Traditional Informal Wholesaler Aggregators

Cost Drivers Analysis
Is getting brokers out of the value chain really addressing the real problems?

According to a potato cost driver analysis in Tanzania by Farm Concern International under the Regional Seed-Farmer-Market-Consumer Integrated Value Chain Development Programme referred to as the SeFaMaCo Programme, supported by the Bill & Melinda Gates Foundation in Tanzania, Uganda and Ethiopia, brokerage fee accounts for 1% of the total cost incurred by wholesaler aggregators.
Brokers are agents who act on behalf of the wholesalers and can easily be confused for wholesalers since they are more active in negotiations along value chains. Brokers have for a long time been blamed by smallholder farmers as the biggest beneficiaries from proceeds accrued from their commodities. However, the study revealed that Brokers are victims of the inefficiencies of the trading systems.
Banana Cost Drivers for Informal Wholesalers Aggregators
From: Bukoba Central To: Mwanza (400KM)

- Transport fee remains highest & and in some cases 2nd is the brokerage commission
- This is a result of the scattered sourcing, thus increased logistical costs.
Vegetables Cost Drivers for Informal Wholesalers
From: Arusha Rural Regions
To: Kilombero Market (35KM)

- Transport: 39%
- Loading: 6%
- Packaging: 20%
- Broker Commission: 6%
- Market Cess: 6%
- Unloading: 4%
- Road Cess: 19%
Potato Cost Drivers for Informal Wholesalers
From: West Kilimanjaro
To: Mbuyuni Market (60KM)

- Transport: 57%
- Road Cess: 15%
- Loading: 8%
- Packaging: 8%
- Unloading: 8%
- Market Cess: 2%
- Sorting: 1%
- Broker Commission: 1%
Sweet Potato Cost Drivers for Informal Wholesalers From: Mwanza Rural To: Sabasaba Market

- Transport: 43%
- Packaging and packaging materials: 1%
- Loading: 18%
- Unloading: 12%
- Road Cess: 12%
- Broker Commission: 6%
- Market Cess: 6%
- Market Association fee: 1%
- Administration costs: 1%
How can we reduce wholesale aggregation costs?

• Commodity prices at the retail end have continued to rise over time

• This has been misconceived to be as a result of profiteering by traders, however, the logistical cost involved in sourcing and movement of commodities are huge contributors to these high prices
How can we reduce wholesale aggregation costs?

• Since consumer prices are controlled by demand from the retail selling point, price movements can only be adjusted downwards at the farm gate level

• Buyers offer lower prices to farmers in order to cover for these costs and also safeguard the profit margin
How can we reduce wholesale aggregation costs?

- Lowering sourcing and logistical cost is a major way of reducing trading costs
- Commercial Villages provide an efficient avenue for facilitation trade through the following
How can the Commercial Village infrastructure use collective action to enhance better prices?

- Commercial Villages provide an efficient avenue for facilitating trade through the following:
  - Aggregating huge volumes
  - Managing quality reducing sorting costs and losses for traders
How can the commercial village infrastructure use collective action to enhance better prices?

- Consistency in supply
- Offering a negotiating platform based on pure trade engagements