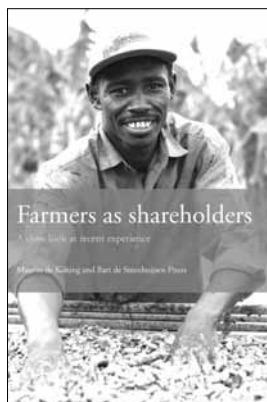


Reviews and resources



Farmers as Shareholders: A Close Look at Recent Experience

Maurits de Koning and Bart de Steenhuijsen Piters, Bulletin 390, Development Policy and Practice
KIT publishers, ISBN 978-94-6022-039-5

Interest in poor people becoming owners of business has grown in the last decade or so, and was recently thrust to the fore by Muhammad Yunus in his book *Creating a World Without Poverty* (2007) (and reviewed in this journal by James Copestake, June 2008). That book sought to promote models of social enterprise operating alongside private enterprise and allowing participation, and ownership by poor people. This slim volume also operates on this theme, though the terminology of social enterprise is interestingly not used at all. It examines the case for farmer involvement as shareholders in businesses in the value chain with which they interact. Without such engagement, it is argued, they lack voice and the contracts and arrangements they are involved in may not be ones in which they have adequate market power.

The book starts with some theoretical background, based

on the recent trend to shareholder activism in which shareholders have become less delegatory of their power to a board of directors and have sought greater influence, so breaking the barrier between ownership and decision control that has been institutionalized in the past. They argue that farmer shareholding is a different model to co-operatives or farmers' associations where returns may be based on use value rather than shareholder value. The involvement of farmers can potentially have four benefits: (i) farmers can vote on strategic decisions regarding e.g. company governance and price policy; (ii) benefit sharing in which returns can be invested in growth or paid as dividends; (iii) shares can in turn be used as collateral for loans; (iii) involving farmers can bind them into the supply chain and improve quality control.

The book reviews four case studies: first, the Divine Chocolate Company set up by Kuapa Kokoo Farmer's Union in Ghana. Second, Kuyichi, a Dutch fashion brand producing and distributing organic and fair trade jeans and fashion clothing founded by a Dutch NGO and eventually involving a producer association. Third,

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Cafédirect founded by Oxfam, Equal Exchange, Traidcraft and TWIN Trading and now involving 39 grower organizations and 250,000 farmers. Finally, Nshili Tea Corporation, an endeavour in Rwanda to develop a tea factory with farmer ownership supported by IFAD.

The first point that will strike anyone about these case studies is that all of them have foundations in NGO and related donor attempts to improve marketing opportunities for farmers and have been operating for at least ten years. As such they give little insight into a rather braver new world that the most recent value chain development operates in, in which farmers are engaging with the private sector where benign and developmental motives are not involved. The analysis is not based on fresh or particularly insightful evidence on the dynamics of the relationships within the case studies. Rather the cases highlight the difficulties of establishing such enterprises which seek to develop a chain right through to the retail level in developed countries (in the cases of the first three). The efforts that have been put into designing

financing mechanisms for farmers to buy shares are a case in point. All the enterprises have been on long and winding roads backed by a range of private and non-private sector support. It seems unlikely that many of these findings would necessarily translate into a context of less donor / NGO involvement or what they offer for approaches to direct collaboration between farmers, their associations and the private sector. There does not appear to be abundant evidence that the list of potential benefits that were theorized at the outset have in fact occurred. That is not to say that farmers have not benefited from more direct involvement in these companies, and that these are not pioneering and interesting attempts at alternative approaches. Rather, that engagement of this kind is clearly a developmental path for the long term requiring significant investment of time, skills and money and these examples do not clearly offer a replicable route to increasing farmer power in companies in the many value chains they are engaged in.

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