributed:
 1. immediately among the heirs, in accordance with the Family Law, upon the member's decease.
 2. in case the member retires, in three equal annual parts from the first day of the second commercial year after the date of their retirement.

3.5.2. Model of the statutes for two-tier co-operative enterprises

189. Name and constitution: On ... of. 2005 was established, in accordance with the Laws of the Republic of Mozambique, the Union of primary Co-operative of rice producers named (for instance the “UNIÃO DAS COOPERATIVAS PRIMÁRIAS DE COMERCIALIZAÇÃO E PROCESSAMENTO DE ARROZ DA ZAMBÉZIA”).

190. Objectives of the Co-operative: The objectives of the co-operative are the processing and commercialisation of the rice of its members, primary co-operatives, and providing for the account and risk of its members.

191. Membership: Members may be primary Co-operatives based in the province of (for example Zambézia). The Board of Directors decides on admission of members. The General Assembly decides on the exclusion of members, as defined by law. The member may appeal against the decision with the competent legal entity. As members will be admitted only primary Co-operatives that adopt the uniform statutes and the regulations concerning the supply of rice.

192. Supply of produce: Each member-co-operative is obliged to exclusively supply all commercialised rice, in accordance with the regulations as defined by the Board of Directors of the secondary Co-operative.

193. Activities: The co-operative is authorized to purchase, sell and utilize state property, movable and immovable property, to lend and owe capital and money, employ personnel and acquire, hire and apply other legal means in order to realize its objective.

194. The organs of the co-operative: The organic structure of the co-operative has the following organs:

- The General Assembly.
- The Board of Directors.
- The Supervisory Board.

195. The composition of the secondary co-operative's organs:

- The General Assembly: Each member-co-operative is a member of the General Assembly as well.
 - The Board of Directors: The Board of Directors consists of 9 members, elected by and from the General Assembly. Each member-co-operative appoints a number of members for the Board of Directors of the secondary co-operative, in proportion to the volume of rice supplied during the last year.
 - The Supervisory Board: The Supervisory Board consists of 7 members. Each member-co-operative appoints a number of members of the General Assembly for the Supervisory Board of the secondary co-operative, in proportion to the volume of rice supplied during the last year.
196. Voting rights and powers of the co-operative organs:
- The General Assembly of Members: In the General Assembly of Members each Board of Directors of a primary co-operative that is member will have a vote proportional to the volume of rice supplied during the last year to the secondary co-operative. The General Assembly will exclusively:
 - Define and change, according to decision, the statutes of the co-operative, and decide upon the voluntary liquidation and/or fusion of the co-operative. Decisions on these matters have to be approved by the General Assemblies of the affiliated primary co-operatives.
 - Elect and dismiss the Board of Directors and the Supervisory Board;
 - Approve the next year's budget.
 - Approve the audited accounts, the annual report and release the Board of Directors and the Supervisory Board from its responsibilities of the previous year.
 - Decide on admission of members upon request by the primary co-operatives.
 - Take other decisions in accordance with what has been laid down by law.
197. Powers and obligations of the Board of Directors:
- The Board of Directors is elected and dismissed by the General Assembly in accordance with the terms of the law. The Board of Directors appoints, from among its members, a president and a vice-president. The Board of Directors may appoint, if it deems fit to do so, external advisors.
 - The Board of Directors decides on admission and exclusion of members.
 - The Board of Directors represents the co-operative in any judicial and extra-judicial process whatsoever.
 - The Board of Directors prepares and executes the policies and businesses of the co-operative.
 - 1. The Board of Directors may contract a professional executive manager, and employ staff if this is necessary in order to carry out the operations of the co-operative.
198. The Supervisory Board:
- The Supervisory Board is elected and dismissed by the General Assembly. The task of the Supervisory Board is to monitor and control – in the name of the General Assembly– the Board of Directors with respect to the correct application of the statutes and a responsible and correct financial management. It proposes to the General Assembly to approve or not approve the Annual Report. If necessary, the Supervisory Board may contract a licensed auditor for assistance, at the expense of the co-operative. The Supervisory Board may and should advise the Board of Directors upon its request, or on its own initiative. The General Assembly may rule that certain decisions taken by the Board of Directors require prior approval of the Supervisory Board.

- In case of a long term dispute within the Board of Directors, the Supervisory Board may, upon written request by the President of the Board of Directors, hear and interrogate the various interested parties, and take a final decision so as to resolve the dispute in an appropriate manner. It may request external advice if deemed necessary.

199. Financing and capitalization system and the price mechanism:

- The price mechanism of the co-operative consists in transferring the financial results, based upon the production of the members and after the deduction of the reservations, and attributing the operational costs to the members in accordance with the principle of proportionality.
- To this end the co-operative will apply a system of pre-payments and post-payments, in order to ensure the reservation of an annual margin.
- The Board of Directors in the annual report proposes to the General Assembly the margin to be reserved.

200. The reservation system:

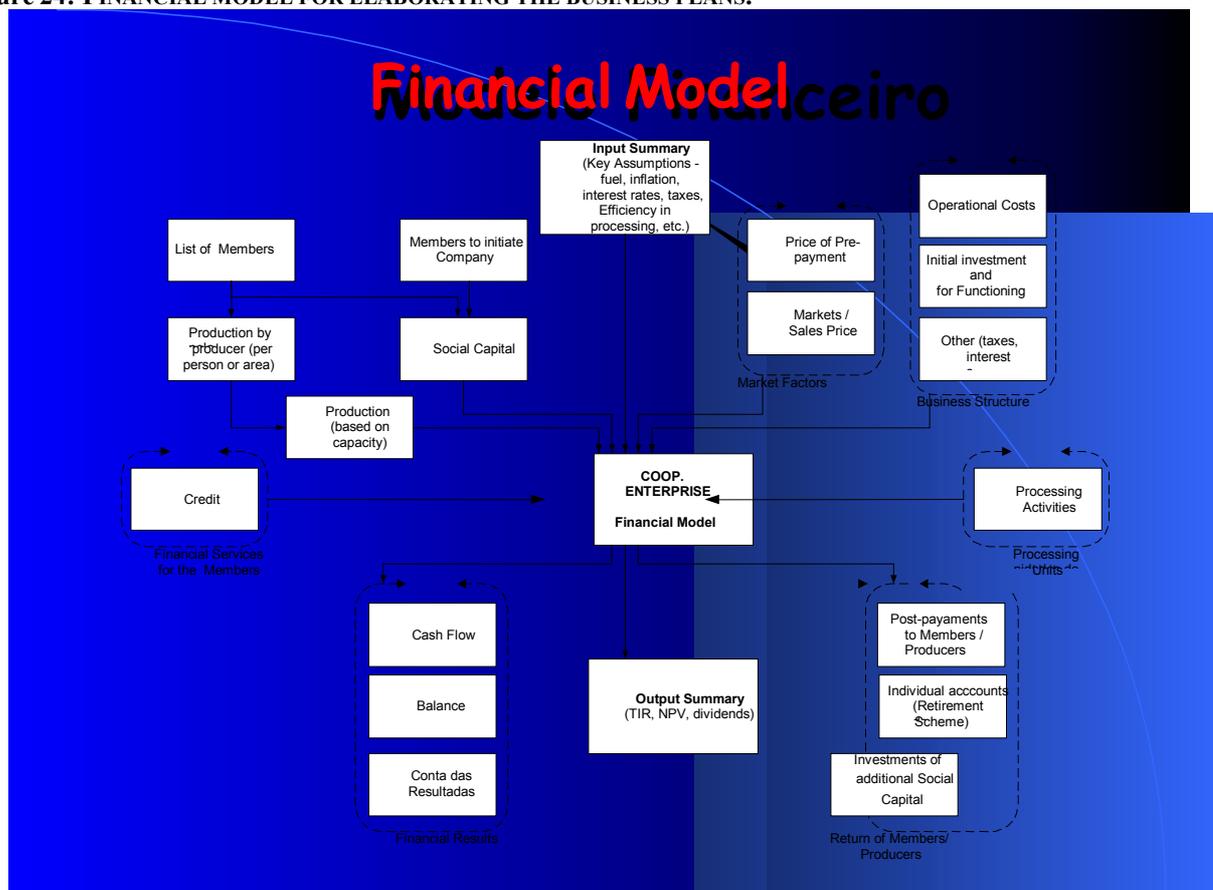
- Each member-co-operative must participate in the initial capital of the secondary co-operative in proportion to the volume commercialised during the last year **AND/OR** each member-co-operative must – upon subscription – pay 50% of the legal minimum of the subscription fee. The member-co-operative should pay the remaining 50% in two equal payments within a period of two calendar years, in accordance with the stipulations by the Board of Directors. The fees will constitute the first line equity.
- The system of annual reserves must show a certain quantity of general reserves, to be decided by the Board of Directors –and individual member accounts. These reserves will constitute the first line equity of the secondary co-operative.
- The general and other (mandatory) reserves as specified by law, will be available for being used by the co-operative, and they cannot be distributed among the member-co-operatives, except in the case of voluntary liquidation when there is a credit balance. In this case, the credit will be distributed according to the volume commercialised by each member-co-operative during the last three years.
- The co-operative may accept donations from national and international donor organizations and similar external entities. These donations must immediately enter the reserves of the co-operative and may not be distributed in any way, be it directly or indirectly, among the member-co-operatives. These donations may not – in any way – interfere with the self-determination of the co-operative. However, the respective donor may, upon request and in written form, present his opinion about and recommendations for the Annual Report to the General Assembly

4. PRESENTATION OF THE BUSINESS PLANS

201. After reporting on the actual situations of the producers from the 15 districts of Mozambique’s centre region in the agricultural markets, and after having designed the institutional framework of the new commercialisation structures, the present chapter presents business plan proposals for four Co-operative Societies (SCRL): (i) rice in Baixa Zambézia (section 4.1); cashew in the district of Maganja da Costa (section 4.2); (iii) maize and beans in Alta Zambézia (section 4.3), and (iv) maize and beans in the central districts of Manica e Sofala (section 4.3). See also table 12.

202. In figure 25, we elaborate on the basic model for working out the business plans using a combination of calculating sheets from the program, Excel.

Figure 24: FINANCIAL MODEL FOR ELABORATING THE BUSINESS PLANS.



On the vertical axis in the middle, one finds the summary of the inputs, the model (which is the main calculating sheet) and the summary of the outputs. On the left, one finds the data on social capital at the top and immediately above these the financial data. The horizontal line in the middle represents the credit services and the processing activities. On the left, at the bottom, one encounters the financial results and on the right hand side the results for the members.

4.1. Rice in zambézia

4.1.1. Some observations on the rice market in Mozambique

202. The production, commercialisation, processing and importation of rice in Mozambique have been studied by various people and institutions (see literature 9 to 17). The following table offers a summary of the situation, and, though not very precise, it gives a global impression of the situation:

Table 18: AREA, PRODUCTION, CONSUMPTION AND IMPORTS OF RICE PER REGION IN THE YEARS 2000.

Region	Area ha	%	Production ton	%	Consumption ton	%	Imports ton	%	Port of import
Cabo Delgado	14.360	8,3	16.714	10,0					
Niassa	4.544	2,6	3.635	2,2					
Nampula	35.384	20,5	32.200	19,2					
Zambézia	80.663	46,7	78.944	47,0					
Total Northern zone	134.951	78,2	131.493	78,3	150.470	41,0	32.500	16,3	Nacala
Tete	277	0,2	200	0,1					
Manica	710	0,4	497	0,3					
Sofala	28.859	16,7	23.265	13,9					
Total Central zone	29.846	17,3	23.962	14,3	55.050	15,0	32.500	16,3	Beira
Inhambane	3.354	1,9	2.147	1,3					
Gaza	2.772	1,6	8.658	5,2					
Maputo	1.715	1,0	1.665	1,0					
Total Southern zone	7.841	4,5	12.470	7,4	161.480	44,0	135.000	67,5	Maputo
Grand Total	172.638	100,0	167.925	100,0	367.000	100,0	200.000	100,0	

In this table, the provinces were grouped together on the basis of the influence range of the port of import. Thus, Zambézia belongs to the northern zone because the imported rice consumed in Zambézia enters through the port of Nacala. The data on consumption and imports of the northern and central zones have been estimated, although the total numbers are close to reality. These estimates have as a result that the balance between production, consumption and imports is not always exact.

203. The literature broadly agrees on the following observations:

- National production is less than 50% of national consumption; this creates a need to import rice for the urban population (especially the city of Maputo; with 60% of the total of imported consumption). Thus, there are opportunities for overcoming the need for imports through the promotion of local production.²⁸
- Almost all industrial processing facilities are paralyzed. Out of 16 factories, only one is functioning. There has been no private investment in this sector because: 1. Imported rice has a low market price; 2. It is not possible to guarantee all the necessary raw material for a husking factory (Bibliography, 16)²⁹ and 3. High interest levels for capital loans.
- “... if Mozambique would succeed in producing rice in a competitive manner, there would exist a regional demand capable of absorbing any production surplus, even in the long run” (Bibliography, 9). Export opportunities are related to the rice quality, and concern the aromatic local varieties in particular.

²⁸ During colonial times (1935 -1975) the Government, through the promotion program “Fundo de Fomento Orizicola” (Rice Growing Promotion Fund), managed to convert the situation of imports into one of exports, due to a drastic increase in production and processing (see bibliography, 12). It should be stressed that in the 1940s and 50s rice growing was enforced (“cultura forçada”) in Mozambique.

²⁹

- The Government is studying ways to promote local production through increasing the current customs duties of 5% (Bibliography, 17). The idea is that this would be a temporary measure, only to be applied when local production (processed and of good quality) shows growth rates.

4.1.2. Experiences of the rice pre-co-operative in Nante

204. On the basis of the post-floods rehabilitation program in the administrative post of Nante, which started in 2001 (see paragraph 70), a commercialisation program was developed with a view to complement the investments made in access roads and hydro-agricultural infrastructure. With respect to commercialisation, the following activities were carried out:

- A 200-ton warehouse was rehabilitated.
- A threshing floor of 70 m² was rehabilitated.
- Two rice-husking machines were installed (each one with a capacity of 300Kgs/hour).
- A pre-co-operative was started from a group of producers interested in becoming members of the co-operative society.
- A manager was recruited.

205. The following table offers an analysis of the volume of rice that was purchased, processed and sold.

Table 19: BALANCE OF THE VOLUME OF RICE, COMMERCIALIZATION CAMPAIGN 2002-2003.

Nr	Product	Tons	%	OBSERVATIONS
1	Rice (humid) purchased	93,50	100,00	
2	Rice (dry) husked	78,06	83,50	2/1*100
3	Losses in drying and storage	15,44	16,50	3/1*100
4	White rice of dry rice-fields	53,20	68,10	4/2*100
5	Bran, husk and losses	24,86	31,90	5/2*100

206. The table below shows the profits and loss account and the account of the commercial operation during the 2003-2004 campaign.

Table 20: PROFITS AND LOSSES ACCOUNT, COMMERCIALISATION CAMPAIGN 2002-2003.

	KGS	MZM	USD
Sales	49.344	345.411.000,00	14.098,00
Purchase of raw material (rice)	93.314	233.285.000,00	9.522,00
Gross margin		112.126.000,00	4.577,00
Gross margin per ton of rice		1.201.599,00	49,05
Costs		183.171.000,00	7.476,00
Cost per ton of rice		1.962.953,00	80,12
Profits (Losses)		-71.045.000,00	-2.900,00

207. In a strengths and weaknesses analysis, the system of management and control of operations was identified as the fundamental weakness. Big losses occurred during operations, largely due to the purchase of too humid rice (table 18), and to applying a promotion sales price lower than the price of imported rice. This resulted in a financial loss (table 19). The most important strong point identified, was the acceptance of and demand for the rice on the part of the urban consumer.

208. During the 2003-2004 campaign (until February 2005), the following actions were developed:

- A critical evaluation of the 2002-2003 campaign.

- The organization of technical assistance: through the Netherlands Management Cooperation Program – NMCP, a specialist in rice processing was contracted, who during three missions in the course of 2004 organized a training course for the executing team, established a control system and assisted in the elaboration of a business plan for 2003-2004 campaign.
- The rehabilitation of the connection (road and dike) Nante – Mopeia, where the former rice husking factory is located.
- The evaluation of the old equipment of the rice husking factory, and the rehabilitation of the warehouse and the residence of the Mopeia complex.
- The purchase of 162 tons of unhusked rice from the producer associations in the district of Maganja da Costa.
- Opening of a retail rice shop in the city of Quelimane.
- The digitalization of the data on purchase, processing and selling of rice.
- Inventory made of future members.

209. The following table shows a financial update on the commercialisation related to the 2003-2004 campaign.

Table 21: FINANCIAL SITUATION, CO-OPERATIVE ENTERPRISE NANTE 26/02/2005.

Summary of Costs	Value (MZM)	%
Processing costs of fuel and spare parts	44.505.000,00	5,69
Purchase of raw material	409.401.200,00	52,35
Communication (phone, post office, etc.)	6.171.000,00	0,79
Travel expenses purchasing brigades	19.899.500,00	2,54
Investment	25.124.720,00	3,21
Labour	145.159.999,00	18,56
Office supplies	7.119.000,00	0,91
Packaging (large quantity of sacks)	53.018.180,00	6,78
Transport	68.239.943,00	8,73
Miscellaneous	3.375.000,00	0,43
Total Costs	782.013.542,00	100,00
Total sales of clean rice		
Projections		
Costs		
Labour	45.000.000,00	
Transport Nante - Quelimane	67.645.620,00	
Management	30.000.000,00	
Projections of costs still to be incurred	142.645.620,00	
Revenues		
Clean rice in stock	21.000.000,00	
Rice to be husked	710.279.010,00	
Projection of revenues still to be received	731.279.010,00	
Total of real and projected costs	924.659.162,00	
Total of real and projected revenues	1.020.099.010,00	
Projected profits	95.439.848,00	

4.1.3 Comparison of centralized and decentralized options of rice processing in Baixa Zambézia

210. On the basis of the statistical data of DPADR of Zambézia for the 1998-1999 campaign, we made the following table.

Table 22: PRODUCTION OF RICE IN TONS, CAMPAIGN 1998 - 1999.

Region	Districts	Production	%
Baixa Zambézia	M. Costa	8.124	6,80
	Mopeia	9.000	7,54
	Nicoadala	17.912	15,00
	Namacurra	28.575	23,93
	Chinde	9.375	7,85
	Inhassunge	4.369	3,66
	SUB TOTAL		77.355
Média and Alta Zambézia	Lugela	5.850	4,90
	Mocuba	8.771	7,34
	Ile	10.800	9,04
	A. Molocue	4.788	4,01
	Milange	6.240	5,22
	Remaining 5 districts	5.627	4,71
	SUB TOTAL		42.076
	TOTAL	119.431	100,00

The data in the table only represent one year (of good production), but it does give an idea of the distribution pattern of production over the various agro-ecological regions of the Province of Zambézia. 65% of the production is to be found in Baixa Zambézia, while 35% is produced in Média and Alta Zambézia. The rice husking factories are in Chinde (Arrozal), Morrumbala (Morire), Mopeia, Maganja da Costa (Nante), and Ile and in the city of Quelimane. Almost all are in ruins, only the one in Quelimane is operational, but even so, it requires an investment to modernize it (see section 4.1.5).

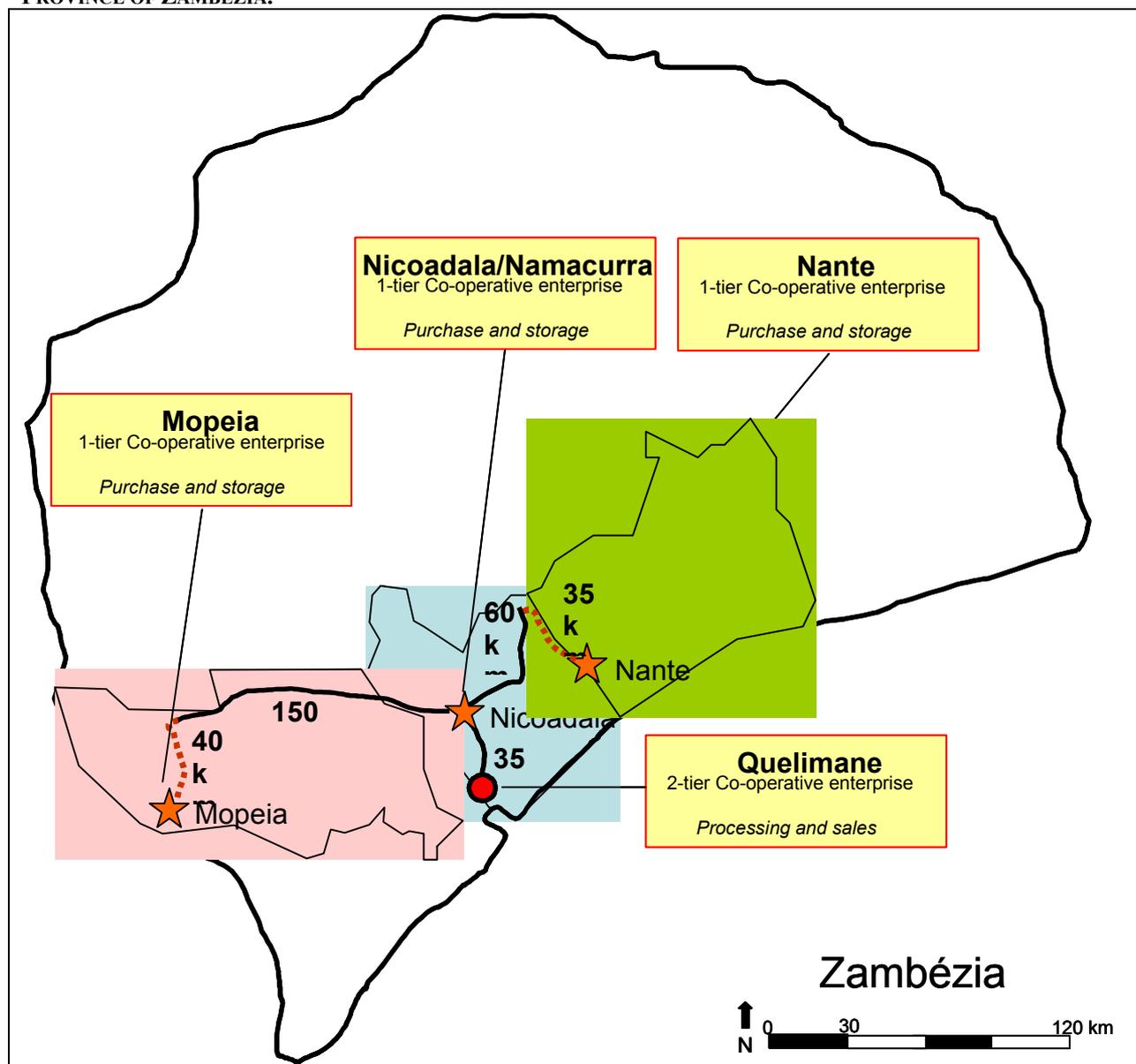
211. Figure 25 indicates three districts, namely Mopeia, Nicoadala - Namacurra and Maganja da Costa, with rice production in the area of Baixa Zambézia, together with the location options of the Co-operative Societies. An important question is the degree of (de) centralization intended with respect to processing. The following table evaluates three options.

Table 23: OPTIONS OF (DE) CENTRALIZATION OF RICE PROCESSING.

Options	1		2		3	
	Three one-tier co-operatives at district level, who do all processing and sell without second-tier cooperative		Three one-tier co-operatives at district level producing cargo rice (husked and unpolished rice), and a second-tier co-operative in charge of the rest		Three one-tier co-operatives at district level supplying unhusked rice, and a second-tier co-operative in charge of the entire processing	
Functions	District Level	Provincial Level	District Level	Provincial Level	District Level	Provincial Level
Purchases from the members	1		1		1	
Selection and drying	1		1		1	
Storage	1		1		1	
Husking	1		1			1
Polishing	1			1		1
Packaging	1			1		1
Sales and exports	1			1		1
Legal statute	Three independent legal entities		Three one-tier co-operatives with a legal statute, owning a second-tier co-operative with its own legal statute		Three one-tier co-operatives with a legal statute, owning a second-tier co-operative with its own legal statute	
Weaknesses	1. High investment: three complete processing facilities 2. Difficult to manage: three complete management teams		1. High investment: three steam and husking installations 2. Still difficult to manage 3. Arbitrary price of semi-manufactured product		1. Requires transport of husk 2. Final product is not visible for the members of the one-tier cooperative	
Strong points	1. Industrial activities (including energy) at level of district or administrative post 2. Feeling of ownership 3. Pride of producers of final product with local stamp 4. No transport of husk required		1. Industrial activities (including energy) at level of district or administrative post. 2. No transport of husk required		1. No big investments in the districts necessary 2. Managing purchase, selection and storage is relatively simple 3. Relatively low Investment in the husking factory of Quelimane 4. Processing management is centralized and less expensive	

After discussions with various specialists, one comes to the conclusion that option three is more viable in terms of financing and management. The figure on the following page offers a diagram of option three.

Figure 25: GEOGRAPHICAL AREA OF THE ONE-TIER AND TWO-TIER RICE CO-OPERATIVE ENTERPRISES IN THE PROVINCE OF ZAMBÉZIA.



4.1.4. Business plan of the one-tier fruit and rice SCRL in Nicoadala

212. On the basis of inquiries in the field, an inventory was made of the rice producers (*Oryza Sativa*) in the district of Nicoadala. The operational organization is per community and settlement. Annex 9.1 (Volume II) offers a summary of the report on the future members of the Sociedade Cooperativa de Responsabilidade Limitada (SCRL). The total of membership fees was calculated, based on an amount of 100.000 MZM per hectare. The number of representatives participating in the general assembly was determined for each settlement, in accordance with the system of proportional voting. On 26/02/2005 the first meeting for the foundation of the SCRL was held, with the participation of 65 people representing the communities and settlements.

213. The following table summarizes the most important characteristics of the SCRL.

Table 24: GENERAL CHARACTERISTICS BUSINESS PLAN FOR RICE IN NICOADALA.

Nr	Description	Key Words
1	The co-operative enterprise (ECOOP) is a single crop intervention	Single crop
2	The ECOOP buys unhusked rice from the members and sells it to the two-tier ECOOP	Final product is unhusked rice
3	The period of the business plan includes 6 campaigns, 2004-2005 to 2009-2010.	2004-2005 to 2009-2010
4	The fiscal year is based on the commercialization campaign	1 May to 30 April
5	Planning steps are "one month"	Total 72 months
6	The ECOOP has exemption from added value tax	Without IVA (VAT)
7	The ECOOP pays taxes on labour	IPRS, INSS, medical assistance

The business plan includes, at present, only rice growing. In a second phase the fruit business, mainly pineapple, will be added.

214. Annex 9.2 (Volume II) lists the basic data or inputs for the business plan, more specifically, data on finances, purchase and selling of unhusked rice, productivity, human resources, transport, efficiency of drying, and management. It should be noted that the selling price (5.000 MZM/Kg) is the price at which the SCRL of Nicoadala sells the unhusked rice to the Union of SCRL in Quelimane; this price is arbitrary and determines the division of losses or profits between the one-tier and two-tier enterprises. Interest rates for loans of investment capital were stipulated at 8%, whereas the rates for loans of floating capital are set at 18%.

215. Annex 9.3 (Volume II) analyzes, in terms of goods traffic, a network of nine commercialisation posts with their settlements. The quality of the roads was defined in order to calculate the relocations scheme with respect to the transport of production. On the basis of these definitions, and on the ones from Annex 9.1, a commercialisation plan with a six-year duration has been developed, which assumes that 30% of production is surpluses. Not all posts and settlements will be covered in the first years. Table 25 indicates the purchase plan for the plan's six-year duration.

Table 25: PRODUCTION TO BE COMMERCIALIZED IN THE DISTRICT OF NICOADALA.

Campaign		2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Surplus to be commercialized	tons	1.083	1.992	2.939	3.086	3.240	3.402

216. Annex 9.4 (Volume II) calculates transport costs (excluding pay off costs) of unhusked rice, using a tractor and trailer, based on the scheme of access roads and an estimate of quantities to be transported. The value used for the transport of the commercialisation post to the central warehouse in Nicoadala is 1.561 MZM/ton/Km.

217. Annex 9.5 shows the costs of financing the management team of the enterprise in Nicoadala. The permanent team consists of a supervisor, an administrator, a technician, guards and porters. During the commercialisation campaign day labourers will be hired.

218. The following table shows the investment needed during the period of the plan.

Table 26: INVESTMENTS NEEDED FOR THE FOUNDATION OF THE SCRL IN NICOADALA, IN USD.

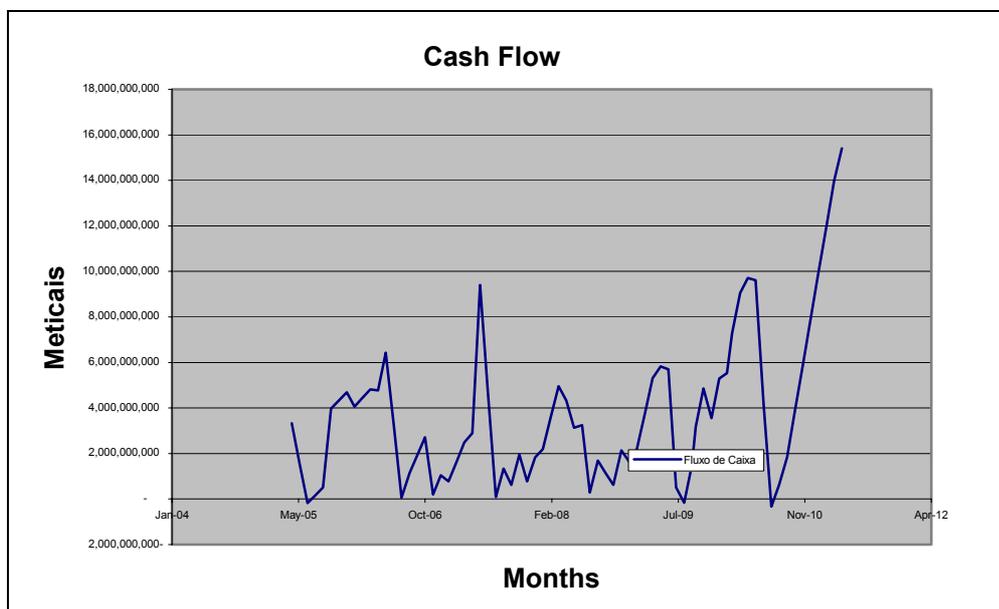
Necessary Capital investment									
	Life in Years	Existing Before	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	Total Investment
TOTAL INFRASTRUCTURE									
Application for plot	50	-	2.000	-	-	-	-	-	2.000
Construction of main warehouse	15	-	175.000	-	-	-	-	-	175.000
Construction of threshing-floor	15	-	7.500	-	-	-	-	-	7.500
Warehouse of commercialization post	15	-	60.000	15.000	-	-	-	-	75.000
Threshing-floor of comm. post	15	-	4.000	4.000	-	-	-	-	8.000
Construction of fence	8	-	10.000	-	-	-	-	-	10.000
	1	-	-	-	-	-	-	-	
TOTAL INFRASTRUCTURE:		-	258.500	19.000	-	-	-	-	277.500
		-	-	-	-	-	-	-	
TRANSPORT EQUIPMENT									
Tractors (60 HP)	5	-	30.000	30.000	30.000	30.000	-	-	120.000
Trailers (5-ton / 2-axle)	5	-	7.500	7.500	7.500	7.500	-	-	30.000
Motorcycle	5	-	6.000	6.000	6.000	6.000	-	-	24.000
Bicycles	5	-	1.200	1.200	1.200	1.200	-	-	4.800
TRANSPORT EQUIPMENT		-	44.700	44.700	44.700	44.700	-	-	178.800
	1	-	-	-	-	-	-	-	
OFFICE SUPPLIES									
Furniture	10	-	400	-	-	-	-	-	400
Lap top	3	-	3.000	-	-	3.000	-	-	6.000
Printer	3	-	1.000	-	-	1.000	-	-	2.000
Miscellaneous	3	-	1.000	-	-	1.000	-	-	2.000
TOTAL OFFICE SUPPLIES		-	5.400	-	-	5.000	-	-	10.400
MOVABLE / IMMOVABLE GOODS	-	-	308.600	63.700	44.700	49.700	-	-	466.700

The total investment for the one-tier SCRL in Nicoadala amounts to 466.700 USD. The main part is in infrastructure in order to create drying and storage capacity. In annex 9.6 the depreciation costs and the enterprise's balance have been calculated.

219. On the basis of inputs with respect to the acquisitions, operating costs, basic data and selling prices, cash flow has been calculated. Annex 9.7 presents 7 sheets of tables. The first is the summary

per year, while the remaining six are monthly data for the plan’s six-year duration. The following figure is a diagram showing the monthly data on cash flow during the 72 months of the plan.

Figure 26: CASH FLOW SCRL NICOADALA MAY/2005 – APRIL/2011.



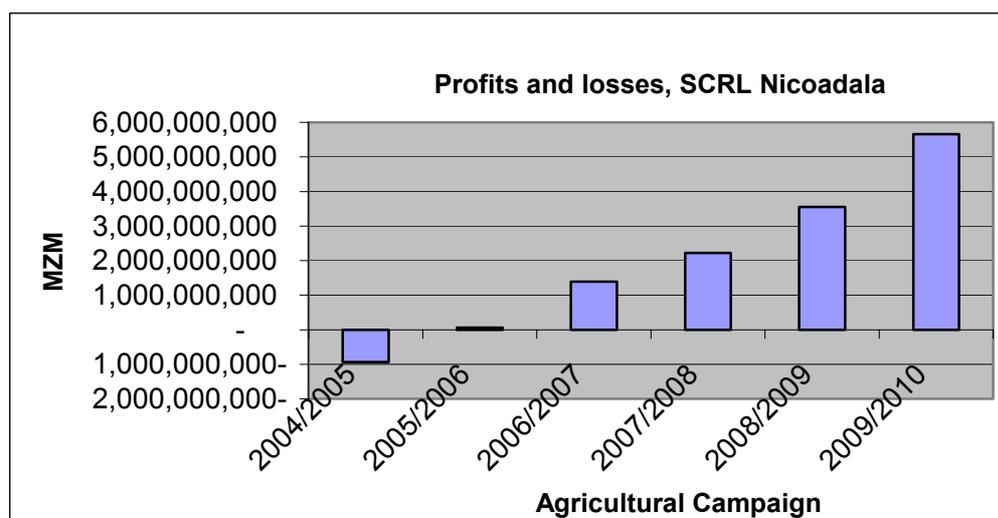
220. The following table represents the annual profits and losses account.

Table 27: PROFITS AND LOSSES ACCOUNT CAMPAIGNS 2004-2005 TO 2010-2011, SCRL NICOADALA.

PROFIT and LOSS								
Year								
Campaign	Unit	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	GRAND
		TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Rice Purchases from the Members	KGS	1.083.263	1.991.657	2.938.777	3.085.716	3.240.002	3.402.002	15.741.417
Dry rice (15-18%)	KGS	704.121	1.394.160	2.204.083	2.468.573	2.754.002	3.061.802	12.586.740
Humid rice (>18%)	KGS	379.142	597.497	734.694	617.143	486.000	340.200	3.154.677
Cleaning and drying of rice								
Dry rice (15-18%) for rice of 13%	KGS	668.915	1.324.452	2.093.879	2.345.144	2.616.302	2.908.712	11.957.403
Humid rice (>18%) for rice of 13%	KGS	341.228	537.747	661.225	555.429	437.400	306.180	2.839.209
Total of rice after drying	KGS	1.010.142	1.862.199	2.755.104	2.900.573	3.053.702	3.214.892	14.796.612
Quantities of Sales (ECOOP-2)	KGS	1.010.142	1.862.199	2.755.104	2.900.573	3.053.702	3.214.892	14.796.612
Value of Sales (ECOOP-2)	MZM	4.242.597.581	8.389.207.297	13.311.228.147	15.027.636.102	16.963.003.790	19.145.014.851	77.078.687.769
Dry rice (15-18%)	MZM	2.112.361.875	4.182.479.438	6.612.248.742	7.405.718.591	8.262.004.803	9.185.405.340	37.760.218.790
Humid rice (>18%)	MZM	947.854.688	1.493.742.656	1.836.735.762	1.542.858.040	1.215.000.706	850.500.494	7.886.692.346
Value of Rice Purchases		3.060.216.563	5.676.222.094	8.448.984.504	8.948.576.631	9.477.005.510	10.035.905.835	45.646.911.136
Quantity of 50-kg bags	saco	21.665	39.833	58.776	61.714	64.800	68.040	314.828
Value of Bags	MZM	151.656.750	278.831.963	411.428.811	432.000.251	453.600.264	476.280.277	2.203.798.315
Telephone		82.800.000	86.940.000	95.851.350	110.959.919	134.872.475	172.135.253	683.558.997
Water Electricity		13.800.000	14.490.000	15.975.225	18.493.320	22.478.746	28.689.209	113.926.500
Office supplies		27.600.000	28.980.000	31.950.450	36.986.640	44.957.492	57.378.418	227.852.999
Meetings		48.000.000	50.400.000	55.566.000	64.324.591	78.186.942	99.788.553	396.266.085
Operating Costs		172.200.000	180.810.000	199.343.025	230.764.469	280.495.655	357.991.432	1.421.604.582
Salaries – Permanent Employees		677.250.000	767.188.800	864.428.355	969.473.894	1.082.862.915	864.428.355	5.225.632.318
Salaries – Temporary Employees		36.225.000	76.072.500	119.814.188	125.804.897	132.095.142	138.699.899	628.711.625
Salaries	MZM	713.475.000	843.261.300	984.242.543	1.095.278.790	1.214.958.057	1.003.128.254	5.854.343.943
Transport Costs from Field to Central Warehouse	MZM	32.623.058	59.979.865	88.502.926	92.928.072	97.574.475	102.453.199	474.061.595
Profits (before taxes and depreciation)	MZM	112.426.210	1.350.102.076	3.178.726.339	4.228.087.888	5.439.369.830	7.169.255.854	21.477.968.199
Depreciação	MZM	530.519.000	757.452.850	979.639.238	1.258.229.944	1.321.141.441	1.387.198.513	6.234.180.986
Lucros (antes juros)	MZM	418.092.790-	592.649.226	2.199.087.102	2.969.857.944	4.118.228.388	5.782.057.341	15.243.787.212
Interest on current credit accounts	MZM	426.000.000	450.000.000	628.500.000	609.000.000	459.000.000	63.000.000	2.635.500.000
Interest on loan for initial investment	MZM	92.191.000	79.282.090	177.324.217	143.349.458	103.284.761	56.375.532	651.807.058
Taxes								
Profits	MZM	936.283.790-	63.367.136	1.393.262.885	2.217.508.486	3.555.943.628	5.662.681.809	11.956.480.155

The account shows a loss during the first two years, while the enterprise makes profits from the third year onwards. The next figure depicts the situation in diagram form.

Figure 27: DIAGRAM OF PROFITS AND LOSSES, CAMPAIGNS 2004-2005 TO 2010-2011, SCRL NICOADALA.



4.1.5. Business plan of the two-tier SCRL for rice in Quelimane

221. In accordance with the logic from table 21, a two-tier SCRL will be established in the city of Quelimane. The table below defines its main characteristics.

Table 28: GENERAL CHARACTERISTICS OF THE TWO-TIER RICE COMMERCIALISATION CO-OPERATIVE SOCIETY IN QUELIMANE.

Nr	Description	Key Words
1	The two-tier SCRL will carry out husking, polishing and packing, and will market the rice in the markets of northern Mozambique and, in a later stage, of South Africa	husking, polishing, packing and selling
2	The two-tier rice SCRL establishment is based on the existent plant and installations of ICM in the city of Quelimane	creation based on ICM Quelimane
3	The two-tier SCRL forms a single economic unit with the one-tier SCRLs from Nicoadala, Nante and Mopeia. This means that the final market price of the product of the two-tier SCRL will determinate the final product price of the SCRLs, which is unhusked rice	economic unit with the 3 SCRLs
4	The two-tier SCRL and the one-tier SCRL are separate legal entities. Each one has its own Assembly, Board of Directors, etc.	independent legal entities
5	The two-tier SCRL will form a PPP with the local government (DPADERZ or ICM) in order to raise the necessary investment for rehabilitation	public private partnership
6	The Government will be represented in the Board of Directors, in proportion to the invested capital	
7	Transport of unhusked rice from the one-tier SCRLs of Nicoadala, Nante and Mopeia will be in organized fashion. The two-tier SCRL will bear the costs, using local transporters	transport from districts centrally organized.
8	The factory will use its steam energy to produce electricity	steam energy converted into electricity
9	Selling of the final product at the factory gates in Quelimane	selling at factory gates

The Public Private Partnership (PPP) will be established according to criteria jointly defined by the entities that will be involved in the investment.

222. Annex 10.1 (Volume II) lists the basic data on the basis of which the business plan was developed. The data does not differ significantly from that of the SCRL in Nicoadala (see Annex 9.2.). In addition, the data only includes the transformation coefficients concerning husking and polishing of rice, and the price of the final product, i.e. of clean rice. The price used in this business plan is equal to or less than the price of imported rice.

223. The following table summarizes the data on purchases of unhusked rice from the SCRLs in Mopeia, Nicoadala - Namacurra and Maganja da Costa - Nante. Quantities start with 2000 tons/year and rise to 6000 - 7000 tons at the end of the plan's period, more or less equalling installed capacity during colonial times. In Annex 10.4 more details can be found.

Table 29: QUANTITIES OF UNHUSKED RICE TO BE PURCHASED BY THE TWO-TIER SCRL FROM THE SCRLS.

Year		1	2	3	4	5	6	TOTAL
		2005	2006	2007	2008	2009	2010	
Volumes of unhusked rice to purchase								
Unhusked rice variety pure aromatic	Nicoadala	353.550	707.636	1.129.592	1.276.252	1.435.240	1.607.446	6.509.716
Unhusked rice variety pure non-aromatic	Nicoadala	353.550	707.636	1.129.592	1.276.252	1.435.240	1.607.446	6.509.716
Mixed unhusked rice	Nicoadala	303.043	446.928	495.919	348.069	183.222	0	1.777.180
SUB-TOTAL	Nicoadala	1.010.142	1.862.199	2.755.104	2.900.573	3.053.702	3.214.892	14.796.612
Unhusked rice variety pure aromatic	M Da Costa	247.485	495.345	790.715	893.377	1.004.668	1.125.212	4.556.801
Unhusked rice variety pure non-aromatic	M Da Costa	247.485	495.345	790.715	893.377	1.004.668	1.125.212	4.556.801
Mixed unhusked rice	M Da Costa	212.130	312.849	347.143	243.648	128.255	0	1.244.026
SUB-TOTAL	M Da Costa	707.100	1.303.539	1.928.573	2.030.401	2.137.591	2.250.424	10.357.628
Unhusked rice variety pure aromatic	Mopeia	141.420	283.054	451.837	510.501	574.096	642.978	2.603.886
Unhusked rice variety pure non-aromatic	Mopeia	141.420	283.054	451.837	510.501	574.096	642.978	2.603.886
Mixed unhusked rice	Mopeia	121.217	178.771	198.367	139.228	73.289	0	710.872
SUB-TOTAL	Mopeia	404.057	744.880	1.102.041	1.160.229	1.221.481	1.285.957	5.918.645
Unhusked rice variety pure aromatic	TOTAL	742.455	1.486.035	2.372.144	2.680.130	3.014.004	3.375.636	13.670.403
Unhusked rice variety pure non-aromatic	TOTAL	742.455	1.486.035	2.372.144	2.680.130	3.014.004	3.375.636	13.670.403
Mixed unhusked rice	TOTAL	636.390	938.548	1.041.429	730.944	384.766	0	3.732.078
TOTAL		2.121.299	3.910.618	5.785.718	6.091.204	6.412.774	6.751.273	31.072.885

224. The following table shows the operational costs of the two-tier SCRL.

Table 30: OVERVIEW OF THE HUMAN RESOURCES FOR THE MANAGEMENT OF THE TWO-TIER SCRL IN QUELIMANE.

Nr	Function	Post	1	2	3	4	5	6	Monthly Value	2005	2006	2007	2008	2009	2010
			QT 2004/05	QT 2005/06	QT 2006/07	QT 2007/08	QT 2008/09	QT 2009/10							
1	Manager	1	1	1	1	1	1	1	2.000	2.000	2.100	2.205	2.315	2.431	2.553
2	Technician	1	1	1	1	1	1	1	500	500	525	551	579	608	638
3	Accountant	2	1	1	1	1	1	1	500	1.000	1.050	1.103	1.158	1.216	1.276
4	Treasurer	1	1	1	1	1	1	1	200	200	210	221	232	243	255
5	Mechanic	1	1	1	1	1	1	1	500	500	525	551	579	608	638
6	Non-classified workers	25	1	1	1	1	1	1	100	2.500	2.625	2.756	2.894	3.039	3.191
7	Classified workers	4	1	1	1	1	1	1	300	1.200	1.260	1.323	1.389	1.459	1.532
8	IRPS	20								1.580	1.659	1.742	1.829	1.920	2.017
9	INSS (employer)	4								316	332	348	366	384	403
10	Medical Assistance	5								395	415	435	457	480	504
	Total salaries									10.191	10.701	11.236	11.797	12.387	13.007
	Fixed costs														
11	Telephone		1	1	1	1	1	1	500	500	500	500	500	500	500
12	Water		1	1	1	1	1	1	200	200	200	200	200	200	200
13	Office Supplies		1	1	1	1	1	1	200	200	200	200	200	200	200
14	Electricity		15	12	9	6	3	0	300	4.500	3.600	2.700	1.800	900	0
	Total other fixed costs									5.400	4.500	3.600	2.700	1.800	900
	Grand total									15.591	15.201	14.836	14.497	14.187	13.907

Amounts are in USD. It includes a gradual increase of salaries and other fixed costs in the course of the six years.

225. At present, the rice husking and processing factory in Quelimane has been out of working order for nearly ten years and the equipment is increasingly degrading – see the photographs in Annex 10.6. An inventory of equipment and cost estimate has been made of the requirements for rehabilitating it, guided by technical staff from the Sena Sugar Company of Marromeu specialized in steam energy systems, and a specialist in rice processing. The following table offers a summary of the investments needed.

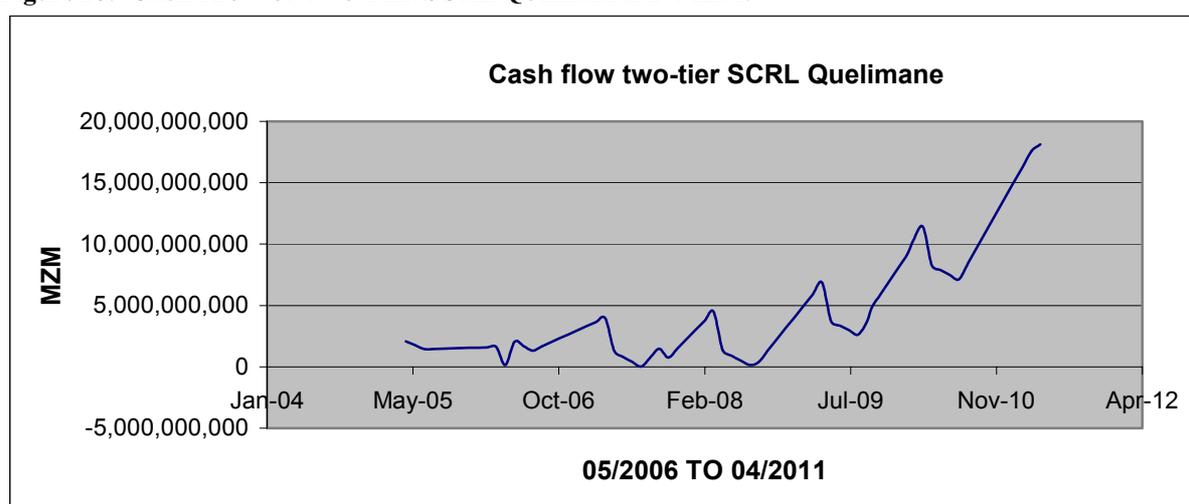
Table 31: PLANNED INVESTMENT FOR THE REHABILITATION OF THE RICE HUSKING FACTORY IN QUELIMANE.

Description	Already in existence	2005	2006	2007	2008	2009	2010	Investment to be realized
Total infrastructure	175.000	65.000	0	0	0	0	0	65.000
Transport equipment	0	122.000	107.000	6.000	0	0	0	235.000
Processing equipment	0	409.500	0	0	0	0	0	409.500
Office equipment	0	12.000	0	0	5.000	0	0	17.000
Total investment	175.000	608.500	107.000	6.000	5.000	-	-	726.500

Annex 10.2 shows the details of the planned investment. The basic idea is the rehabilitation of the steam energy system (using rice husks as energy source) and the production of electricity to drive the equipment. In addition the husking and polishing system will be replaced by more modern equipment. Part of the equipment, such as the separators, is still usable. The building meets the requirements for the installation of modern equipment.

226. Annex 10.3 (Volume II) calculates balance and depreciation values on the basis of the necessary investment, its life and the applied interest rate. Annex 10.5 shows the details of the cash flow on an annual basis. Figure 25 presents the monthly cash flow for the 72-months period of the plan in diagram form.

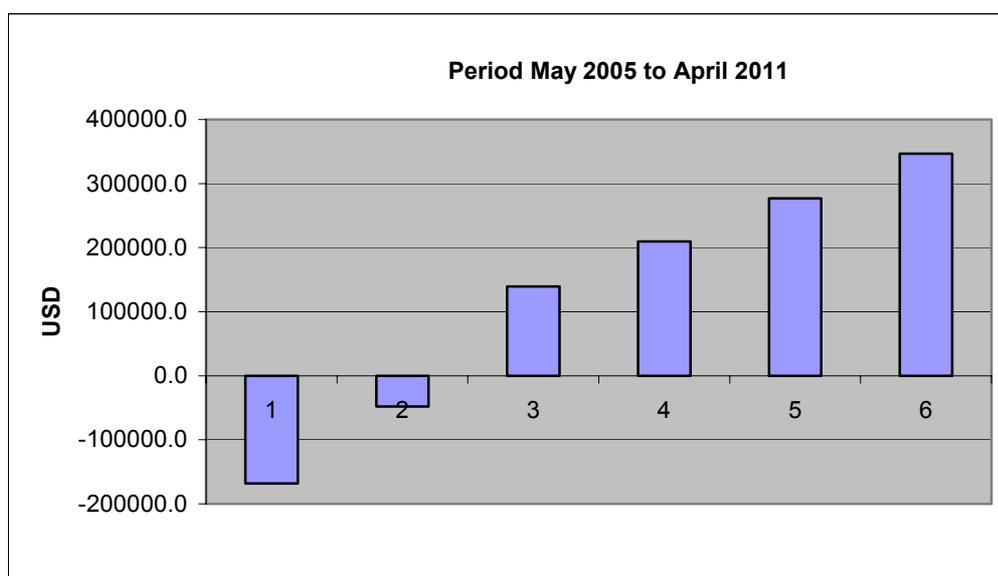
Figure 28: CASH FLOW OF TWO-TIER SCRL QUELIMANE IN MZM.



In order for the cash flow to be positive, it was necessary to inject floating capital (at a 18% interest rate). The operation is only viable when the quantity of processed rice increases to 6.000 tons.

227. This trend is also reflected in the profits and losses account, as can be seen in figure 29.

Figure 29: PROFITS AND LOSSES ACCOUNT TWO-TIER SCRL (HUSKING FACTORY) IN QUELIMANE 2005-2006 TO 2010-2011.



For more details we refer to Annex 10.7, where, on an annual basis, the results of the intervention are shown in absolute amounts, in percentages of total sales value, and per ton sold.

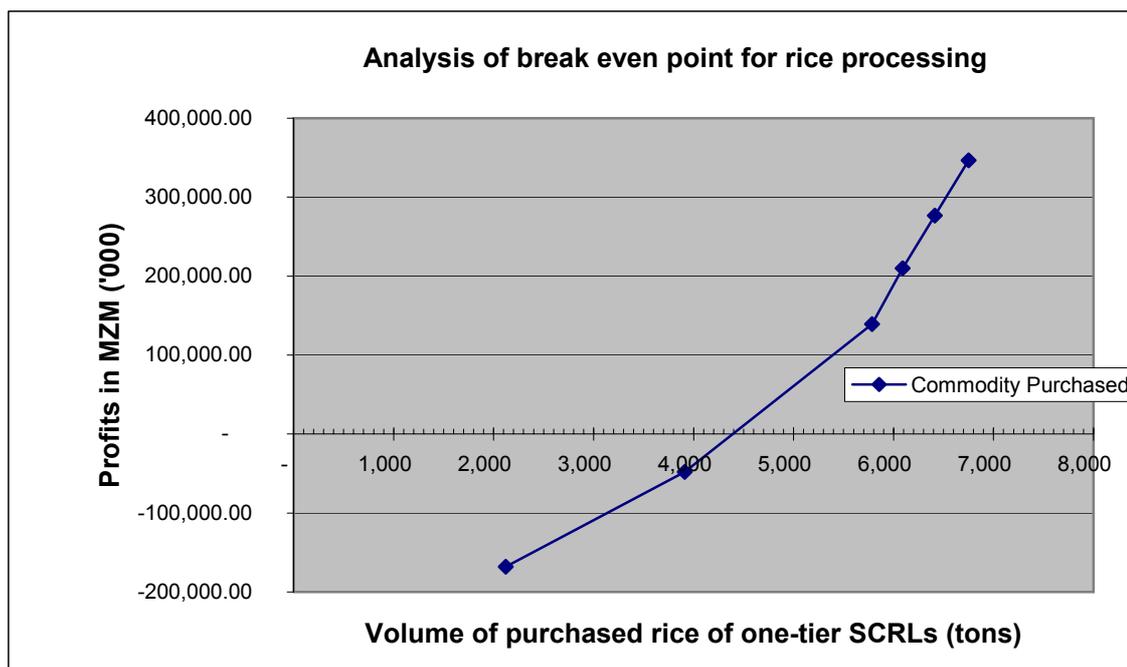
228. The following table shows annual purchases and profits from the rice husking and processing factory in Quelimane.

Table 31A: SUMMARY OF PURCHASES AND PROFITS OF TWO-TIER SCRL IN QUELIMANE.

Year		2005	2006	2007	2008	2009	2010
Purchased rice	ton	2.121,30	3.910,62	5.785,72	6.091,20	6.412,77	6.751,27
Profits	000MZM	- 168.070,56	- 48.064,13	139.381,62	209.796,84	276.791,53	346.619,92

Figure 30 presents an analysis of the investment’s break-even point.

Figure 30: ANALYSIS OF THE BREAK EVEN POINT OF THE RICE HUSKING AND PROCESSING FACTORY IN QUELIMANE, AFTER REHABILITATION.



The diagram indicates break even when the purchased volume reaches 4.500 tons per year. Compared with table 32, we may conclude that the break-even point will be reached after the second year of investments.

4.2 Cashew in Maganja da Costa

4.2.1. General information on the cashew sector in Mozambique

228. The cashew plant (*ANACARDIUM OCCIDENTALE*) was introduced in the sixteenth century on the coast of Southern Africa and in Mozambique by the Portuguese, who took it from Brazil (Bibliography, 23). In the 1950s, Mozambique exported most of its cashew as raw material to India. The decades that followed (1960s and 70s) saw the industrialization of the sector. During the 1970s, Mozambique was one of the main cashew producers in the world. After independence (1975), production levels were not sustained, due to the war. At present (2004), annual production is about 50.000 tons (in the period 1993-1998: 40.000 tons), which represents 5 to 6% of world production. Most of the production is exported as raw material to India (Bibliography, 18).

229. Prices of raw cashew on the world market reached a level of 0,50 USD/Kg in 1999, but afterwards decreased to 0,20 and 0,30 USD/Kg. The world market for cashew kernels is growing. The most important consumers are the United States (USA) and the European Union (EU). In 1990, the EU imported 15.000 tons of kernels, and 50.000 tons in 1998. 50% of the imports are destined for Germany and the Netherlands. This means that there still exists a potential for exporting to the EU. World prices were at 3,70 USD/Kg for kernel W320³⁰ in 2001, but they have risen to 4,20 USD/Kg and seem to have stabilized on this level (Bibliography, 18).

4.2.2. Cashew production in Zambézia Province

230. The following table summarizes information offered by the Provincial Directorate of Agriculture in Zambézia Province.

Table 32: COMMERCIALIZED PRODUCTION IN ZAMBÉZIA PROVINCE 1996-1997 TO 2004-2005. SOURCE: INCAJÚ DELEGATION IN ZAMBÉZIA.

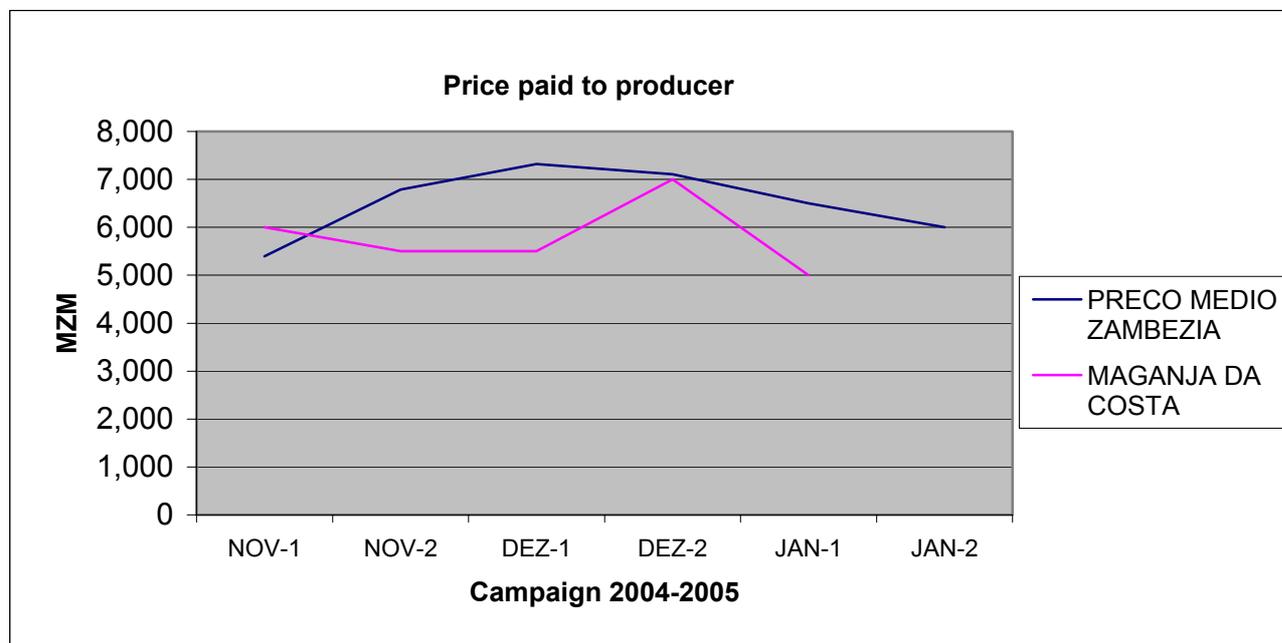
District	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	Average/ year	%
Pebane	695	925	1.830	1.646	2.329	1.642	2.680	2.942	2.590	1.920	28,6
Gilé	821	2.124	1.559	1.386	1.185	700	3.458	740	4.339	1.812	27,0
Ile	250	532	736	328	624	149	1.027	862	2.345	761	11,4
Mocuba	125	32	941	687	1.134	250	1.197	1.227	2.943	948	14,1
Maganja da Costa	48	60	291	375	353	20	448	585	820	333	5,0
Namacurra	103	122	320	392	583	151	1.710	1.808	3.046	915	13,6
Nicoadala	11		25	7	14	14	9	28	45	17	0,3
	2.053	3.795	5.702	4.821	6.222	2.926	10.529	8.192	16.128	6.708	100,0

Taking into consideration a national annual production of 50.000 tons, the production of Zambézia Province represents 20 to 30% of national production. Average annual production of the district of Maganja da Costa during the last 9 years was 333 tons, with a strong increase in the last few years. It should be noted that much of commercialised production probably has not been monitored.

³⁰ W320 - 320 whole groundnuts per “pound”, or 146 per Kg

231. The delegation of INCAJÚ in Zambézia also tried to monitor the level of prices paid to the producer by the traders. The following indicates the price levels, over a two-week period, during the 2004-2005 campaign.

Figure 31: CASHEW PRICES PER KG PAID TO THE PRODUCER IN ZAMBÉZIA PROVINCE DURING THE 2004-2005 CAMPAIGN. SOURCE: INCAJÚ DELEGATION IN ZAMBÉZIA.



The difference with the levels of the previous year (2003-2004 campaign), which hovered between 3.000 and 5.000 MZM/Kg, is remarkable. During 2004-2005, the price at the campaign’s start immediately increased to the level of 5.000 to 6.000 MZM/Kg, which may be indicative of an increase in negotiating power on the part of the producers. A large part of the production was bought at this price, while the quantities towards the end of the campaign were bought at a slightly higher price. At the end of the campaign prices fell because of the cashew’s diminishing quality.

4.2.3. Business plan for the cashew sector in Maganja da Costa

232. During the period of August 2004 to February 2005, an inventory was made of the cashew trees among cashew producers in the district of Maganja da Costa. Annex 11.1. lists the producers with their trees, per community and settlement. The following table provides a summary:

Table 33: NUMBER OF CASHEW PLANTS PER COMMUNITY IN MAGANJA DA COSTA.

Nr	Communities	settlements	Nr. houses	Old Cashew trees	New Cashew trees	Total	Fee	Delegates	Production in Kgs
1	Cariua	12	1.028	18.611	12.722	31.333	62.666.000	11	88.110
2	Alto Mutola	14	1.044	46.759	10.104	56.863	113.726.000	20	133.934
3	Maneia	10	831	13.668	6.868	20.536	41.072.000	7	54.808
4	Mocubela	12	729	14.046	7.687	21.733	43.466.000	8	58.840
5	Mucarua	7	258	7.978	2.560	10.538	21.076.000	4	26.196
6	Murabiua	6	237	3.603	2.416	6.019	12.038.000	2	16.870
7	Muso	8	330	1.845	2.364	4.209	8.418.000	1	13.146
8	Mualama	3	159	2.245	937	3.182	6.364.000	1	8.238
9	Madabo	6	659	26.922	6.503	33.425	66.850.000	12	79.856
10	Murrabela	8	1.208	45.053	15.239	60.292	120.584.000	21	151.062
11	Missal	11	1.284	50.908	9.041	59.949	119.898.000	21	137.980
12	Naico	7	832	39.264	11.921	51.185	102.370.000	18	126.212
13	Capitão	1	56	385	642	1.027	2.054.000	0	3.338
	TOTAL	105	8.655	271.287	89.004	360.291	720.582.000	125	898.590

The table lists the families and the their cashew trees in 13 communities in the district of Maganja da Costa. It should be noted that the inquiry did not cover the entire district; only the areas of Cariua, the administrative post of Bajone and Mocubela were covered because these are zones with a high cashew tree density. The total number of trees amounts to 360.291, owned by 8.655 families. 75% are old (> 40 years of age) cashew trees, and 25% (or 89.004) are trees recently planted within the context of the partnership between the NGO ADRA and ORAM. Based upon an entrance fee of 2.000 MZM per tree, the total value of the fees to be paid by the future members of the co-operative may amount to 720 millions meticaís. Production has been estimated as well. Utilizing an average annual production of 2 Kgs per old cashew tree and 4 Kgs per new tree, we calculate production at approximately 900 tons of cashews. When we compare this data with that from table 32, we conclude that the estimate roughly corresponds to the statistical data from the Provincial Directorate of Agriculture.

233. The following table shows the characteristics of the future Sociedade Cooperativa de Responsabilidade Limitada for the commercialisation and processing of cashew in the district of Maganja da Costa.

Table 34: CHARACTERISTICS OF THE CO-OPERATIVE SOCIETY FOR THE COMMERCIALISATION AND PROCESSING OF CASHEW IN MAGANJA DA COSTA.

Nr	Description	Key words
1	there are 4 primary processing centres: Cariua, Alto Mucabira, Missale, Mocubela.	4 primary and 1 central processing centres
2	the primary processing centres organize purchasing and the first processing steps	first 10 phases of processing
3	the final steps up to exportation will be organized in	last 5 phases of processing
4	the primary and central centres constitute one single economic and legal unit	one single economic and legal unit
5	daily transport of kernels is centrally organized	centralized transport of kernels

234. The table below indicates the processing stages of cashew needed to produce a kernel that is ready for export. Processing activities 1 to 10 are carried out in four small purchasing, storage and husking units. The localities selected for these activities are Cariua, Missale, Naico and Mocubela. Activities 11 to 15 are to be carried out by the central unit to be installed in Mocubela. Here, a vacuum packing machine will be installed for the production of 20Kg packs of kernels for export.

Table 35: PROCESSING STAGES AND RESPONSABILITIES IN THE CASHEW SECTOR IN MAGANJA DA COSTA.

Nr	Operation	Responsible entity
1	Buying from the producer	Shelling units in Cariua, Missale, Naico and Mocubela
2	Transport from buying post to locality of shelling	
3	Drying and storage	
4	Boiling the cashew	
5	Cooling (drying)	
6	Manual cutting of cashew (shelling)	
7	Separation of kernel from shell	
8	Heating of kernels	
9	Cooling of kernels	
10	Removing thin kernel skin	
11	Transport from shelling unit to central unit	Central unit in Mucubela
12	Selection of kernels in whole and broken, according to size	
13	Packing	
14	Transport from central unit to port	
15	Exporting and handling in the port	

235. The table below shows the distances between the primary centres of Cariua, Missale and Alto Mutabide, and the central unit of Mocubela.

Table 36: DISTANCES FOR TRANSPORT OF CASHEW IN MAGANJA DA COSTA.

Nr	Description	Km
10	Transport of raw cashew from producer to processing unit	20
20	Transport of kernels from units to central in Mocubela	
21	Cariua	100
22	Missale	50
23	Alto Mutabide	30
	Average distance	60
30	Transport of kernels from Mocubela to Nacala	700

The distance between Mocubela and Nacala port was estimated at 700 km.

236. Annex 11.3. (Volume II) contains detailed data on fixed costs for the cashew SCRL in Maganja da Costa. The table below offers a summary:

Table 37: SALARIES AND OPERATING COSTS OF THE SCRL FOR CASHEW IN MAGANJA DA COSTA.

Description	2005-06	2006-07	2007-08	2008-09	2009-10	20010-11	Total
Salaries Permanent Employees	144.383.250	153.938.925	164.089.209	174.869.675	186.317.964	198.473.908	1.022.072.931
Total Other Costs	22.500.000	23.625.000	24.806.250	26.046.563	27.348.891	28.716.335	153.043.038
Total Temporary Labour	7.680.000	17.472.000	21.168.000	22.226.400	23.337.720	24.504.606	116.388.726
Total	174.563.250	195.035.925	210.063.459	223.142.637	237.004.575	251.694.849	1.291.504.695

Additional labour refers to porters and transporters of raw cashew during the campaign. For shelling and removal of kernel skin specific costs have been introduced. (see cash flow).

237. Annex 11.4 of Volume II lists the investments necessary for (re) constructing and equipping four primary processing units and a central packing unit in Mocubela. The following table provides a summary.

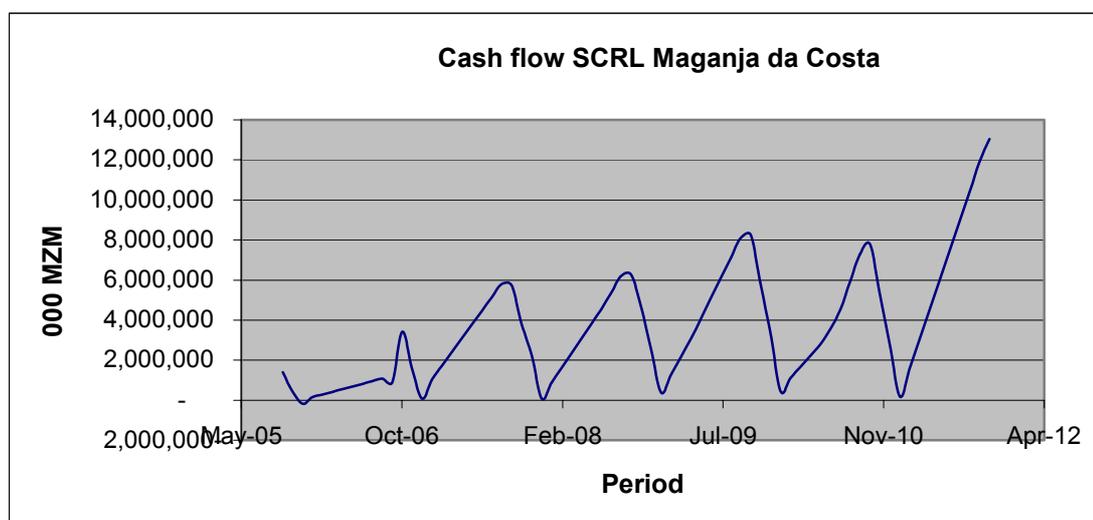
Table 38: INVESTMENTS SCRL FOR CASHEW IN MAGANJA DA COSTA.

Description	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011	Total Investment
Infrastructure	129.000	73.000	-	-	-	-	202.000
Transportation Equipment	75.500	50.500	-	-	-	-	126.000
Office Supplies	5.400	-	-	5.000	-	-	10.400
Processing Equipment	42.500	22.500	-	-	-	-	65.000
Total	252.400	146.000	-	5.000	-	-	403.400

A large part of the investments is needed for infrastructure creation. Account balance and costs of depreciation can be found in Annex 11.5. Of the total of 403.400 USD, it is expected that 62% (or 250.000 USD) will be obtained in the form of donations.

238. The financial management of the SCRL may be shown through the cash flow, presented in the figure below.

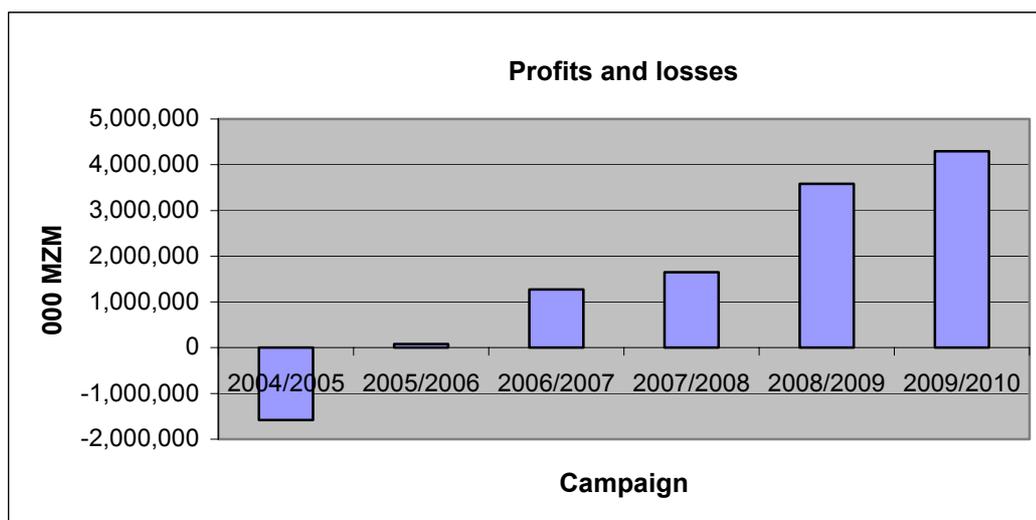
Figure 32: CASH FLOW OF THE CASHEW SCRL IN MAGANJA DA COSTA.



It was necessary to use borrowed floating capital in order to stabilize the flow. For details see Annex 11.6 (Volume II).

239. The projected annual profits and losses account results are presented in Annex 11.7. The following figure shows this account in diagram form:

Figure 33: PROFITS AND LOSSES OF THE CASHEW SCRL IN MAGANJA DA COSTA.



Here, like in the case of rice, the enterprise needs time to establish itself. We applied a buying price for the members of 10.000 MZM/Kg of raw cashew and a selling price of 5 USD/Kg of kernel. Interest rate were considered to be 8% for investment credit and 18% for operational credit (in MZM).

4.3 Maize and beans in Alta Zambézia and the Manica plateau /Gorongosa

4.3.1. Observations on the market for maize (flour)

240. The table below presents the data on the supply and demand of maize kernels per province and region. The data from columns 1 to 6 have been copied from the literature (Bibliography, 21). Column 10 is from the Ministry of Agriculture (TIA 2003). The data in columns 8 and 9 have been calculated by multiplying the columns 3 and 4 by a growth factor of 2% (column 8) and 3% (column 9). Column 11 represents the difference between columns 10 and joint columns 8 and 9.

Table 39: DEMAND AND SUPPLY OF MAIZE PER PROVINCE AND REGION IN 1998 AND 2003.

1	2	3	4	5	6	8	9	10	11
Province	Region	Demand in Tons 1998		Supply 1998	Surplus 1998	Demand in Tons 2003		Supply 2003	Surplus 2003
		Rural	Urban	Tons	Tons	Rural	Urban	Tons	Tons
Cabo Delgado	North	70.625	9.505	81.000	870	77.688	10.931	92.654	4.036
Niassa	North	47.456	9.158	163.000	106.386	52.202	10.532	159.636	96.903
Nampula	North	149.676	39.535	101.000	-88.211	164.644	45.465	89.047	-121.062
Zambézia	North	185.732	22.251	184.000	-23.983	204.305	25.589	298.821	68.927
Tete	Centre	59.065	8.291	92.000	24.644	64.972	9.535	182.891	108.385
Manica	Centre	34.183	11.893	155.000	108.924	37.601	13.677	171.196	119.918
Sofala	Centre	63.390	23.102	64.000	-22.492	69.729	26.567	103.789	7.493
Inhambane	South	73.346	8.861	65.000	-17.207	80.681	10.190	16.686	-74.185
Gaza	South	74.817	16.127	27.000	-63.944	82.299	18.546	56.450	-44.395
Maputo	South	29.260	86.489	15.000	-100.749	32.186	99.462	7.622	-124.026
Total	North	453.489	80.449	529.000	-4.938	498.838	92.516	640.158	48.804
Total	Centre	156.638	43.286	311.000	111.076	172.302	49.779	457.876	235.795
Total	South	177.423	111.477	107.000	-181.900	195.165	128.199	80.758	-242.606
Total	Nation	787.550	235.212	947.000	-75.762	866.305	270.494	1.178.792	41.993

241. The provinces are grouped together in regions, in accordance with the functioning of inter-provincial cargo transport. Although the connection between Nampula (deficit) and Niassa (surplus) is still problematic, the pattern is clear. The Southern region has a deficit. The Northern region is practically self-supporting but without surpluses, and the Central region has more production than it consumes. Strategic interventions for the commercialisation and processing of maize kernels were identified in:

- The Manica plateau, for the urban zones from the Centre and South;
- Alta Zambézia, for the urban zones from the North.

242. Jointly with a maize-processing specialist from the organization NMCP (see paragraph 5), an inventory was made of the industrial maize mills in the central provinces of Mozambique.

- In the city of Beira, the enterprise Mobeira was visited. Mobeira's major shareholder is a multinational company of American origin, active in the food-processing sector. The company's main activity consists in milling imported wheat and selling it on the national Mozambican market for the production of bread. Industrial capacity is 230 tons of wheat/24 hours. Mobeira also produces maize flour during 5 months per year. This is a secondary activity for the company.

- In Chimoio, a visit was made to the industrial mill of Grémio. The equipment, of South African origin, has an installed capacity of 32.000 tons per year. However, at present the equipment, although functioning, may not function continuously in the future due to its age and bad state of conservation. The installations of Grémio belong to the State; but there are leasing agreements (and apparently, if we were well informed, also sub-leasing agreements). For technical details see Bibliography, 20.
- In Dombe, (see also paragraph 100) the sophisticated Rongcalia brand equipment, has been abandoned and is in an obsolete state. Capacity was 2.500 tons per year. Presently the place is not in a condition for recuperation investments
- The Gorongosa mill is, since 1967, installed with MIAG brand equipment. The mill has been out of order since the 1970s. It was not possible to inspect the equipment. The possibility of using the installations as a base for the creation of a maize processing Co-operative Society has become remote because of its privatisation (see paragraph 82 and Bibliography, 22).
- Ruace – in Gurué – has conditions for commercializing, drying and storing maize (with possibilities to export maize kernels to Malawi). There are 2 silos with ventilation possibilities, 2 driers, elevators and a warehouse of 60x25x8m (without roof covering).
- The mill in Alto Molocué contains Rongcalia equipment, which allows for the production of high quality degerminated flour. However, the equipment is sophisticated and maintenance is difficult. Capacity is 11.000 tons per year. For various reasons the mill is not operational (see paragraph 34), although Alto Molocué would be a strategic place for a recuperation investment.

243. During the month November 2004, a small survey of the maize market in Mozambique's centre region was carried out. Annex 12.1 (Volume II) presents some data from this investigation. The table below offers, as an example, the resume of the business of a trader in Zambézia.

Table 40: BUSINESS OF A TRADER IN MAIZE KERNELS IN ZAMBÉZIA.

Nr	Description			
1	10-day trip; 7 days of buying in Lioma and 3 of selling in Brandão market in the city of Quelimane.			
2	Buys 30 bags of 90 to 100 Kgs per trip = 3000 Kgs			
3	Selling price	70.000,00	per 20 Litre can	
4	Purchasing price	35.000,00	per 20 Litre can	
5	Transport (hiring truck with two other traders)	2.000.000,00	3000	Kgs
6	Storage	2500	Bag per day	
7	20 Litre can	=	21	Kgs

	Calculation	MZM	MZM/Kg
8	Purchasing price	35.000,00	1.666,67
9	Selling price	70.000,00	3.333,33
10	Transport per trip	2.000.000,00	666,67
11	Storage two days per bag	90.000,00	0,06

	Analysis		
12	Costs per kg		2.333,39
13	Sales per kg		3.333,33
14	Difference per kg		999,94
15	Profits per trip		2.999.833,33
16	Profits per year		59.996.666,67

In other words, with this business the trader manages to earn 250 USD per month.

244. On the basis of the Bibliography, 20, the following table was developed:

Table 41: CALCULATION OF PRODUCTION COSTS OF FLOUR IN THE LOCAL ECONOMY.

Exchange rate		MZM	20.000,00	USD	1,00	
Measure	Can	1,00	l	20		
Characteristics	Maize	Density	Kg/l	0,85		

Collected data (Annex 12.1)	Litre	Kg	MZM	MZM/Kg	USD/Kg	
Maize	20,00	17,00	45.000	2.647	0,132	
Trader (table.)		21,00	70.000	3.333	0,167	
Bran		1,00	1.500	1.500	0,075	
Costs of husking		1,00	750	750	0,038	
Costs of grinding		1,00	1.000	1.000	0,050	

Calculation with mechanical husking	%	Kg	MZM	MZM/Kg	USD/Kg	
Maize	100,00	1,00		3.333	0,167	Plus
Bran	38,00	0,38	0	0	0,000	Plus
Costs of husking	100,00	1,00	750	750	0,038	Plus
Costs of grinding	62,00	0,62	1.000	620	0,031	Plus
Production costs of flour	67,00	0,67	4.703	7.019	0,351	

Calculation with home-husking	%	Kg	MZM	MZM/Kg	USD/Kg	
Maize	100,00	1,00		2.800	0,140	Plus
Bran	22,00	0,22	1.000	220	0,011	Minus
Costs of pounding	100,00	1,00	0	0	0,000	Plus
Costs of grinding	78,00	0,78	1.000	780	0,039	Plus
Production costs of flour	78,00	0,78	3.360	4.308	0,215	

On the basis of Annex 12.1, observations in the field/rural markets, and the tables above, one can substantiate the following:

- Much commercialised maize in the rural and urban markets is of low quality due to infestations. Almost every kernel of maize has holes. Losses were estimated at some 25% of production.
- The majority of the urban population does not buy packed maize flour, because it is very expensive. In fact, a great part of the urban population buys maize kernels, have it husked or they pound it at home, wash and dry the maize and have it ground in the local mills. The table above gives the production prices for the two options.
- Conditions in the local mills are often precarious in terms of hygiene.
- The process of preparing maize flour is very labour intensive, and traditionally the responsibility of the women, of whom it requires much labour.

245. Therefore, we conclude that there is room for the production of good quality flour for the market of the (sub) urban population. The price should be competitive with the flour price in the local markets.

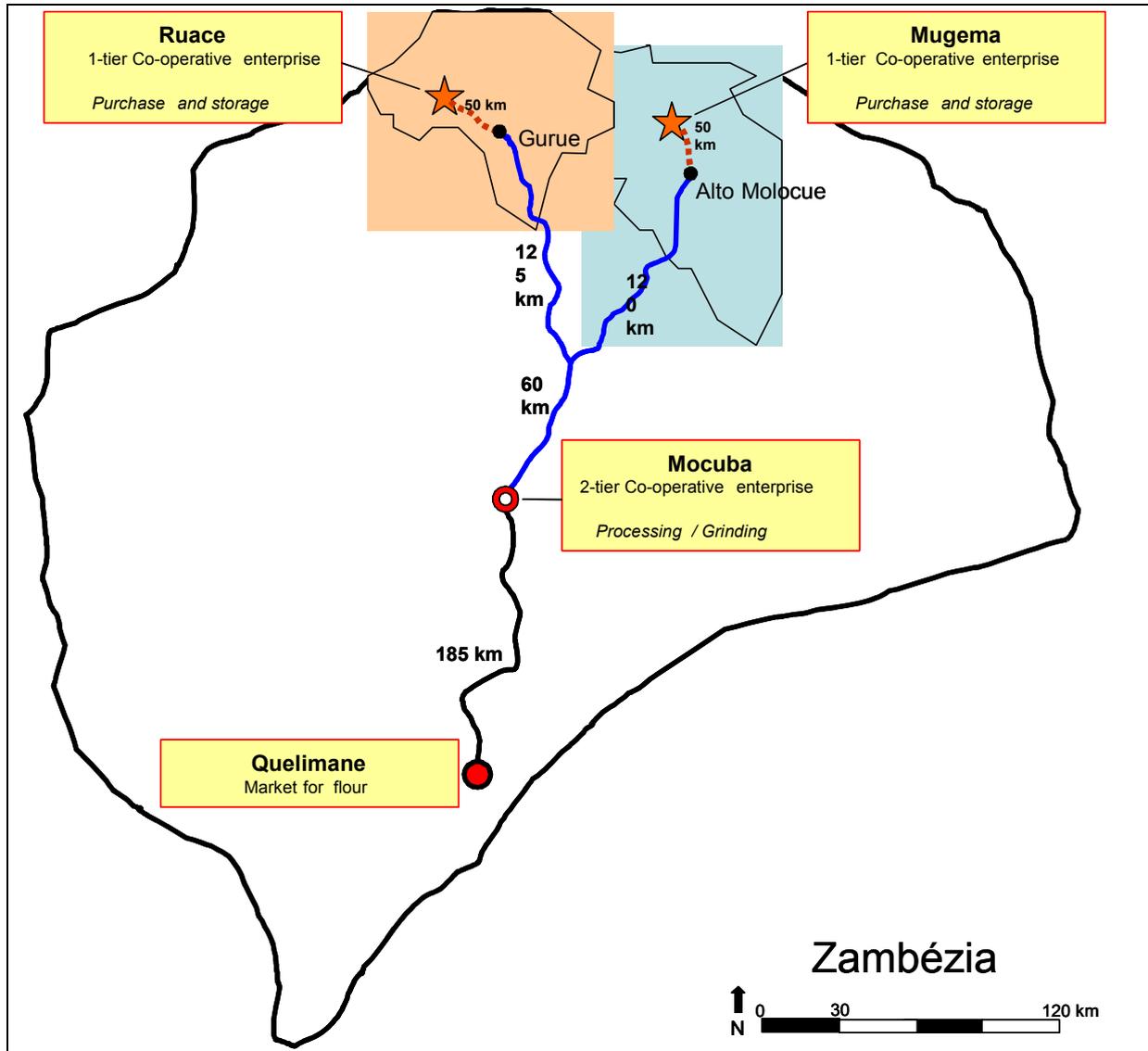
4.3.2. Business plan of the one-tier SCRL in Alta Zambézia

246. On the basis of the observations formulated above, we have developed the concept of a co-operative commercial chain, which aims at realizing two objectives:

1. Create a secure maize market for maize producers in the potential production areas, and
2. Bring good quality flour to the (sub) urban market at a competitive price.

247. A scheme of operations has been developed for Zambézia Province, visualized in the following figure (see also table 12):

Figure 34: GEOGRAPHICAL AREA OF THE ONE-TIER AND TWO-TIER MAIZE CO-OPERATIVE ENTERPRISES IN ZAMBÉZIA PROVINCE.



Apart from the urban market of Quelimane, there are possibilities to serve the markets of Mocuba and other district centres, as well as the city of Nampula.

248. The present proposal concerns two 1-tier Co-operative Societies for the supply of maize kernels to be milled: Gurué/Ruace and Alto Molocué/Mugema. In this chapter we present a Business Plan proposal for one of these societies, the characteristics of which are summarized in the following table:

Table 42: GENERAL CHARACTERISTICS OF THE BUSINESS PLAN FOR MAIZE IN RUACE AND MUGEMA.

Nr	Description	Key words
1	The one-tier SCRL intervenes in two crops: maize and beans	maize + beans
2	The SCRLs of Ruace and of Mugema buy the maize from the members and sell the maize kernels to the two-tier SCRL in Mocuba.	final product maize kernels
3	Period of business plan - 6 campaigns 2006-2007 to 2011-2012	2006-2007 to 2011-2012
4	Year based on commercialization campaign	1 April to 31 March
5	Planning step - "one month"	total 72 months
6	The SCRL has exemption from added value tax	without IVA
7	The SCRL pays taxes on labour	IPRS, INSS, Medical Assistance

249. The table below shows the purchase plan of maize and beans in Alta Zambézia, which constitutes the basis of the Business Plan.

Table 43: VOLUMES OF MAIZE AND BEANS PURCHASED FROM THE ONE-TIER SCRLS OF RUACE AND MUGEMA.

Nr	Campaign	Unit	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	TOTAL
1	Buying at SCRL-Lioma	Maize Ton	3.000	4.500	6.000	6.000	6.000	6.000	31.500
2	Buying at SCRL-Nauela	Maize Ton	3.000	4.500	6.000	6.000	6.000	6.000	31.500
3	Total entering SCRL-2 Mocuba	Maize Ton	5.580	8.393	11.220	11.250	11.280	11.310	59.033
4	Buying at SCRL-Lioma	Bean Ton	300	500	650	750	800	800	3.800
5	Buying at SCRL-Nauela	Bean Ton	300	500	650	750	800	800	3.800
6	Total purchases of beans	Bean Ton	600	1.000	1.300	1.500	1.600	1.600	7.600

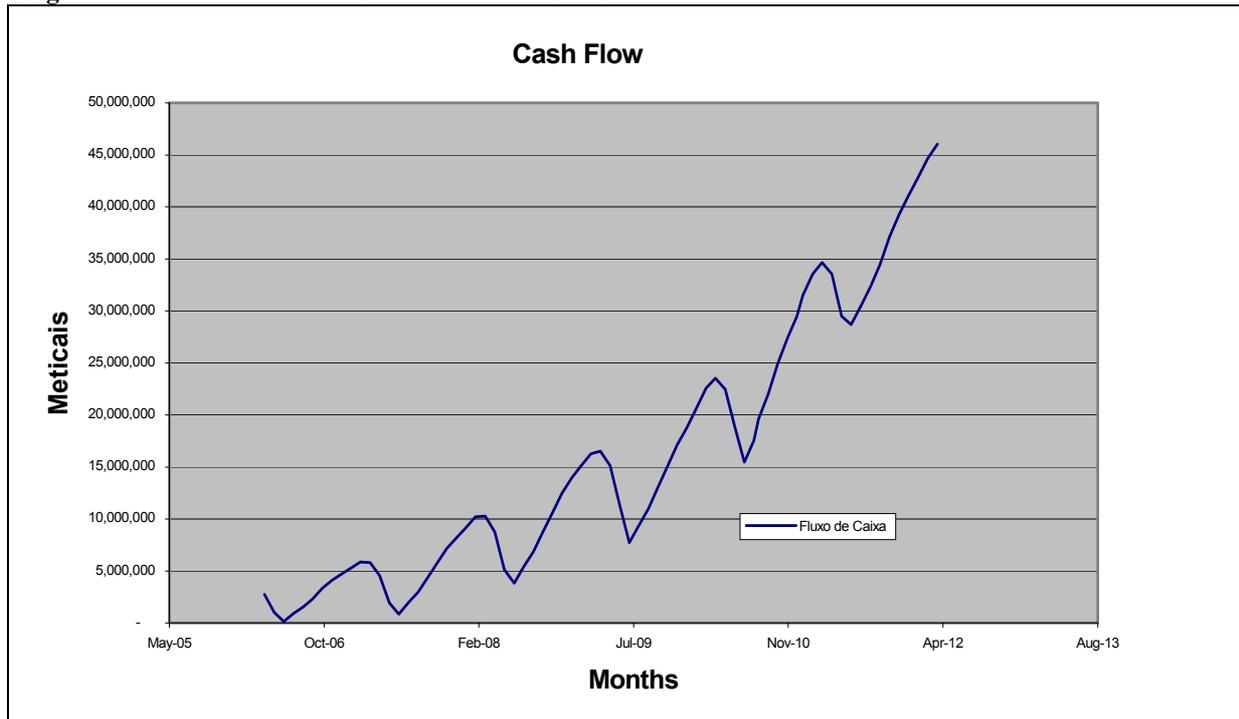
The difference between purchases from the members and sales to the mill in Mocuba is due to loss of weight because of drying.

250. Annex 12.2 (Volume II) contains the basic data that has been used in developing the Business Plan. Interest rates were considered to be 8% for capital loans in USD or Euro and 18% for loans in MZM. Annex 12.3. contains the calculations of transport costs.

251. In Annex 12.4 (Volume II) one finds the investments necessary to create the 1-tier SCRL in Ruace. 70% has been destined for investments in infrastructure, mainly for the rehabilitation of the warehouse. 28 % is invested in means of transport. Annex 12.5. shows the balance sheet of the enterprise for the period of the plan, and the annual depreciation costs.

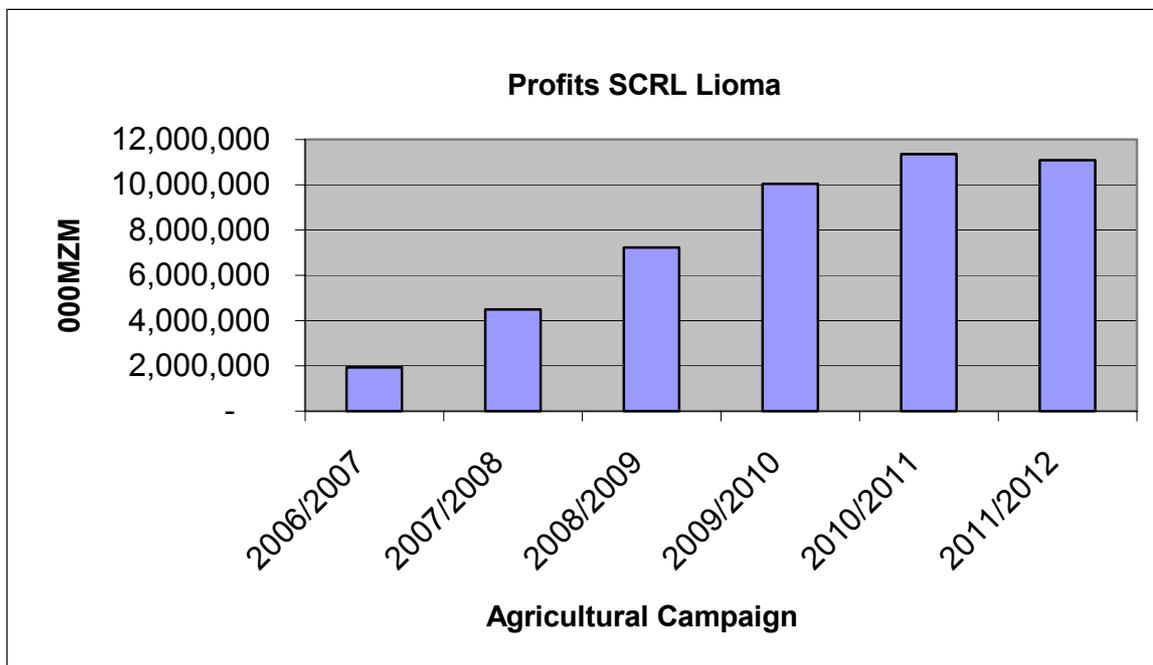
252. Cash flow of the 1-tier SCRL of Ruace-Lioma is produced in the figure below. The purchase price was set at 2000 MZM/Kg, while the selling price to the 2-tier SCRL in Mocuba is estimated at 3000 MZM/Kg. Transport from Ruace to Mocuba is the responsibility of the 2-tier SCRL in Mocuba.

Figure 35: CASH FLOW OF THE ONE-TIER SCRL IN RUACE.



253. The profits and losses account is depicted in the following figure:

Figure 36: PROFITS AND LOSSES ACCOUNT OF THE ONE-TIER SCRL RUACE-LIOMA.



According to this projection, the enterprise makes a profit from the first year onwards, due to the big volume of purchases right from the start. Statistical data from the Ministry of Agriculture confirm the availability of maize for commercialisation, both in Lioma as well as in Nauela. The inventory concerning families and their production carried out in the context of this study was not ready yet at the time of completion of this report. One foresees a strong intervention in the organization of maize purchases.

4.3.3. Business plan of the 2-tier SCRL for industrial milling in Mocuba

254. Following the analysis made in paragraphs 240 to 248, the installation of an industrial mill, owned by a 2-tier Co-operative Society RL, has been planned in the city of Mocuba. The characteristics of this 2-tier SCRL can be found in the table below:

Table 44: GENERAL CHARACTERISTICS OF THE TWO-TIER SCRL IN MOCUBA.

Nr	Description	Key words
1	The two-tier SCRL buys the maize kernels from the one-tier SCRLs in Lioma and Nauela, and is responsible for the processing of the maize and for putting it on the urban markets of Zambézia (and, in a later phase, of Nampula).	purchase from one-tier SCRLs, grinding and putting on the markets
2	The two-tier maize SCRL will be established in the city of Mocuba.	established in the city of Mocuba.
3	The two-tier SCRL forms an economic unit with the one-tier SCRLs from Lioma and Mugema. This means that the market price of the final product from the two-tier SCRL will determine the price of the one-tier SCRLs' final product, which is maize kernels.	economic unit with the two one-tier SCRLs
4	The two-tier SCRL and the one-tier SCRLs are separate legal entities. Each has its own Assembly, Board of Directors, etc.	separate legal entity
5	Transport of maize kernels from the one-tier SCRLs from Lioma and Mugema will be organized and supported by the two-tier SCRL.	centrally organized transport from the districts
6	Milling capacity is 1,5 tons/hour. The mill works 24 hours per day, 5 days per week and 48 weeks per year.	1,5 tons/hour, 24 hours/day, 5 days a week, 48 weeks per year

255. The following table shows the investments planned for this intervention.

Table 45: INVESTMENT (IN USD) IN MOVEBALE AND IMMOVABLE GOODS FOR THE TWO-TIER SCRL IN MOCUBA.

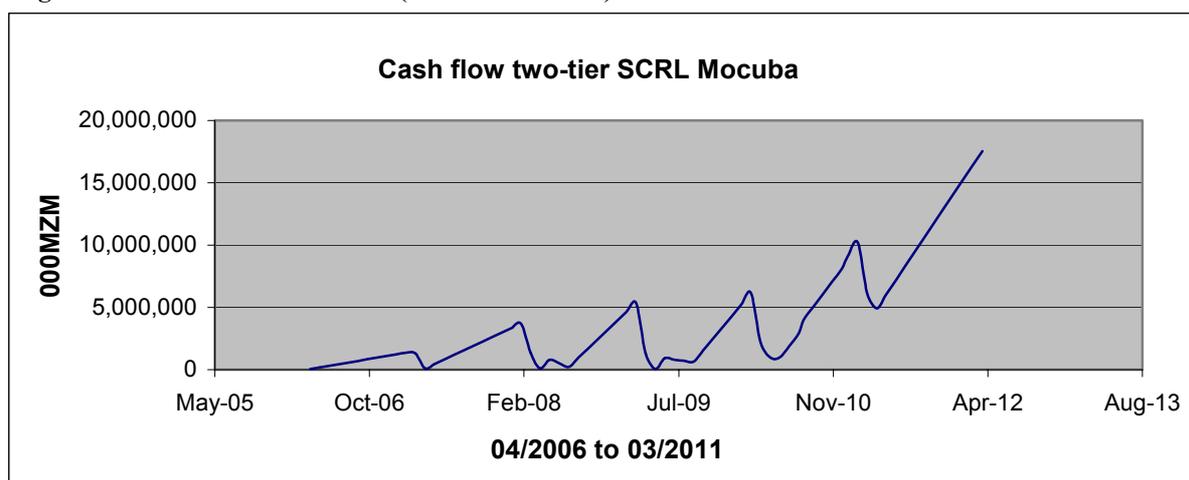
	Life Years	2006	2007	2008	2009	2010	2011	Total Investment
Active								
Infrastructure								
Application for plot	50	5.000						5.000
Construction warehouse for mill	30	180.000						180.000
Construction warehouse for flour	30	100.000						
Construction office	30	20.000						20.000
Construction residence	30	10.000						10.000
Construction fence	30	15.000						15.000
Organize paving/draining of yard	10	10.000						10.000
Total infrastructure		340.000	-	-	-	-		340.000
Transport equipment								
30 ton truck	6	200.000						200.000
4x4 pickup truck	5	35.000						35.000
Tractor for the warehouse	5	15.000						15.000
Motorcycle	5	12.000						12.000
Total transport equipment		262.000	-	-	-	-	-	262.000

Processing equipment								
Container mill	15	900.000						900.000
Automatic scales (20-50Kgs) (second hand)	15	10.000						10.000
Packing installation (1-5Kgs) (second hand)	15	15.000						15.000
Installation material	15	10.000						10.000
Electrical installation	15	10.000						10.000
Installing processing equipment (contract)	15	20.000						20.000
Transport of equipment (by sea)	15	20.000						20.000
Unforeseen charges	15	10.000						10.000
Total processing equipment		995.000	-	-	-	-	-	995.000
Office equipment								
Furniture	10	10.000		-	-	-		10.000
Lap top (2)	3	6.000		-	-	-		6.000
Printer (2)	3	2.000		-	-	-		2.000
Miscellaneous	3	5.000		-	-	-		5.000
Total office supplies	19	23.000	-	-	-	-	-	23.000
Total investment		1.620.000	-	-	-	-	-	1.620.000

A large part of the investment, 62%, will be destined for the acquisition of processing equipment. It is thought that 42% of the investment value will be donated, whereas the remaining part will be borrowed at an 8% annual interest rate. Annex 13.2 (Volume II) shows the balance and the depreciation costs of the society.

256. The figure below depicts the mill's cash flow. Details are to be found in Annex 13.3.

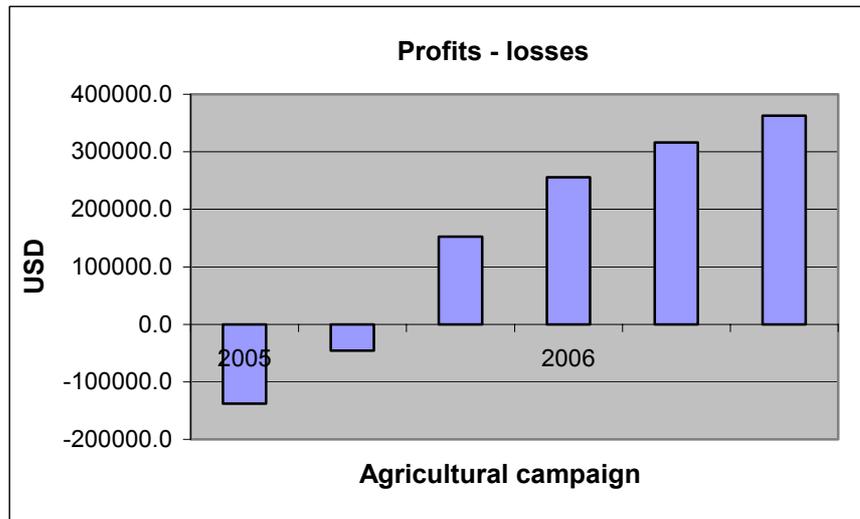
Figure 37: CASH FLOW OF SCRL (INDUSTRIAL MILL) IN MOCUBA.



During the first years, the cash flow is low due to repayments on investment capital. In the years 1 and 2, it was necessary to strengthen liquidity through borrowing operational capital (interest rate 18%).

257. Annex 13.4 (Volume II) presents the profits and losses account on an annual basis. The figure below depicts this account in diagram form.

Figure 38: DIAGRAM OF ANNUAL PROFITS AND LOSSES OF THE TWO-TIER SCRL IN MOCUBA.

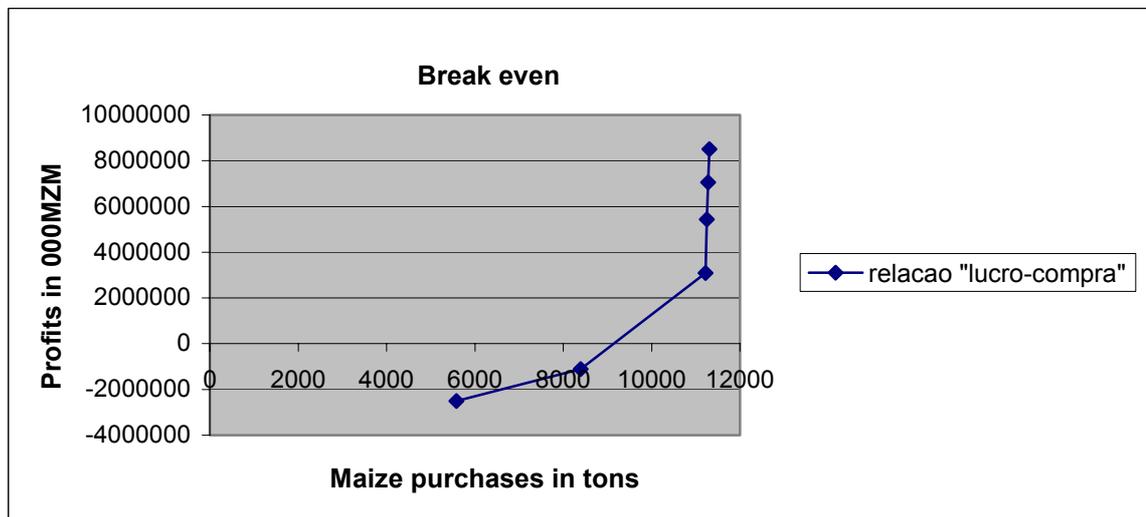


258. The table below summarizes yearly purchases of maize from the 1-tier SCRLs, plus the profits. The figure that follows offers a diagram presentation of the break-even point, in other words, it allows for establishing the relationship between raw material acquisitions and profits.

Table 46: SUMMARY OF RAW MATERIAL PURCHASES AND PROFITS OF THE TWO-TIER SCRL IN MOCUBA.

Year		2005	2006	2007	2008	2009	2010
Purchased maize	tons	5580	8392,5	11220	11250	11280	11310
Profits	000MZM	-2505279,6	-1108850,6	3097256,5	5440168,4	7053863,9	8500147,7

Figure 39: ANALYSIS OF BREAK EVEN OF THE INDUSTRIAL MILL IN MOCUBA.

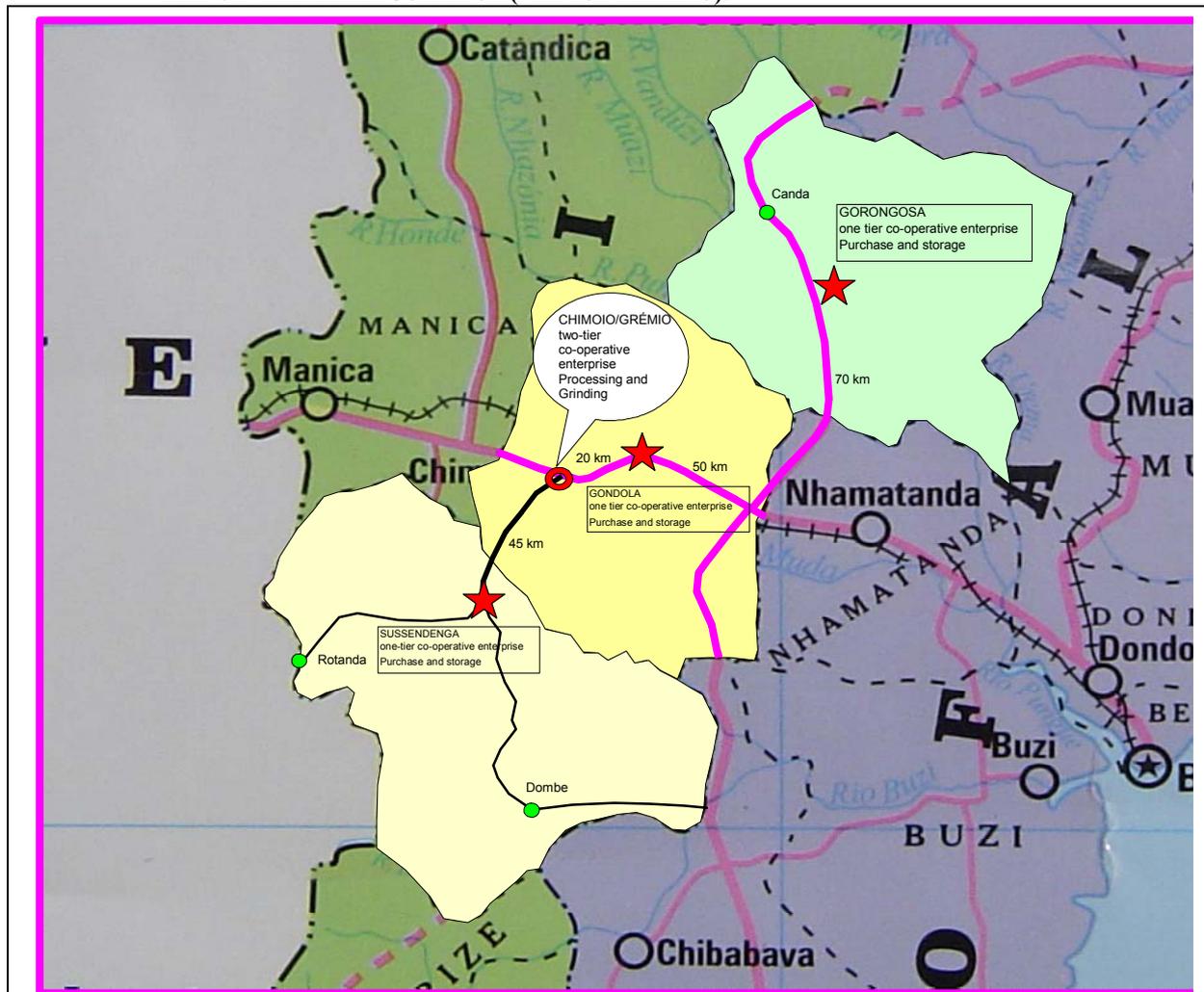


An analysis of the table and figure shows that the break even point will be reached upon the acquisition of 9.150 tons of maize, which will occur in the third year of the investment

4.4. Maize and beans in the provinces of Manica and Sofala

259. Finally, we would like to present the business plans for maize and beans in the districts of Sussundenga, Gorongosa and Gondola. These are districts with a high agricultural potential, and where in the consultation sessions the communities and the producers showed great interest in participating as shareholders in the future societies (see section 3.2). The figure that follows shows the proposed localizations of the various interventions.

Figure 40: GEOGRAPHICAL AREA OF THE ONE-TIER AND TWO-TIER CO-OPERATIVE ENTERPRISES FOR MAIZE AND BEANS IN THE BEIRA CORRIDOR (MANICA PLATEAU).



The map shows the following interventions:

1. one-tier Cooperative Society with Limited Responsibility (SCRL) for the commercialisation of maize and beans in Sussundenga.
2. one-tier SCRL for the commercialisation of maize and beans in Gondola.
3. one-tier SCRL for the commercialisation of maize and beans in Gorongosa.
4. two-tier SCRL for the commercialisation and processing of maize in the installations of the former Grémio in the City of Chimoio.

260. In the current context, we will not present business plans for the four enterprises, rather we will offer a general overview of their characteristics. In the three districts, the inventory of the

producer families and their areas of production is still ongoing. Its completion is to be expected in June 2005.

261. The characteristics of the 1-tier SCRLs of Sussundenga, Gondola and Gorongosa will be the same as those of the enterprises in Lioma and Mugema in Zambézia Province, described in table 46:

Table 47: GENERAL CHARACTERISTICS OF THE BUSINESS PLANS FOR THE COMMERCIALIZATION OF MAIZE AND BEANS FROM THE ONE-TIER SCRLs IN GONDOLA, GORONGOSA AND SUSSUNDENGA.

Nr	DESCRIPTION	Key words
1	The one-tier SCRL intervenes in two crops: maize and beans.	maize + beans
2	The one-tier SCRLs of Sussundenga, Gorongosa and Gondola buy the maize and beans from the members and sell the maize kernels to the two-tier SCRL in Chimoio/Grémio.	final product maize kernels
3	Period of business plan - 6 campaigns 2006-2007 to 2011-2012	2006-2007 to 2011-2012
4	Year based on commercialization campaign	1 April to 31 March
5	Planning step - "one month"	total 72 months
6	The SCRL has exemption from added value tax	without IVA
7	The SCRL pays taxes on labour	IPRS, INSS, Medical Assistance

262. The characteristics of the two-tier SCRL in Chimoio can be described as follows:

Table 48: GENERAL CHARACTERISTICS OF THE TWO-TIER COOPERATIVE SOCIETY FOR MAIZE IN CHIMOIO/GRÉMIO.

Nr	DESCRIPTION	Key words
1	The two-tier SCRL buys the maize kernels from the one-tier SCRLs in Gondola, Gorongosa and Sussundenga, and is responsible for the processing of the maize and for putting it on the urban markets of the Central Region of Mozambique and, in a later phase, of the Southern Region.	purchase from one-tier SCRLs, grinding and putting on the markets
2	The two-tier maize SCRL will be established in the city of Chimoio, in the installations of the former Grémio.	established in the city of Chimoio/Grémio.
3	The two-tier SCRL forms an economic unit with the one-tier SCRLs from Gorongosa and Sussundenga. This means that the market price of the final product from the two-tier SCRL will determine the price of the one-tier SCRLs' final product, which is maize kernels.	economic unit with the three one-tier SCRLs
4	The two-tier SCRL and the one-tier SCRLs are separate legal entities. Each has its own Assembly, Board of Directors, etc.	separate legal entity
5	Transport of maize kernels from the one-tier SCRLs from Gondola, Gorongosa and Sussundenga to Chimoio will be organized by the two-tier SCR, which will bear the costs.	centrally organized transport from the districts
6	Milling capacity is 2,5 tons/hour. The mill works 24 hours per day, 5 days per week and 48 weeks per year.	2,5 tons/hour, 24 hours/day, 5 days a week, 48 weeks per year

Planned processing capacity is approximately 15.000 tons of maize kernels per year; i.e., in a first phase which will correspond to about 50% of operational capacity during colonial times.

263. In the table below one finds the relation between production and commercialisation in the districts in question.

Table 49: RELATION BETWEEN PRODUCTION AND COMMERCIALIZED VOLUME IN THE DISTRICTS OF GONDOLA, SUSSUNDENGA AND GORONGOSA IN THE YEARS 1999-2003.

District	Description	Unit	1999-00	2000-01	2001-02	2002-03
Gondola	Production	ton	4,0	32,0	25,0	
	Commercialized	ton		5,5		
	Relation	%		17,2		
Sussundenga	Production	ton	41,0	25,5	36,5	
	Commercialized	ton			0,9	
	Relation	%			2,5	
Gorongosa	Production	ton				7,2
	Commercialized	ton				2,5
	Relation	%				34,7

The information concerning Manica Province was obtained from the Agência de Desenvolvimento Económico Local de Manica (ADEM) in Chimoio, while the data on Gorongosa were supplied by the District Directorate of Agriculture. Firstly, one can state (in accordance with the interviews of officials and farmers), that production strongly fluctuates with the (non) occurrence of rainfall. In dry years, production of maize may decrease to 25% of the average level. The commercialisation volume heavily depends on the availability of funds and of the purchasing power of the traders. The impression one gets is that the planned commercialisation volume is feasible.

264. The Business Plan of Sussundenga, Gondola and Gorongosa will be similar to the plan proposed for the enterprise in Lioma - Ruace (section 4.3.2.) and the Business Plan of the 2-tier processing SCRL in Chimoio will be similar to the one for the 2-tier SCRL in Mocuba (see section 4.3.3).

5. IMPLEMENTATION PLAN

265. After analysing the situation of rural commerce and the position of the producer in terms of negotiating power in fifteen districts in the Central Region (chapter two), and after proposing the institutional framework for the new structures (chapter three), we elaborated the business plans proposed for the twelve planned interventions (chapter four). The report will conclude with the chapter five, in which we propose an implementation plan so as to ensure the realization of the proposed interventions.

266. The implementation plan will have a 5-year term and will include the following components:
1. Establishment of a new organization for the realization of the implementation plan.
 2. Explanation of the strategy and work methods.
 3. Investigation of the markets.
 4. Lobby and advocacy necessary within power structures and decision centres, including the creation of alliances and partnerships.
 5. Fund raising for the implementation.
 6. Establishment of the co-operative societies.
 7. Institutional development of the co-operative societies.
 8. Training of the members of the co-operative societies.
 9. Monitoring. Financial auditing and evaluation. .

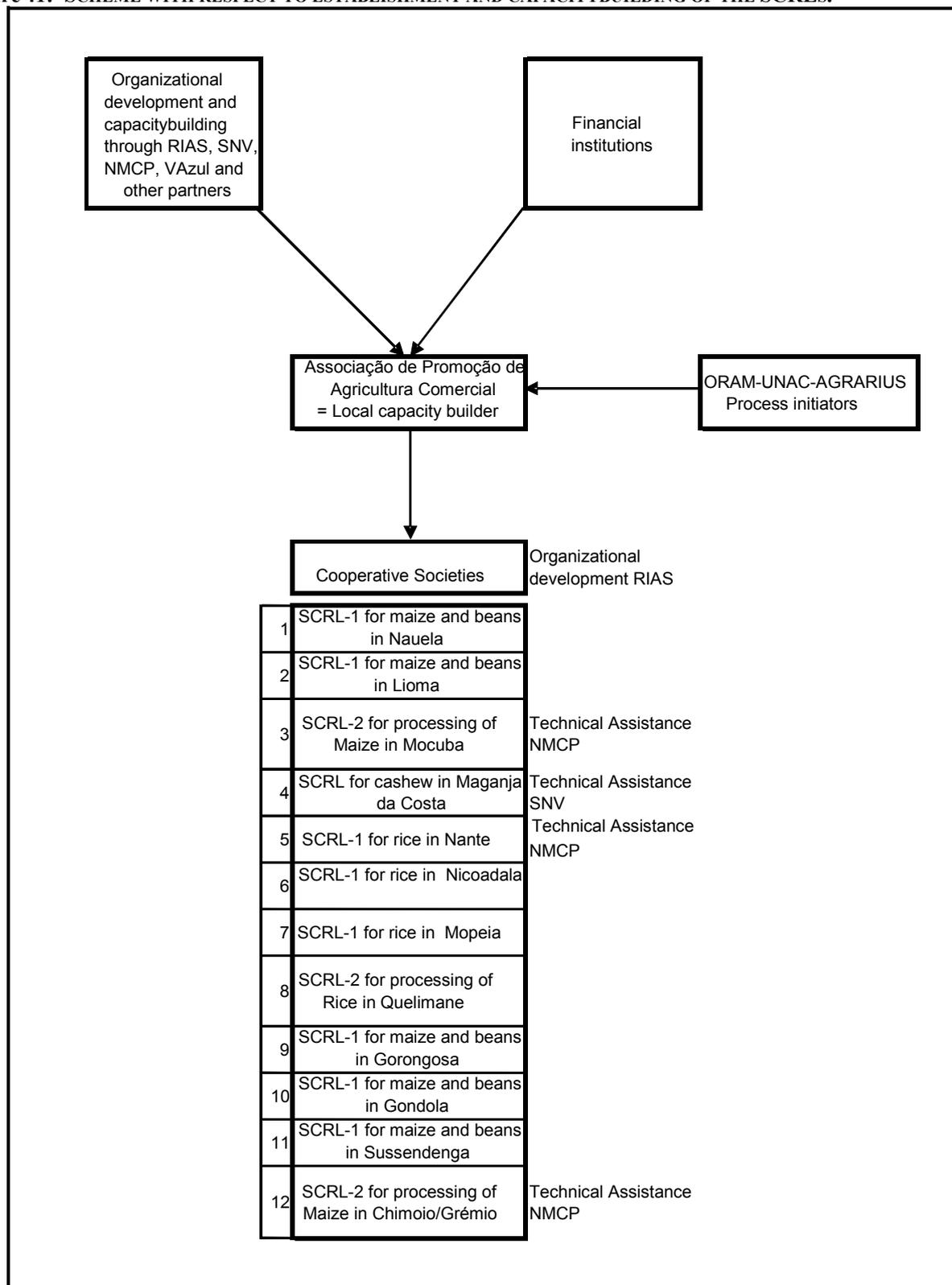
In the following paragraphs, these components are described in order to facilitate their operationalization in the course of the next few years. We will conclude with a timeframe for the implementation.

5.1. Establishment of a new organization for the realization of the implementation plan

267. The initiative to carry out a study in order to define a strategy for rural credit and agricultural commercialisation was taken by three organizations; the União Nacional de Associações de Camponeses (UNAC), the Associação Rural de Ajuda Mútua (ORAM) and the organization AGRARIUS. This study was completed in May 2001, with technical assistance from the RIAS (see Bibliography, 1). From then onwards a process unfolded, which led to the formulation of the business plans and the implementation plan of the SCRLs that have been presented in this report in March 2005). The three organizations that took the initiative are organizations that defend the interests of agricultural producers. In order not to superimpose responsibilities and disarrange the mission of these organizations, the decision was taken to set up a new institution, whose specific function is the establishment and capacity building of the future SCRLs (see also figure 13).

268. In February 2005, the process for legalizing the Associação de Promoção de Agricultura Comercial (APAC) started. Its statutes are described in Annex 14 (Volume II) of this report. In the figure below we present an overview of the partnerships with other institutions, and with the 12 societies that are to be established.

Figure 41: SCHEME WITH RESPECT TO ESTABLISHMENT AND CAPACITYBUILDING OF THE SCRLs.



There are three aspects of the new association that need to be strengthened:

1. Technical Assistance - During the study and the implementation of the pilot commercialisation program in Nante (Baixo Licungo), technical assistance was offered by

RIAS, NMCP, Verde Azul and SNV. It is to be expected that these working relations will continue during the course of the implementation.

2. Financing for the establishment of the Societies – In a first phase, financing will be channelled through the APAC. Once the Societies have their legal statutes working, financial relations can be directly established with the Societies proper.
3. Political Orientation – The organizations that initiated the process will be consulted on policies with respect to the organization of the producers and the relationship with the Government during the course of the implementation.

269. APAC was established by 15 founding members, from various sections of Mozambican society. Three of them are from Sofala Province, two from Manica and 10 from Zambézia Province. At present, APAC has its headquarters in the city of Quelimane, because of the initiatives already in progress (Nante and Nicoadala). Once the process starts in Manica, a work group will be set up in that province. The composition of the association's management will be limited, since the specific tasks will be carried out by external consultants.

5.2. Promotion of the strategy and work methods

270. In section 3.2, we reported on the consultations of the producers. In some districts, the work on the inventory of commercializable production started and subsequently the process of establishing the SCRLs commenced. In the district of Nicoadala, the inventory in the rice sector showed that there are 9.997 possible future members, and in the cashew sector in Maganja da Costa, 8.665 families with cashew trees were identified. Meetings were being held with the leadership, but popularizing the idea of establishing a Society calls for the explanation of the functioning principles down to the level of the settlements. It will for instance be extremely important, to explain to future members the crucial difference between the new structures to be implemented, and the co-operative structures that were encouraged immediately after the country's independence.

271. The program to explain the necessary operating principles of co-operatives needs to be done in two types of meetings: 1. with the leadership on the level of district or administrative post, and 2. with the producers on the level of the settlement. The program will cover the districts of Gurué, Alto Molocué, Maganja da Costa, Nicoadala, Namacurra and Mopeia in Zambézia Province; Gorongosa in Sofala Province and Sussundenga and Gondola in Manica Province.

5.3. Market research

272. The idea of Co-operative Societies such as proposed in this report, is relatively new in Mozambique. There is a similar case in Nampula, where the American NGO Clusa, with support from Oxfam Holland and GAPI, established the co-operative enterprise IKURU. IKURU has been set up as a 2-tier entity from the start, based on the forums of associations. Another example is the enterprise in Nante, which has experience with two commercialisation campaigns. The introduction of these new commercialisation (and credit) structures has to be accompanied by an investigation program.

273. Investigations should concentrate on two areas, namely:
- The markets – in order to be able to advise the SCRLs in producing and commercializing agricultural products with a high commercial value. The international mechanisms for facilitating market access should be studied, keeping in mind the examples of initiatives such as EBAI, AGOA, etc. With this new data, the business plans will have to be adapted to the new realities offered by the markets.

- The area of sociology, so as to accompany and evaluate the dynamics of communities after the introduction of the new societies. Questions such as leadership and socio-economic mobility of the members are of great importance for taking timely decisions with a view to ensuring the continuity and sustainability of the organizations.

5.4. Lobby and advocacy in the power and decision-making structures, including the creation of alliances and partnerships

274. Implementing the societies, which will have a big impact in the field, will require a consensus among the various entities and institutions working in the rural areas. It is of extreme importance, in particular, that the local authorities value the initiative. It will also be necessary to count upon the participation of international and national NGOs in the implementation. In addition, it would be desirable to organize seminars with authorities and key officials from the Ministries of Agriculture, Commerce, in order to explain and discuss various aspects of these new structures. These seminars should also include members of the Assembly of the Republic, especially when discussing subjects such as legislation, local authority, etc.

275. In the course of the 5-year implementation, it is necessary to organize advocacy meetings with decision makers at all levels – both at the levels of district and province, and at national and international level. Moreover, one must include the possibility to compare and learn from experiences of other similar initiatives in developing countries since this may contribute considerably to the creation and boosting of self-confidence of the members of the co-operative societies.

5.5. Fund raising for the implementation

276. In table 10, the entities that in one way or another are involved in commercialisation channels of agricultural products were identified per district. They were classified in terms of their facilitation of producers' access to the market, with the possibility of these producers keeping a bigger part of the added value of their production. The organizations classified between 4 and 7 probably are the most important potential partners in the implementation of the SCRLs. Others may emerge in the course of the process.

277. The following table offers a summary of what is needed, in financial terms, to ensure the implementation of the proposed intervention. There are three categories of financing:

1. Investment credit.
2. Donations.
3. Operational credit.

Table 50: SUMMARY OF THE INVESTMENTS FOR THE SCRLS TO BE CREATED.

Resume of investments in USD.											
Exchange Rate											
				18.700	MZM/USD	8-03-05					
	SCRL	Crop		Total	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
1	Nauela (1)	Maize & Beans	IN Credit	374.400		287.900	81.500	0	5.000	0	
			Donation	150.000		150.000	0	0	0		
			OP Credit	197.861		197.861					
2	Lioma (1)	Maize & Beans	IN Credit	374.400		287.900	81.500	0	5.000	0	
			Donation	150.000		150.000	0	0	0		
			OP Credit	197.861		197.861					
3	Mocuba (2)	Maize	IN Credit	920.000		920.000					
			Donation	700.000		700.000					
			OP Credit	328.877		235.294	93.583				
4	M Da Costa	Cashew	IN Credit	153.400	102.400	46.000	0	5.000			
			Donation	250.000	150.000	100.000					
			OP Credit	358.289	106.952	181.818	0	16.043	53.476		
5	Nante (1)	Rice	IN Credit	256.700	98.600	63.700	44.700	49.700			
			Donation	210.000	210.000						
			OP Credit	1.320.856	181.818	160.428	310.160	374.332	240.642	53.476	
6	Nicoadala (2)	Rice	IN Credit	256.700	98.600	63.700	44.700	49.700			
			Donation	210.000	210.000						
			OP Credit	1.320.856	181.818	160.428	310.160	374.332	240.642	53.476	
7	Mopeia (1)	Rice	IN Credit	256.700		98.600	63.700	44.700	49.700		
			Donation	210.000		210.000					
			OP Credit	1.320.856		181.818	160.428	310.160	374.332	240.642	53.476
8	Quelimane (2)	Rice	IN Credit	726.500		608.500	107.000	6.000	5.000		
			Donation	200.000		100.000	100.000				
			OP Credit	117.647		0	0	80.214	37.433		
9	Gorongosa (1)	Maize & Beans	IN Credit	374.400		287.900	81.500	0	5.000		
			Donation	150.000		150.000	0	0	0		
			OP Credit	197.861		197.861					
10	Gondola (1)	Maize & Beans	IN Credit	374.400		287.900	81.500	0	5.000		
			Donation	150.000		150.000	0	0	0		
			OP Credit	197.861		197.861					
11	S-Denga (1)	Maize & Beans	IN Credit	374.400			287.900	81.500	0	5.000	
			Donation	150.000			150.000	0	0	0	
			OP Credit	197.861			197.861				
12	Chimoio (2)	Maize	IN Credit	920.000		920.000					
			Donation	700.000		700.000					
			OP Credit	328.877		235.294	93.583				
	Total			14.677.561	1.340.188	8.228.624	2.289.775	1.391.680	1.021.224	352.594	53.476

278. NGOs operating in the sectors and districts where the present intervention is planned will be contacted, with a view to analyzing the possibilities of partnerships. During the field study of this study, similar initiatives have been identified, such as the Magariro initiative in Gondola and the work of SSROSA in the district of Barué.

279. In general, all NGOs working in agricultural extension have serious concerns about the functioning of the market, because extension makes no sense when the producer cannot properly

market his produce. The new societies may greatly benefit from these extension programs, although they themselves do not have the time or the means to implement them. However, there are opportunities for partnerships that may increase the viability of the new structures to be introduced. These must be explored.

5.6. Establishment of the co-operative societies

280. The establishment of each new society requires carrying out a great many specific activities, ranging from applying for land or a plot in the district town, to the recuperation or construction of infrastructure for storage and for handling and drying of produce.³¹ In other cases, it is necessary to buy and install transport and processing equipment, which calls for contracting of technical assistance and/or specialists, since acquiring and installing equipment is a specialized activity. Moreover, during the last phase of the society's establishment, it will be fundamental to negotiate with the State in order to ensure the use of existing infrastructure.

281. In summary, the physical establishment of the societies is an intensive, time-consuming practical activity, which calls for much perseverance. Therefore it will be necessary, throughout the period from preparation to entering into operations of each new society, to ensure that a well-defined entity, formally designated for the task, takes responsibility for managing the process. Experience shows that much persistence is needed in order to successfully realize the objective.

5.7. Institutional development of the co-operative societies

282. As soon as conditions exist for going ahead with the establishment of each society, various activities of an institutional nature have to be developed. After reaching a consensus on leadership, and after the propagation of the intervention among future members and the recruitment of the necessary minimum number of member-candidates, the process of legalizing the society can begin. This process consists of its own proper steps and specific stages. It should be noted that some provinces already have a Balcão Único (One-Stop-Shop), which can assist in this bureaucratic process.

283. One of the most important steps during the legalization is establishing the constitutive assembly, in which the 125 members or their representatives participate. The organization of the entire process to ensure the smooth realization of this event, including the elections for the executive and supervisory organs, marks a historic step in the lives of the communities involved.

5.8. Training of the members of the co-operative societies

284. All those who will be appointed to carry out management tasks in the SCRL will receive training. This goes especially for:

1. The members of the Assembly of Representatives (i.e. the representatives of the settlements);
2. The members elected for the Board of Directors;
3. The members elected for the Supervisory Council;
4. The manager and the executive staff of the SCRL.

³¹ There are cases where some access roads and bridges have to be recuperated in order to make transport of produce possible.

Simple presentations and discussions on the principles of the SCRL, involving small groups of members at the level of the settlements, may have a big impact on the functioning of the enterprise. It is crucial that all members are well informed about the society, its principles and the way it functions, and about their rights and obligations as members.

285. In the training of members and leaders of the SCRLs, it is important to analyze the difference between co-operative organizations and private traders, emphasizing the required development of civil society. The focus should be on taking advantage of these differences in order to benefit from the complementarity of the institutions in society, instead of polarizing and casting doubt on the traders' businesses. "Do not accuse them for being strong, before condemning your own weakness" (Shakespeare). One should also stress that the SCRLs belong to the private sector. Therefore one should emphasize the practical advantages of having a well-organized co-operative enterprise in the supply chain, which organizes and strengthens honest competition. The co-operative organization is an institutional tool for improving the functioning of the supply chain.

286. Training may include the following topics:

1. A brief history of the co-operative movement and its presence in developed markets (in the EU and the USA), and the developing countries (good examples of co-operative development in Africa during the last years of the colonial period);
2. The difference between the social-humanist co-operative model of the Aliança Internacional das Cooperativas (AIC) and the model based on market principles, including the three business principles of modern co-operatives. Reasons for not choosing the AIC model.
3. The difference between co-operative and private enterprises; the objective of the enterprise, its judicial position, legal property and destination of profits. NB: there is no doubt about the need of efficient operations!
4. Financing and capitalization system. "Zero-loss" policy. The modern principles of co-operative business explained and elaborated. Creation of credibility with capital providers. The importance of the possibility of fund raising through loans.
5. The system of governance, the various possibilities and examples of other co-operatives. Why we opt for this model. Transparency in governance, based on the principles of conceding and separating responsibilities. "No" to cases of mixed responsibilities. Explanation of the responsibilities of the co-operative's organs and the management.
6. The industrial organization of the co-operatives according to the principles of modern business administration. "No" to confusing the industrial organization and the governance structure. Explanation of the urgency of large scale operations, although the communication and governance system is a combination of small-scale networks and a big apex.
7. In terms of communication: transparency in the co-operative business and information for the members. There are to be no secrets in the co-operative. Confidence between people will be promoted and respected, and sensitive information may not be passed on to the competition. All other information will be available to the members. The organization of regular meetings with the members in the settlements and assemblies.
8. Not disclosing sensitive and confidential information is a basic principle for co-operatives. On this principle will be built:
 - Transparency: do the members understand the co-operative system?
 - Consistency: there are going to be no discussions in the field about the obligation to sell the production to the co-operative!
 - There are going to be no discussions about paying back credit!

				Year 2005				Year 2006				Year 2007				Year 2008				Year 2009			
				Q1	Q2	Q3	Q4																
5	5	0	Fund raising for the implementation.	Q1	Q2	Q3	Q4																
5	5	1	Meetings with Embassies																				
5	5	2	Meetings with international NGOs																				
5	5	3																					
5	6	0	Establishment of cooperative societies.	Q1	Q2	Q3	Q4																
5	6	1	one-tier SCRL for maize and beans in Nauela																				
5	6	2	one-tier SCRL for maize and beans in Lioma																				
5	6	3	two-tier SCRL for maize processing in Mocuba																				
5	#	4	SCRL for cashew in Maganja da Costa																				
5	7	5	one-tier SCRL for rice in Nante																				
5	7	6	one-tier SCRL for rice in Nicoadala																				
5	7	7	one-tier SCRL for rice in Mopeia																				
5	7	8	two-tier SCRL for rice processing in Quelimane																				
5	#	9	one-tier SCRL for maize and beans in Gorongosa																				
5	8	10	one-tier SCRL for maize and beans in Gondola																				
5	8	11	one-tier SCRL for maize and beans in Sussundenga																				
5	8	12	two-tier SCRL for maize processing in Chimoio/Grémio																				
5	7	0	Institutional development of the cooperative societies.	Q1	Q2	Q3	Q4																
5	7	1	Foundation meetings																				
5	7	2	Constitutive Assembly																				
5	7	3																					
5	8	0	Training of the members of the cooperative societies.	Q1	Q2	Q3	Q4																
5	8	1	Course for the members																				
5	8	2	Course for members of the Boards of Directors																				
5	8	3	Course for members of the Supervisory Boards																				
5	#	4	Course for managers																				
5	#	5	Course for investigators																				
5	9	6																					
5	9	0	Monitoring, financial auditing and evaluation.	Q1	Q2	Q3	Q4																
5	9	1	Monitoring visits																				
5	9	2	Internal audits																				
5	#	3	External audits																				
5	#	4	Evaluation																				

MAPUTO, FEBRUARY 2005.

List of figures

1. RELATIONSHIPS BETWEEN FINANCIAL SERVICES AND COMMERCIALISATION STRUCTURES.
2. COMMERCIALISATION OF MAIZE FROM MOZAMBIQUE TO MALAWI (CROSS BORDER TRADING).
3. MAIZE CROSSING THE BORDER FROM JANUARY 2003 UNTIL MAY 2004.
4. SUPPLY CHAIN FOR BUTTER BEAN FROM GURUÉ TO MAPUTO
5. PRICES OF THE MOST IMPORTANT AGRICULTURAL PRODUCTS IN GURUÉ.
6. VOLUME OF MAIZE COMMERCIALIZED IN MUGEMA BY THE COMPANIES V&M AND EXPORT MARKETING.
7. AGRICULTURAL COMMERCIALISATION AND CREDIT STRUCTURES DURING COLONIAL TIMES IN MANICA.
8. MODEL OF TOBACCO PROMOTION, WITH MEDIATION BY THE "FARMERS".
9. SUPPLY CHAIN OF AGRICULTURAL PRODUCE.
10. CONTRIBUTION TO STRENGTHENING PRODUCER INFLUENCE ON THE AGRICULTURAL MARKETS.
11. INTERVENING PARTIES IN THE RURAL ENVIRONMENT (STATE, CIVIL SOCIETY AND PRIVATE SECTOR).
12. SOCIO-ECONOMIC EMANCIPATION STRATEGY OF THE RURAL POPULATION (*IRON TRIANGLE*).
13. COOPERATIVE ENTERPRISES VERSUS ASSOCIATIONS.
14. NOTES OF THE CONSULTATION SESSION ON RURAL COMMERCE SYSTEMS IN THE DISTRICT OF SUSSUNDENGA.
15. PROPOSALS BY THE LEADERSHIP OF THE FARMERS OF GONDOLA FOR ALTERNATIVES TO THE CURRENT SYSTEM OF AGRICULTURAL COMMERCE.
16. FUNCTIONING OF THE ZERO-LOSS POLICY.
17. SYSTEM OF ALLOCATING REVENUES AND RESERVES IN THE CO-OPERATIVE ENTERPRISES.
18. MANAGEMENT MODEL FOR THE ONE-TIER CO-OPERATIVE ENTERPRISES.
19. MANAGEMENT MODEL FOR THE TWO-TIER CO-OPERATIVE ENTERPRISES.
20. INTERNAL CONTROL SYSTEM IN THE SUPPLY CHAIN.
21. INFORMATION FLOW FOR INDIVIDUAL MEMBERS.
22. INTERNAL COMMUNICATION STRUCTURE (MEETINGS CALENDAR).
23. LOGISTICS AND TRANSPORT FOR ONE-TIER AND TWO-TIER CO-OPERATIVE ENTERPRISES.
24. FINANCIAL MODEL FOR ELABORATING THE BUSINESS PLANS.
25. GEOGRAPHICAL AREA OF THE ONE-TIER AND TWO-TIER RICE CO-OPERATIVE ENTERPRISES IN THE PROVINCE OF ZAMBÉZIA.
26. CASH FLOW SCRL NICOADALA MAY/2005 – APRIL/2011.
27. DIAGRAM OF PROFITS AND LOSSES, CAMPAIGNS 2004-2005 TO 2010-2011, SCRL NICOADALA.
28. CASH FLOW OF TWO-TIER SCRL QUELIMANE IN MZM.
29. PROFIT AND LOSS ACCOUNT TWO-TIER SCRL (HUSKING FACTORY) IN QUELIMANE 2005-2006 TO 2010-2011.
30. ANALYSIS OF THE BREAK-EVEN POINT OF THE RICE HUSKING AND PROCESSING FACTORY IN QUELIMANE, AFTER REHABILITATION.
- 30A SUMMARY OF PURCHASES AND PROFITS OF TWO-TIER SCRL IN QUELIMANE.
31. CASHEW PRICES PER KG PAID TO THE PRODUCER IN ZAMBÉZIA PROVINCE DURING THE 2004-2005 CAMPAIGN. SOURCE: INCAJÚ DELEGATION IN ZAMBÉZIA.
32. CASH FLOW OF THE CASHEW SCRL IN MAGANJA DA COSTA.
33. PROFITS AND LOSSES OF THE CASHEW SCRL IN MAGANJA DA COSTA
34. GEOGRAPHICAL AREA OF THE ONE-TIER AND TWO-TIER MAIZE CO-OPERATIVE ENTERPRISES IN ZAMBÉZIA PROVINCE.
35. CASH FLOW OF THE ONE-TIER SCRL IN RUACE.
36. PROFIT AND LOSS ACCOUNT OF THE ONE-TIER SCRL RUACE-LIOMA.
37. CASH FLOW OF SCRL (INDUSTRIAL MILL) IN MOCUBA.
38. DIAGRAM OF ANNUAL PROFITS AND LOSSES OF THE TWO-TIER SCRL IN MOCUBA.
39. ANALYSIS OF BREAK-EVEN OF THE INDUSTRIAL MILL IN MOCUBA.
40. GEOGRAPHICAL AREA OF THE ONE-TIER AND TWO-TIER CO-OPERATIVE ENTERPRISES FOR MAIZE AND BEANS IN THE BEIRA CORRIDOR (MANICA PLATEAU).
41. SCHEME WITH RESPECT TO ESTABLISHMENT AND CAPACITY BUILDING OF THE SCRLS.

List of tables

1. WORK TEAM.
2. DISTRICTS COVERED BY THE INVENTORY.
3. THEORETICAL TOBACCO YIELDS – FAMILY PRODUCTION.
4. DATA ON THE AGRICULTURAL SECTOR, CAIA 2002.
5. DATA ON THE AGRICULTURAL SECTOR, GORONGOSA 2002.
6. GENERAL DATA ON THE AGRICULTURAL SECTOR – PRODUCTION AND COMMERCIALISATION IN GORONGOSA, 2002-2003 CAMPAIGN.
7. INTERVENING PARTIES IN THE SYSTEM OF FAMILY AGRICULTURAL PRODUCTION IN GORONGOSA.
8. COMMERCIALISATION OPERATION 2002-2003, COMMUNITY OF MUPUMBUTU.
9. MEMBERS AND ASSOCIATIONS UDAC/SSCROSA BARUÉ.
10. COMPARISON OF INTERVENING PARTIES PER DISTRICT AND PER CROP, IN ACCORDANCE WITH EXTENT OF FACILITATING PRODUCER INFLUENCE ON THE AGRICULTURAL MARKETS. .
11. SELECTION OF LOCALITIES AND CROPS FOR INTERVENTIONS TO BE PROPOSED.
12. STRUCTURING OF THE CO-OPERATIVE ENTERPRISES TO BE DEVELOPED.
13. CHARACTERISTICS OF THE LOCAL COMMUNITIES AND OF THE AGRO-COMMERCIAL PRIVATE SECTOR.
14. CONSULTATION MEETINGS WITH PRODUCERS.
15. UPDATE OF THE INVENTORY IN THE FIELD.
16. SUMMARY OF THE FINAL REPORT OF THE INVENTORY OF RICE FARMERS IN THE DISTRICT OF NICOADALA.
17. SUMMARY OF THE FINAL REPORT OF THE INVENTORY OF CASHEW PRODUCERS IN THE DISTRICT OF MAGANJA DA COSTA.
18. AREA, PRODUCTION, CONSUMPTION AND IMPORTS OF RICE IN THE YEARS 2000.
19. BALANCE OF THE VOLUME OF RICE, COMMERCIALISATION CAMPAIGN 2002-2003.
20. PROFIT AND LOSS ACCOUNT, COMMERCIALISATION CAMPAIGN 2002-2003.
21. FINANCIAL SITUATION CO-OPERATIVE ENTERPRISE NANTE 26/02/2005.
22. PRODUCTION OF RICE IN TONS, CAMPAIGN 1998-1999.
23. OPTIONS OF (DE) CENTRALIZATION IN RICE PROCESSING.
24. GENERAL CHARACTERISTICS, BUSINESS PLAN FOR RICE IN NICOADALA.
25. PRODUCTION TO BE COMMERCIALIZED IN THE DISTRICT OF NICOADALA.
26. INVESTMENTS NEEDED FOR THE FOUNDATION OF THE SCRL IN NICOADALA, IN USD.
27. PROFIT AND LOSS ACCOUNT CAMPAIGNS 2004-2005 TO 2010-2011, SCRL NICOADALA.
28. GENERAL CHARACTERISTICS OF THE TWO-TIER RICE COMMERCIALISATION CO-OPERATIVE SOCIETY IN QUELIMANE.
29. QUANTITIES OF UNHUSKED RICE TO BE PURCHASED BY THE TWO-TIER SCRL FROM THE SCRLS.
30. OVERVIEW OF THE HUMAN RESOURCES FOR THE MANAGEMENT OF THE TWO-TIER SCRL IN QUELIMANE.
31. PLANNED INVESTMENT FOR THE REHABILITATION OF THE RICE HUSKING FACTORY IN QUELIMANE.
- 31A SUMMARY OF PURCHASES AND PROFITS OF TWO-TIER SCRL IN QUELIMANE.
32. COMMERCIALIZED PRODUCTION IN ZAMBÉZIA PROVINCE 1996-1997 TO 2004-2005. SOURCE: INCAJÚ DELEGATION IN ZAMBÉZIA.
33. NUMBER OF CASHEW PLANTS PER COMMUNITY IN MAGANJA DA COSTA.
34. CHARACTERISTICS OF THE CO-OPERATIVE SOCIETY FOR THE COMMERCIALISATION AND PROCESSING OF CASHEW IN MAGANJA DA COSTA.
35. PROCESSING STAGES AND RESPONSABILITIES IN THE CASHEW SECTOR IN MAGANJA DA COSTA.
36. DISTANCES FOR TRANSPORT OF CASHEW IN MAGANJA DA COSTA.
37. SALARIES AND OPERATING COSTS OF THE SCRL FOR CASHEW IN MAGANJA DA COSTA.
38. INVESTMENTS SCRL FOR CASHEW IN MAGANJA DA COSTA.
39. DEMAND AND SUPPLY OF MAIZE PER PROVINCE AND REGION IN 1998 AND 2003.
40. BUSINESS OF A TRADER IN MAIZE KERNELS IN ZAMBÉZIA.
41. CALCULATION OF PRODUCTION COSTS OF FLOUR IN THE LOCAL ECONOMY.
42. GENERAL CHARACTERISTICS OF THE BUSINESS PLAN FOR MAIZE IN RUACE AND MUGEMA.
43. VOLUMES OF MAIZE AND BEANS PURCHASED FROM THE ONE-TIER SCRLS OF RUACE AND MUGEMA.
44. GENERAL CHARACTERISTICS OF THE TWO-TIER SCRL IN MOCUBA.
45. INVESTMENT (IN USD) IN MOVABLE AND IMMOVABLE GOODS FOR THE TWO-TIER SCRL OF MOCUBA.
46. SUMMARY OF RAW MATERIAL PURCHASES AND PROFITS OF THE TWO-TIER SCRL IN MOCUBA.

- 47. GENERAL CHARACTERISTICS OF THE BUSINESS PLANS FOR THE COMMERCIALISATION OF MAIZE AND BEANS FROM THE ONE-TIER SCRLs IN GONDOLA, GORONGOSA AND SUSSUNDENGA.**
- 48. GENERAL CHARACTERISTICS OF THE TWO-TIER CO-OPERATIVE SOCIETY FOR MAIZE IN CHIMOIO/GRÉMIO.**
- 49. RELATION BETWEEN PRODUCTION AND COMMERCIALIZED VOLUME IN THE DISTRICTS OF GONDOLA, SUSSUNDENGA AND GORONGOSA IN THE YEARS 1999-2003.**
- 50. SUMMARY OF THE INVESTMENTS FOR THE SCRLs TO BE CREATED.**
- 51. TIMEFRAME OF IMPLEMENTATION ACTIVITIES 2005-2009.**

Persons consulted

Nr	Name	Function	Contact
1	Horácio Luís Figueiredo	District Director of Internal Commerce and Tourism, Milange	
2	Garcia António	Staff member DDADER of Milange	
3	Cuangajua Joaquim	Micro Finance Program World Vision in Milange	
4	Carlitos Pinto	Micro Finance Program World Vision in Milange	
5	Carlos André	Agro technician of World Vision in Milange	
6	Carolina Ricardo	Head of administrative post of Mugeba.	082 545369
7	João Paulo	Coordinator CCM in Gurué ccm_gurue@teledata.mz	04 910169
8	Paulo Cordeiro	Director DDADER of Gurué ddaqrue@teledata.mz	082 720708
9	Vitoria Namaguvita	Extensionist DDADER of Gurué	04 910138
10	Jeremias Ayoba	Supervisor OVATA World Vision program in Gurué	
11	Felizberto Sabura	President Fórum Nihoma in Gurué	
12	John Victor	Manager SAGAR Gurué	04 910226/132
13	Júlio Rabuquene	President Fórum Metovola in Gurué	
14	Patrício Agustin	Coordinator World Vision in Gurué patricio@teledata.mz	082 568306
15	Felizardo Angoret	Coordinator of Clusa em Gurué	082 664268
16	Baptista Emilio	District Director of Commerce in Gurué	
17	Andrea Lima	Commercialization specialist World Vision	082 656213
19	Macueia	Manager SAGAR Gurué	04 910132
20	Rafael Bernardo	Coordinator AMODER in Alto Molocué	082 675167
21	Mamude Gulamo	Technician Sociedade Algodoeira of Alto Molocué	
22	Ronaldo Renato	Extensionist DDADER of Alto Molocué	
23	Mussa Amisse	Agro-technician and field agent of JFS in Alto Molocué.	
24	Ali Ossene	Trader in Zambézia	
25	José Issaias	Technician of Clusa in Alto Molocué	
26	Fereira Macanisso Carione	Technical assistent DD of Ind de Comércio of Alto Molocué	
27	Arnaldo Radio	Purchasing manager VM/Export Marketing in Mugema.	
28	Lopes Napiracué	Community leader in Mugema	
29	Henrique Monteiro	Director DDADER of Mocuba.	082 581290
30	Manteiga	President of UAPEMO	082 298476
31	Ernesto Sechene	Technician ADRA in Mocuba	
32	Rudolfo Henrique	Director ADRA in Mocuba	082 320823
33	Joaquina	Mill owner in Bive	082 399637
34	Carolina Ricardo	Head Administrative Post of Mugeba.	082 545369.
35	Joaquim Tomo	President UDCM Morrumbala	
36	Santo José	President Association "Chivungu" in Morrumbala.	
37	Edson Natha	Technician Zanntrex in Mopeia	082 455375
38	Companhia	Technician DDADER of Mopeia.	
39	Madeira	CARITAS Provincial Coordinator Zambézia	
40	João Ernesto	Motivator ORAM in Nicoadala.	082 400595
41	Benjamin Morais	Technician FAO program in Nicoadala	082 014318
42	Amelia Pedro	Head production of Association "Francisco Assiss"	
43	Celina António Castigo	Directora DDADER of Mopeia.	
44	Hamid Jaybo	Director ADELSO adel-sofala@teledata.mz	082 381 259
45	Domigos Burano Gimo	UPAC of Sofala	082 387573
46	João Francisco Gimo	UPAC of Sofala	03 316854
47	Laura Salgado Mirlái Goha	UPAC of Sofala	
48	Haley	President of UDACAIA	
49	Enrique Querol	Consultant OSEO oseoquest@teledata.mz	051 22267
50	Munjepe	Coordinator GPZ Gorongosa	03 530056/311484
51	Eugenio Almeida Canda	<i>Régulo</i> of Canda	
52	Fatima Vulanda	Counsellor community of Canda	
53	Lourenço Luís	Counsellor Association "Chivungu" in Morrumbala.	
54	Martinho Anselmo	Coordinator GTZ Gorongosa	
55	Bertha Rafael	Facilitator Community Development Program GTZ	
56	Celestino	UDA Gorongosa	
57	Luciano	Director DDADER of Gondola ddader.gondola@teledata.mz	
58	Saule	Extension supervisor DDADER of Gondola	082 583123
59	Celia Ribeiro	Provincial coordinator ADIPSA Manica	
60	Júlio Fuleque	Treasurer Casa Agraria in Mupubutu, Gondola	
61	Manual Chimoio Seda	Member Management Committee Casa Agraria of Mupubutu	
62	Oliveira Joaquim	Magariro provincial coordinator for Manica	082 784800

63	Navalha	Technician DDADER of Sussundenga	082 814668
64	Mario João Filole	Business trainer in villages AVoca – UDAC Sussundenga	
65	Horacio Gabriel Escova		
66	Hilario Mahocha	Ex-employee GRÉMIO.	
67	Joaquim Manioca	Director DDADER of Manica	051 62057
68	Eduardo Sadozua	Technician DDADER of Manica	
69	Sousa	Ex-Director Agricom in Manica	082 890514
70	Oliveira Francisco Daniel	President Association “Cucuta Buchinga” in Manica	
71	Maforge	Manager ASAM	
72	António Zaqueu	ADEM Manica azaqueu@yahoo.com	082 598614
73	Pine Pinar	Manager SAGREVE Manica	
74	Rui Santana Alfonso	Consultant Technoserve Manica santane@teledata.mz	082 328956
75	Pedro AA Paulino	Coodinator Proder GTZ Manica paulino@procipp.gtz.de	082 501339
76	Norbert Eulering	Technical adviser Proder GTZ Manica eulering@teledata.mz	082 509980
77	Dave Oneill Williams	Zimbabwean farmer, district of Barué (263 860 2070640)	082 860228
78	Gregory Saxon	Technician Kulima Manica zootesax@hotmail.com	082 407846
79	Luis Kwengwe	Coordinator GPZ Delta region kwengwe@teledata.mz	
80	Pascal Alvez de Castro	Coordinator RENDER/Asdi Voca in Manica asdivoca@teledata.mz gaspamoz@hotmail.com	082 590717
81	França	Financial Director GPZ	082 476859
82	David Rafael	President UCAMA	082 512719
83	José Basquette	Vice - President UCAMA	
84	Sequela	Manager SCCROSA	
85	Chequenette	UCAMA adviser of Cuso Canada	
86	José Manual	Representative Sunsmile in Dondo.	
87	Jolke Oppewal	Secretary Economy and Business Affairs, Netherlands Embassy Maputo jolke.oppewal@minbuza.nl	01 490031/3 Fax 01 490429
88	Todd Thompson	USAID Maputo tthompson@usaid.gov	082 316180
89	Elsa Mapilele	USAID emapilele@usaid.gov	
90	Phil		
91	Carlos Zandamela	Sasakawa Global 2000 Moz sg2000cz@teledata.mz	082 327 326
92	Jorge Tinga	Economist of GPCSA gpsca.ina@tvcabo.co.mz	082 312249
93	Lucas	Vice president Association “Rambawaraira” in Sussundenga	
94	David Noé	Member of Association “Rambawaraira” in Sussundenga	
95	Bernardo Manduvane	Member of Association “Cucuta Buchinga” in Manica	
96	Luisa Reiva	Member of Association “Cucuta Buchinga” in Manica	
97	C Rungu	Head of SPFFB of DPADER of Manica.	
97	Adilson	Data base specialist DPADER of Manica	082 570096
99	Jambo Francisco	Program officer of SSCROSA/UCAMA.	
100	John Candido Canto	President of tobacco association of Barué	
101	Rodolfo Henrique	ADRA Mocuba Zambézia rhenriquez.adra@teledata.mz	01 304423/04 2125/6/7
102	Armando Mendonça	ORAM Delegation Manica	082 389121
103	Adamo Amad SENI	Fibra MAR adamoseni@hotmail.com	082 585567
104	David Naylor	Industrial Manager Mobeira mobeiratec@teledata.mz	082 501825
105	Carlos T. Muendane	SICS SARL muendane@zebra.uem.mz sics@tvcabo.co.mz	082 305705
106	Tara Stuart	SNV Mozambique trstuart@teledata.mz	082 601469
107	Nicolas Lamadé	Coordinator GTZ Sofala proder.lamade@teledata.mz	082 502690
108	Anne Locke	Adviser GPSCA anna.locke@gpscaina.gov.mz	082 325 357
109	Oliveira Mucar	Coordinator MAGARIRO mgariro@teledata.mz	051 22474
110	Munir A Alidina	Sales Manager of Mobeira m.alidina@teledata.mz	082 501 826
111	Pine Pinar	Sunflower trader in Chimioio pine@teledata.mz	082 314923

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