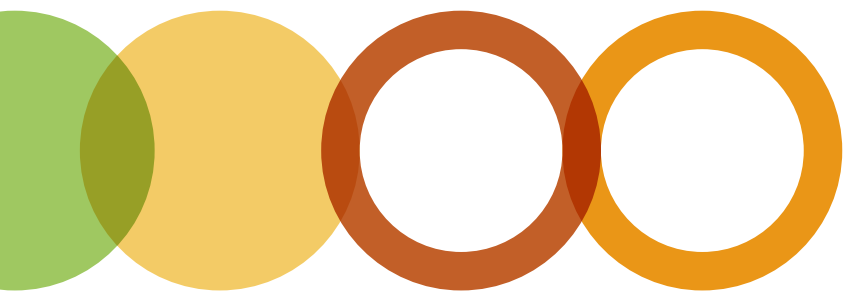


Farmer Group Enterprises

From Fields to Markets: Farmers as Entrepreneurs embodies the transformative journey of smallholder farmers as they evolve from traditional farming to becoming savvy business operators. Farmer Group Enterprises empower farmers to view their work through an entrepreneurial lens, fostering innovation, market-driven strategies, and sustainable growth.



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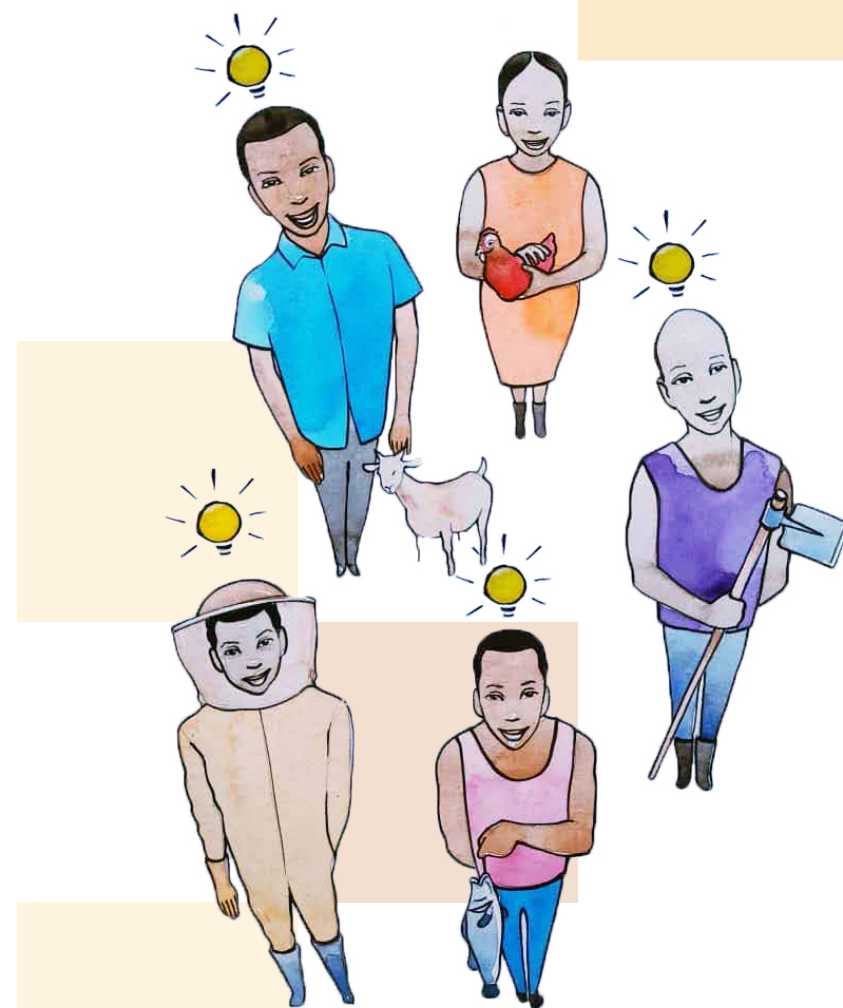
What is the FGE model?

The Climate Smart Jobs project is pursuing formalisation of farmers into the entrepreneurial ecosystem. We are seeking to transform the way they view themselves and the way they farm, to significantly shift from day-to-day farming to business-driven farming. One of the ways we are doing so is through the Farmer Group Enterprise model.

Farmer Group Enterprises (FGEs) are formed when 2 to 20 smallholder farmers (SHFs) come together to address a constraint in a value chain in a way that is driven by market conditions. Smallholder farmers often face challenges in commercialising their operations, primarily due to organisational issues, with governance being a significant concern.

Traditional methods of organising SHFs tend to rely on the social cohesion of farmers working together towards a common objective to hopefully control unproductive behaviour in agricultural production and engagement with markets. Such forms of organising include Cooperatives, Village Savings and Lending Associations (VSLAs) and Savings and Credit Cooperative Organisations (SACCOs) which bring farmers/individuals known to each other to save together and sometimes engage in business activity.

The challenge with these traditional ways of organising SHFs is that too often personality clashes disrupt group cohesion. In such situations a group member or a few usually emerge to dominate the affairs of the group, some even claiming they are working harder than others, and therefore driving their own individual interests and not those of the group. In such situations the group objective comes secondary, and personal objectives of the most dominant member(s) capture the group, hence the common phrase “it’s hard to work in a group” as most SHFs say. Where SHFs have pooled their investments and such issues emerge, conflicts about the return on the investment and the right to govern the investment are common. Group members feel vulnerable, and most fully or passively withdraw from such groups, leaving them to fail as they’re not getting what they were promised at the start of the group activity.



Farmers as shareholders

The FGE innovates to address these challenges by organising farmers around a business activity that is established and governed by shares. FGEs formalise SHF enterprise activities by introducing governance by shareholding, thereby letting each farmer's (especially the traditionally marginalised), voice be heard through their investment/shares and not just personality. Smallholder farmers can own as many shares as possible in the business based on the investment that they're making into it.

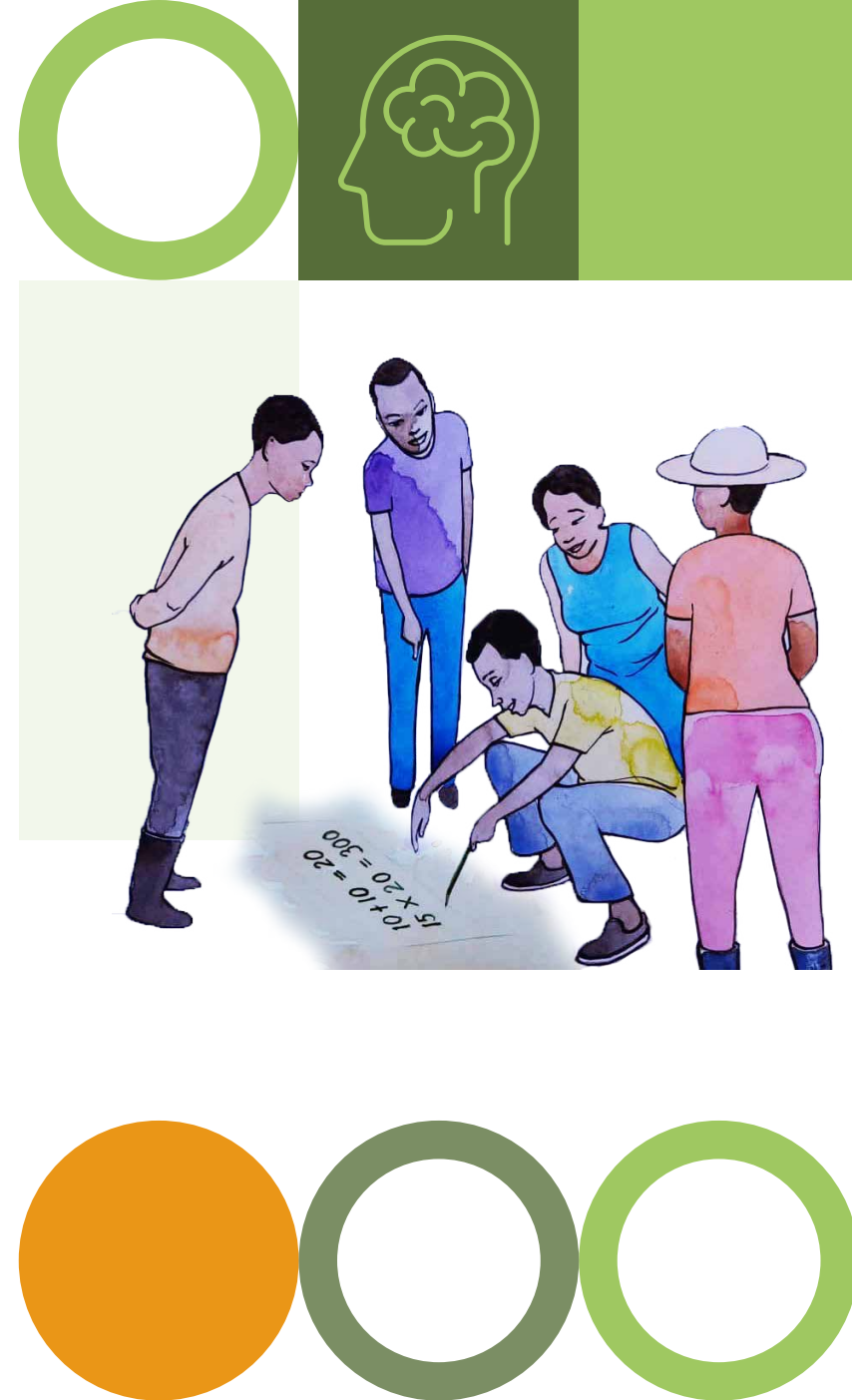
Each shareholder therefore has the right to influence the direction of the FGE based on the contribution that they have made to it – no individual can dominate or capture the enterprise. With their investments formally protected, smallholder farmers are motivated to share innovative ideas and work towards group success/profitability. They target realising a good return on investment, putting in a concerted effort in FGE activities knowing that the returns are theirs and they will reflect their effort. It is this specific design that sets up the FGE for success because everyone is protected, and they are invested in seeing it succeed.

FGE members invest in it financially and agree to spend at least the first year working together to build a business that has good returns without needing to be on its payroll for that duration. By eliminating the cost of labour as a key overhead expense at the start of an enterprise, the FGE shortens the timeline towards break-even point as each member is motivated to manage every other

cost that the business could incur. Experience has shown that shareholders of a business that promises a short timeline towards break-even point and therefore profit, remain focused on this objective and think innovatively to drive it towards this point.

It is with this in mind that forming FGEs requires intentionally selecting enterprise-minded individuals from various group formations to form an enterprise together. By carefully selecting such members, the FGE is assured that it has brought together people with the same objective who will not require extensive management to remain focused. Enterprise-minded people understand that for an enterprise to work and reach its financial goals, investment, patience, and hard work are needed.

They understand and are on board with the objective of the business and therefore invest willingly and commit labour towards the enterprise without any issue. Enterprise-minded individuals know that for a business to run they need to have regular business meetings, set strategies, design a business plan, and have a constitution in place to keep the business functioning on good operational structures. Such SHFs do exist, and when they come together to form an FGE, they work in a way that is different to other organisational formations.



Formalisation

With the formal registration, investment, and labour side of the FGE agreed, the members of the FGE bring a fourth crucial element to the success of the enterprise which is to be its first customers. FGEs are formed by SHFs who have experienced the constraint in the value chain that they're hoping to address and therefore become its first clients. They draw on the services or products of the FGE as would any other customer but with the benefit of being its shareholders and therefore can receive that service or good at a discounted rate should the group decide that to be desirable.

The next immediate group of clients are the community members to which the FGE members belong. As the evidence of addressing a common constraint becomes visible for all to see in the community, people become convinced by the good/service and want to draw on it so that they too can enjoy its benefits as shown by the original FGE members. Actively taking part in the FGE towards its success therefore has the effect of promoting the goods and services of the FGE in the community through direct observation. This guarantees that an FGE has a core base of clients upon startup before scaling up.

Impact

FGEs achieve impact when they consistently serve clients beyond their immediate location, and when they become mentors of future FGEs. Being situated in mostly hard to reach areas, FGEs offer a last mile solution that can transform remote rural economies in ways that other larger commercial entities may struggle. Successfully serving the local community and progressing to reach wider external communities shows that an FGE has matured in its growth and developed a significant operational capacity.

As the FGE becomes more established, other farmers take an interest in forming their own FGEs as most successful rural economic interventions tend to do. When an FGE can guide farmers to form their own FGE they prove that the innovation works and is worth copying. With each success, this mentorship grows beyond the initial instance, taking hold in places and ways both projected and unimagined.





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