

TSS

Transaction Security Services

TSS is the business model of TBM. We offer TSS to farmers and to end consumers, and to all actors along the chain between the two.

TBM provides the ***controls that achieve complete financial and operational transparency***. All actors in a deal can rely on each other because in case something goes wrong, TBM will know what happened, where it happened, who is responsible and who therefore must rectify. This creates trust and therefore higher efficiency along the chain. This higher efficiency results in higher income to farmers, and that higher income justifies the commission which TBM charges on the net profits farmers make.

A typical TSS deal works like this:

1. TBM helps farmers find good buyers.
2. When buyers and farmers agree on prices, they ask TBM to take the deal through.
3. When farmers deliver at agreed times to agreed collection points, TBM does all the quality checking. TBM then pays the farmers an advance for the approved and accepted produce they delivered. Usually this is on-the-spot payments. We call it "Cash-on-the-bag" (COB). The produce still belongs to farmers. How much each farmer delivered and how much advance s/he was paid TBM individually tracks for each farmer. This is what we call the "collection loop".
4. TBM then organizes all the operations between collection point to delivery to the final buyers, eg. cleaning, grading, packaging, processing, stocking, transport, distribution to outlets, etc. TBM looks for the best operators and pays for these services on behalf of the farmers. We call these the middle costs.
5. We aim to take a produce up to the many final buyers in town. That means TBM also takes care of distribution to many small retailers who sell in small quantities to end consumers. We call it the distribution loop. Like this we allow farmers and TBM to also together earn the added value of processing and distribution. We also say we aim for "double-loop deals", ie. collection loop and distribution loop.
6. The buyers pay the price agreed with farmers to TBM. TBM then puts this money into the clearing account of the deal.
7. From the clearing account TBM then recovers all the middle costs.
8. What is left is shared between farmers and TBM, usually 90% farmers and 10% TBM. With this commission TBM pays for its staff and operations that are not specific to any deal, and for its own profit.
9. From the share of the farmers, TBM then recovers the advance payments in point 3, including interests in order to cover the credits that may have been required to make those advance payments.
10. Any remaining money in the clearing account is then bonus to farmers. TBM pays out to each farmer his or her share of the bonus, based on the individual tracking of delivered amounts and paid advances.
11. Finalization of a deal happens when all money movements have been done. TBM then calls all farmers who delivered for the deal and explains the complete calculations in the clearing account, particularly the middle costs. This is often very interesting for farmers, because they can see where they may earn themselves additional income by avoiding certain middle costs (eg. in cleaning and drying, in packaging, in transport, etc).

The effect of TSS is usually only understood by **farmers** who have experienced how it feels to be paid a bonus. That is when they get really interested in how this works.

They then realize that:

1. They are the owners of the produce until sale to the intended end-buyer.
2. They have a possibility of increasing their incomes by avoiding middle costs.
3. TBMs income is tied directly to their own income. Therefore both TBM and farmers have the same interest in looking for the best price, and reducing middle costs as much as possible. TBM therefore is on their side in negotiations for transactions along the whole chain.
4. The risk of deterioration of market price while produce is in transit or with unreliable buyers who don't pay or pay late etc, or with unreliable toll-processors, is with TBM. This risk is acceptable for TBM because it is the expertise of TBM to avoid such risks as well as possible. The justification of the commission is this risk for TBM.

The effect of TSS on **buyers** is that they can rely on regularly getting the produce they need at quality standards that they indicated.

The effect on **processors and transporters** is that they can use their resources for improving their services instead of using their money to bear the risk of purchasing and selling produce along the chain.

TBM operates its own **network of agents** both at village level (collection points) as well as in cities (distribution points). These agents are not employed, they take a share in the commission. That way all TBM staff are incentivized to achieve a good selling price and reduce the middle costs, and that is exactly in line with the interests of farmers themselves. This makes transparency and building of trust along the chain easier.

The effect of TSS is the win-win-win-win-win:

1. WIN for farmers who can participate in any value-addition after delivery of their produce.
2. WIN for TBM. ie. the commission tied to the financial success of farmers.
3. WIN for actors along the chain who can concentrate their efforts and capacities on providing good services instead of worrying about buying and selling produce
4. WIN for final buyers because they are sure of quality and delivery
5. WIN for all because all can be sure that if something goes wrong there is no need to quarrel: TBM will know what happened, why it happened, and therefore who needs to do what in order to rectify. And of course: TBM can provide lessons for all actors about how to improve efficiency and security in their transactions along the chain.

Challenges for TBM to expand:

1. Of course financial resources are required to push ahead with deals, eg. for paying the COB-advances for deals. With present banking conditions in Tanzania this is almost impossible.
2. The even bigger challenge is the need for training and learning on-the-job by a wide range of actors, starting with its own TSS-agents, and adding in processors and transporters, etc. This takes time and also costs considerably. The present start-up operations of TBM do not earn enough money to allow to invest much here, so growth can only be slow.