LİNKİNG SMALL-SCALE FARMERS TO AGRİCULTURAL MARKETS: CASE STUDİES

Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (the COMCEC)

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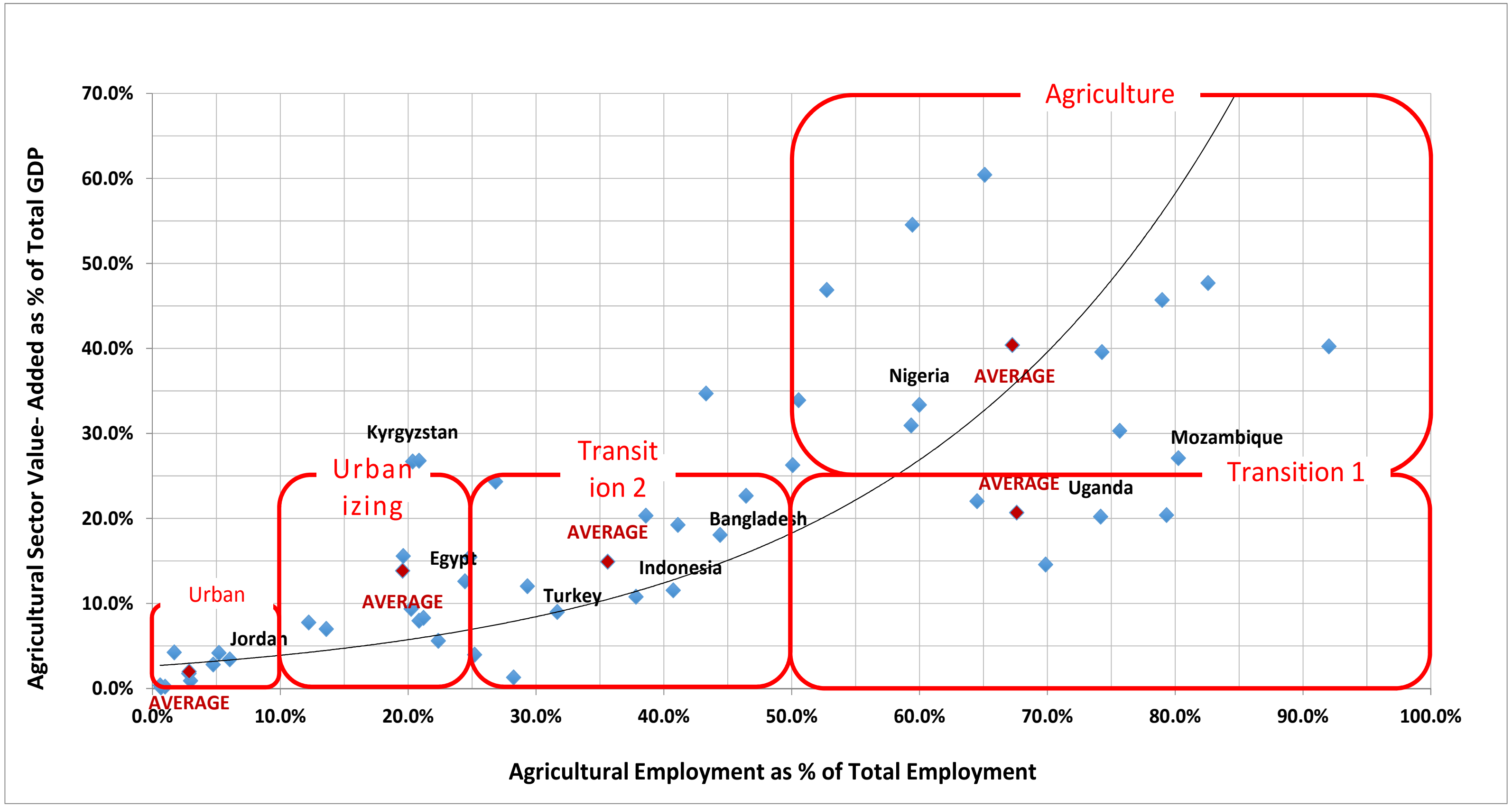
Selection of Case Studies
The Agricultural Transformation Matrix



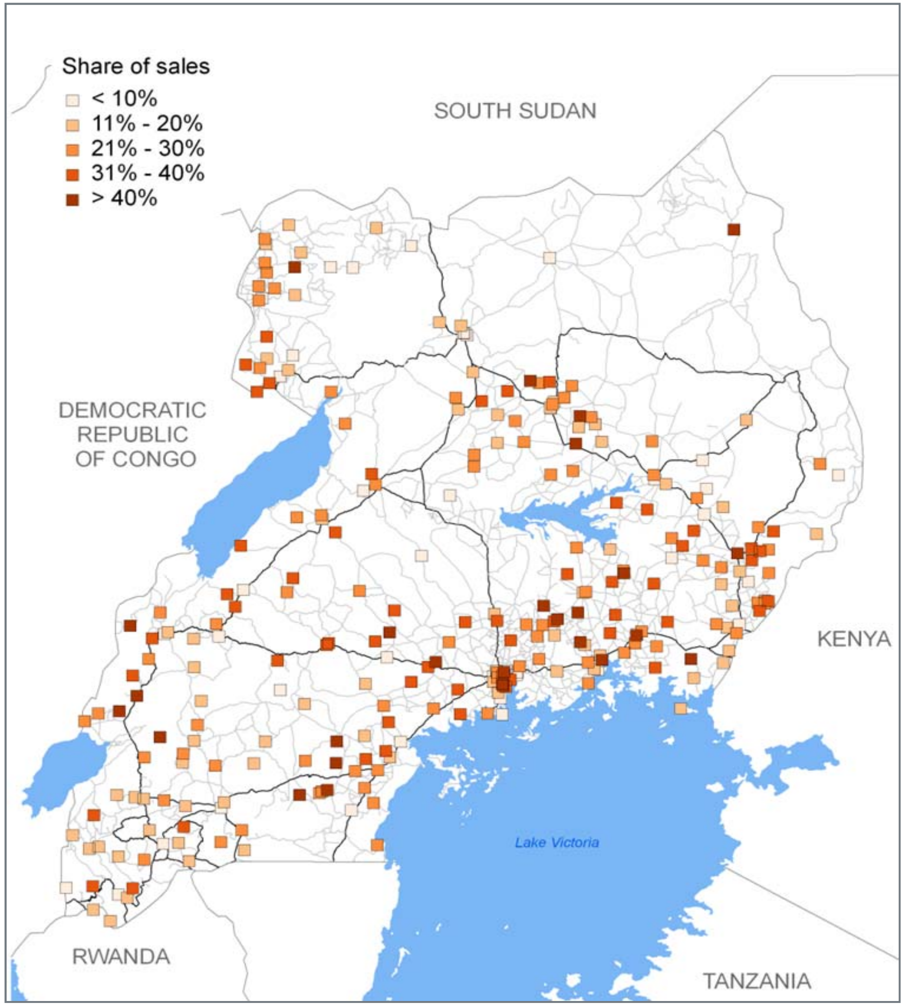
Agriculture-based

Agriculture-based Countries
(Mozambique, Nigeria, Uganda)

Staple crops (cassava, maize, rice, plantains)

- Subsistence production, often with relatively small share marketed
  - *Households in MZ only market about 11% of cassava and 16-18% of maize*
- Loose/uncoordinated supply chains
- Inadequate technology and infrastructure are sizeable constraints
  - *Significant post-harvest losses eroding profitability for smallholders*
- Emerging commercial opportunities arising from increased demand for processed convenience foods and feeds
  - *e.g. cassava processing in Nigeria and Mozambique*
  - *Processors desire more organized and reliable supply chains, mixed success with contract farming and outgrower schemes*

Agriculture-based countries:
Uganda



Source: LSMS-ISA Uganda 2010/11 National Panel Survey

- Most households market less than 40 percent of output
- Households far from major roads and urban centers are much less likely to market a large portion of what they produce

Agriculture-based Countries

(Mozambique, Nigeria, Uganda)

Export crops (cocoa, cashews, coffee and tea)

- Greater importance of having more coordinated supply chains

- Good R&D infrastructure and access to finance important for addressing productivity and post-harvest issues
  - *E.g. need for good quality planting material*
  - *Need new varieties (such as drought resistant coffee) to respond to change climate*

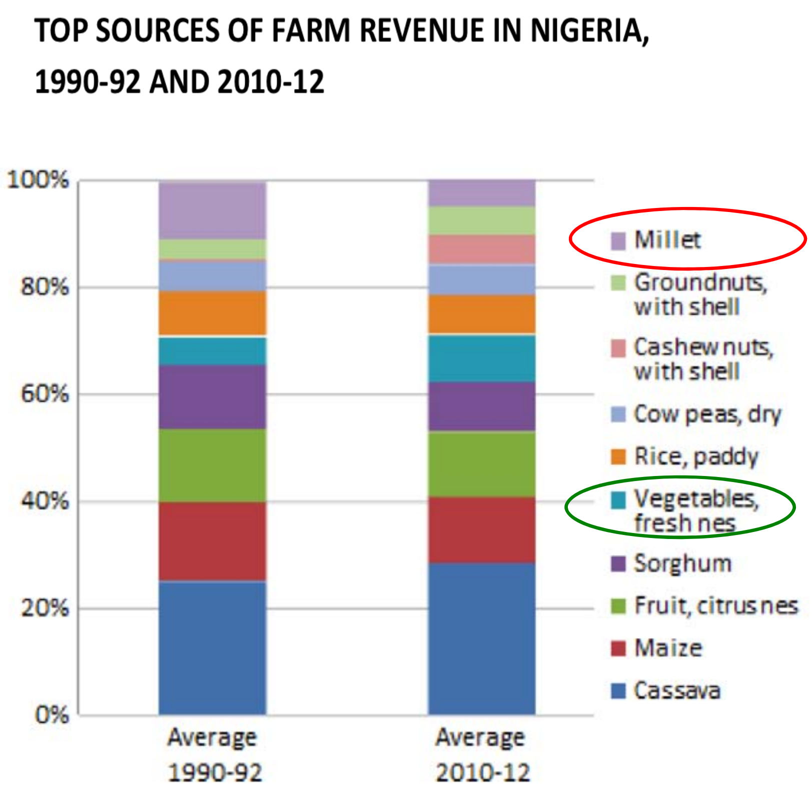
- Consumers increasing concerned about how these commodities are produced demanding certain social, labor and environmental standards are complied with, in addition to food safety

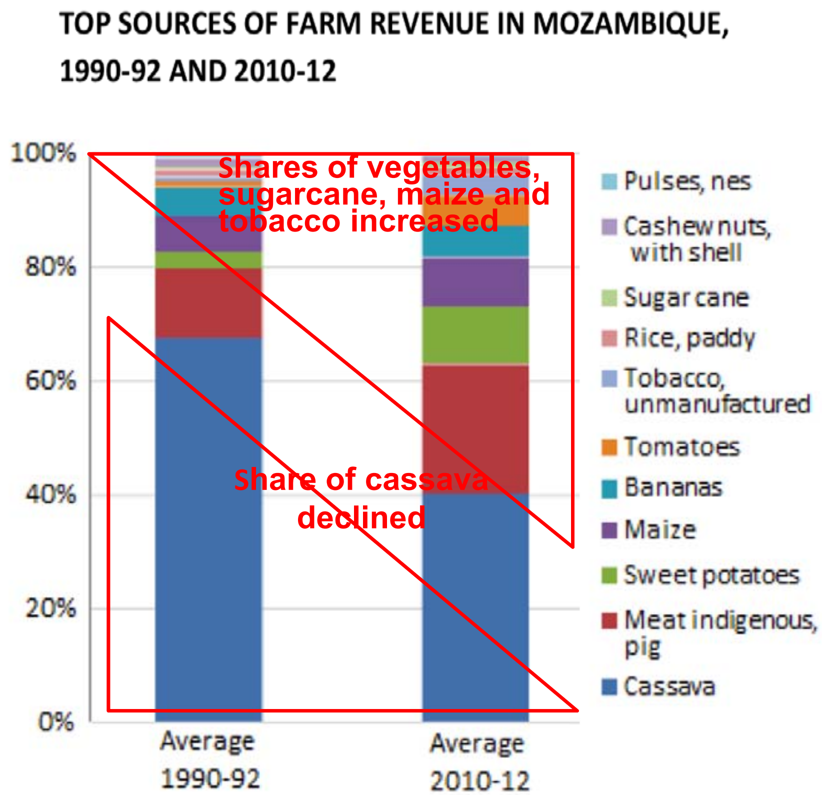
- Important role for effective producer organizations - to build skills of farmers, provide extension services, help coordinate marketing and ensure traceability etc

Agriculture-based Countries

(Mozambique, Nigeria, Uganda)

With urbanization, consumption and production patterns are changing generating new opportunities





Source: FAOSTAT

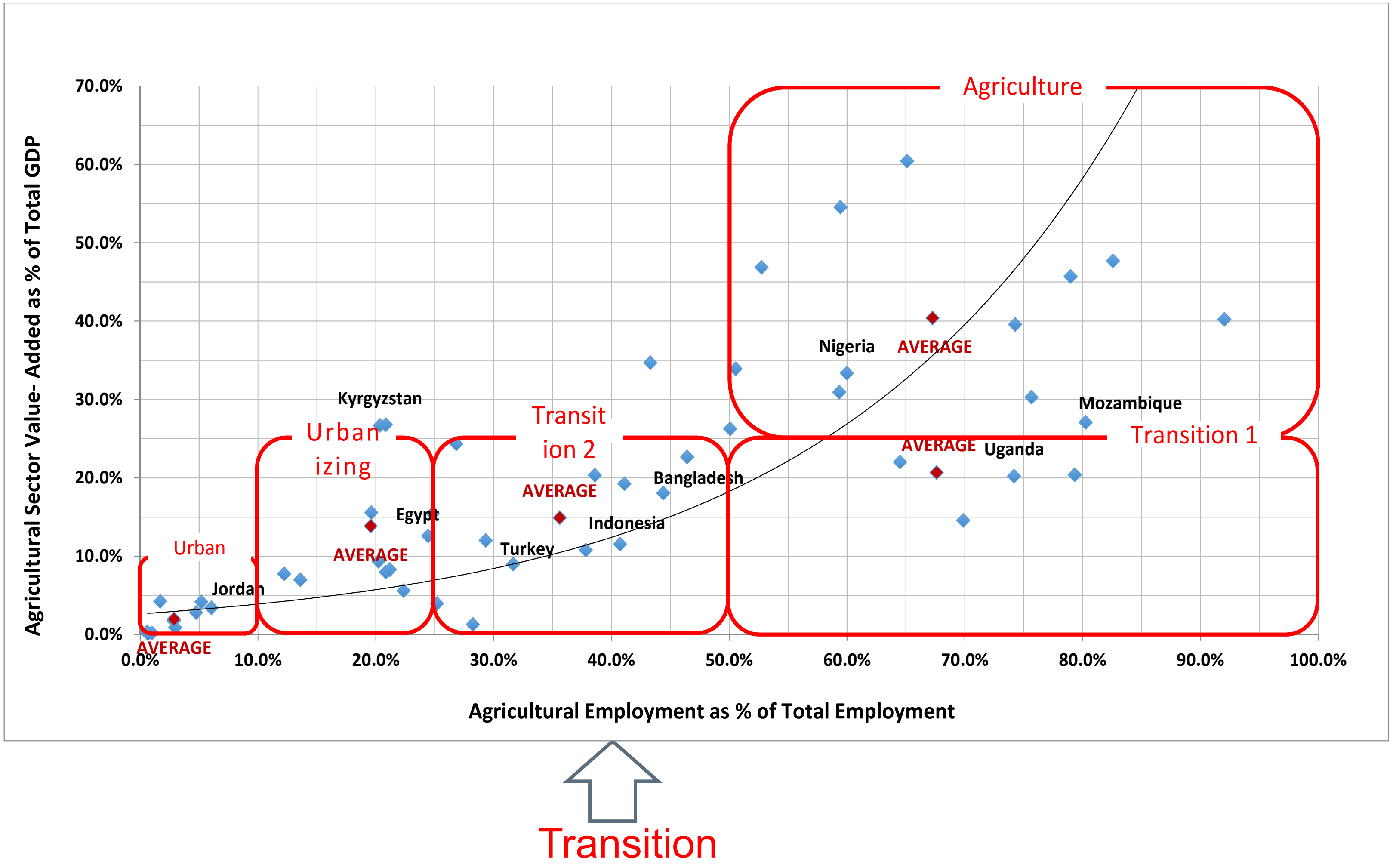
More Coordinated Value Chains Emerging in Response to Changing Demand Patterns

Uganda:

Nyabyumba farmer group in Kabale District entered into agreement with a fast-food restaurant chain (*Nandos*) located 450 km away in Kampala to supply potatoes

- Linkages facilitated by local NGOs and the International Center for Tropical Agriculture
- Group provides 50 hundred kg bags of potatoes to fast-food chain every two weeks
- No formal contract but the price is fixed in advance
- Farmers received advice and training from various national agencies and organizations

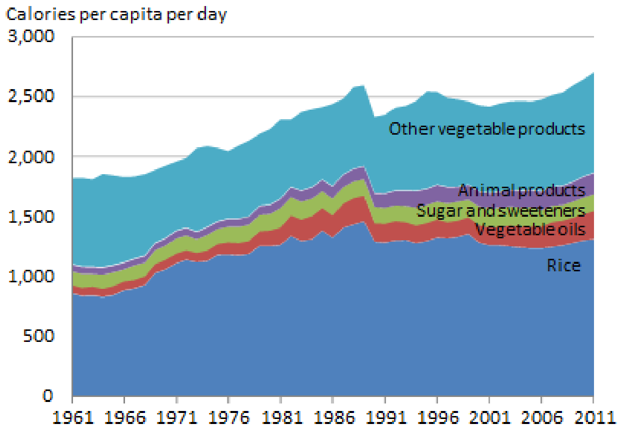
Transition Countries
(Bangladesh, Indonesia and Turkey)



Transition Countries – Rapid Change in Demand and Market Size

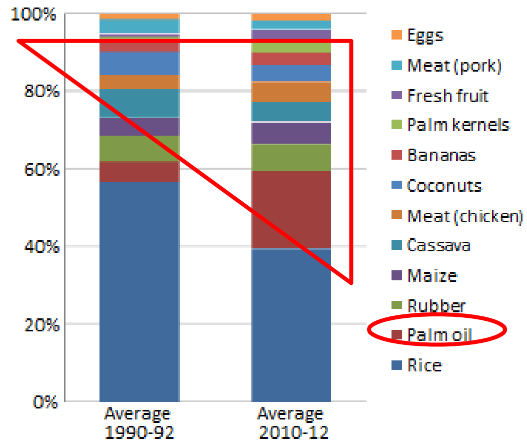
Indonesia

DAILY PER CAPITA CONSUMPTION OF CALORIES IN INDONESIA, 1961–2011



Source: FAOSTAT

TOP SOURCES OF FARM REVENUE IN INDONESIA, 1990–92 AND 2010–12



Source: FAOSTAT

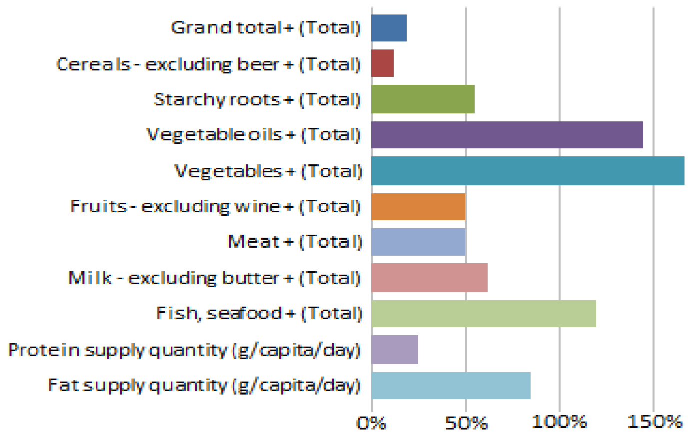
- Rice continues to dominate the Indonesian diet, but diets have diversified in the more recent years

- Rice remained the dominant source of farm revenue, but share of other agricultural products (especially ***palm oil***) has increased

Growing Urban Demand for High-value Products

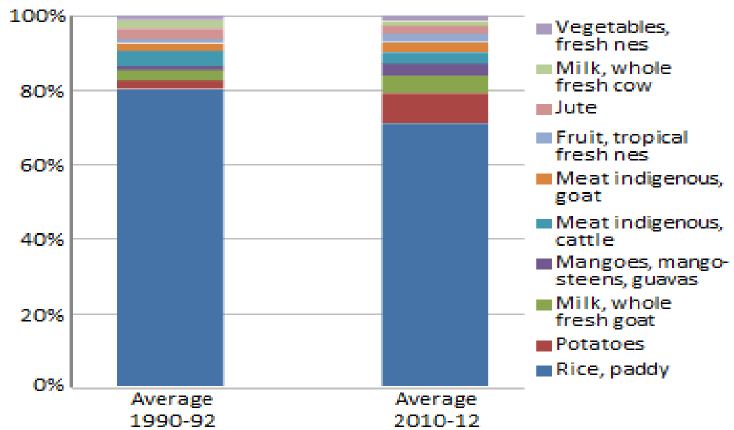
Bangladesh

CHANGE IN PER CAPITA CALORIE CONSUMPTION BETWEEN 1980 AND 2009



Source: FAOSTAT (FAO 2014).

TOP SOURCES OF FARM REVENUE IN BANGLADESH, 1990–92 AND 2010–12



Source: FAOSTAT (FAO 2014).

- Rice continues to dominate the Bangladeshi diet, but share of high-value agricultural products is increasing providing opportunities for stallholders

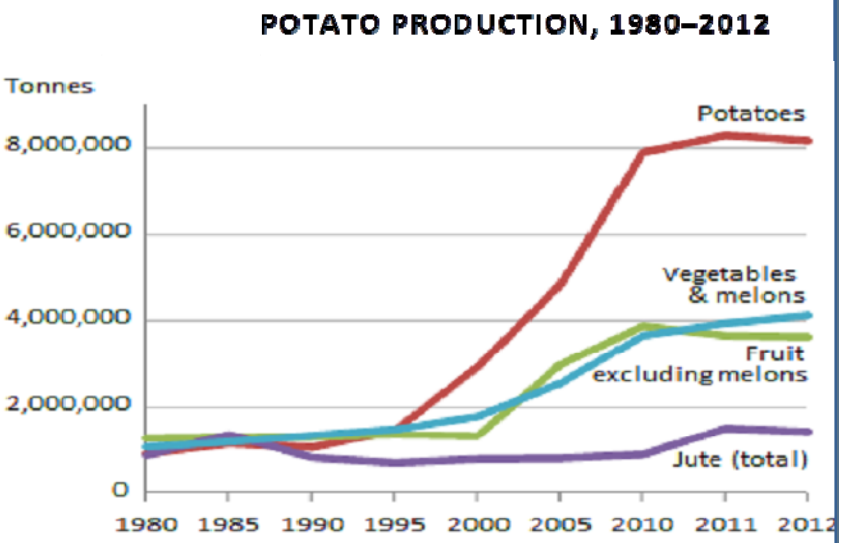
- Rice remained the dominant source of farm revenue

- Share of other (non-grain) agricultural products (including potatoes, milk, and fruit) is on the rise

Bangladesh: Transformation of Potato Value Chains

Transformation driven by:

- Better roads and electricity
- Rapid spread of mobile phones
- Domestic investments and actions midstream in the supply chain (among traders and cold storage facilities)
- Growth in cold storage facilities leading to fewer intermediaries and farmers realizing higher margins
- Agriculture R&D helped with raising yields and capturing traits (better storage quality) that increases marketability

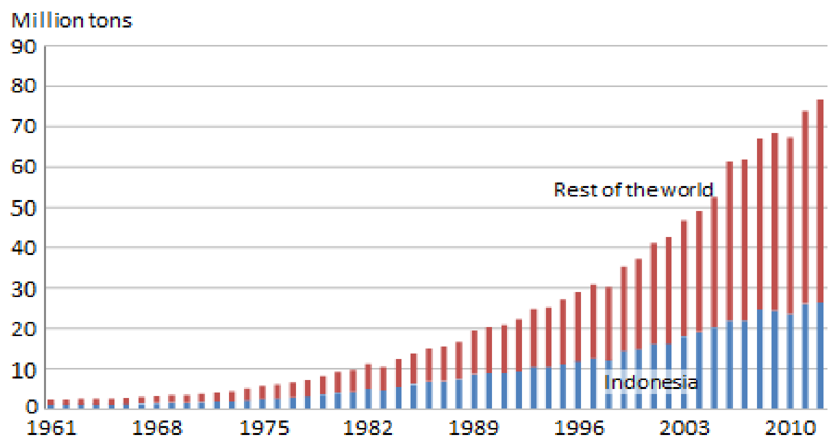


Source: FAOSTAT

Indonesia: Linking Smallholder Farmers to Export Markets

Palm Oil

PALM OIL PRODUCTION IN INDONESIA AND THE REST OF THE WORLD, 1961–2012



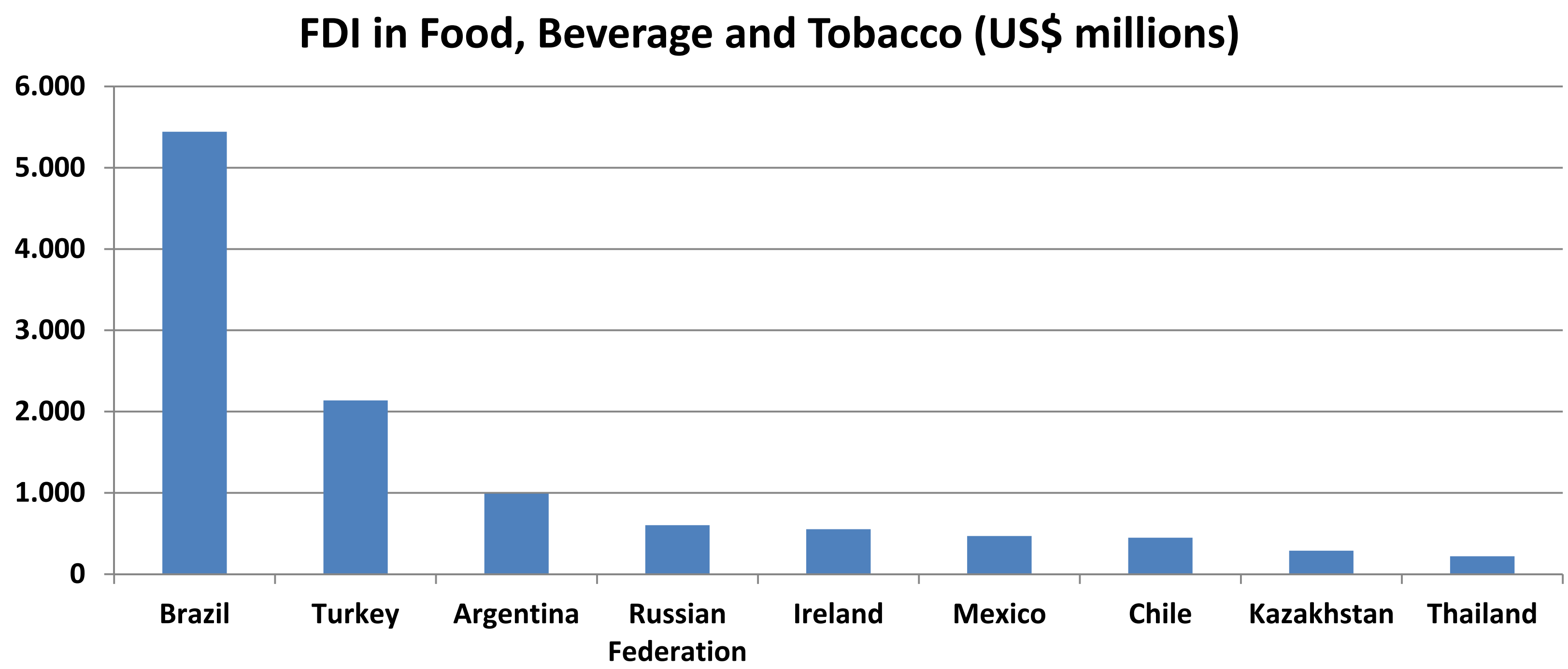
Source: FAOSTAT

- Indonesia accounts for almost one-third of global production
- Smallholders account for most oil palm production, some oil palm is still grown on estates

- Short post-harvest life of the fruit bunches, requires coordination and uniform quality
- Production organized near a processing plant or as “nucleus estates” surrounding plantation-managed land
- Processors have interest in supplying inputs and technical advice to farmers to ensure better productivity and quality
- For farmers, contract farming ensures better access to credit, technical information and better prices

Turkey: The Catalytic Role of Foreign Direct Investment

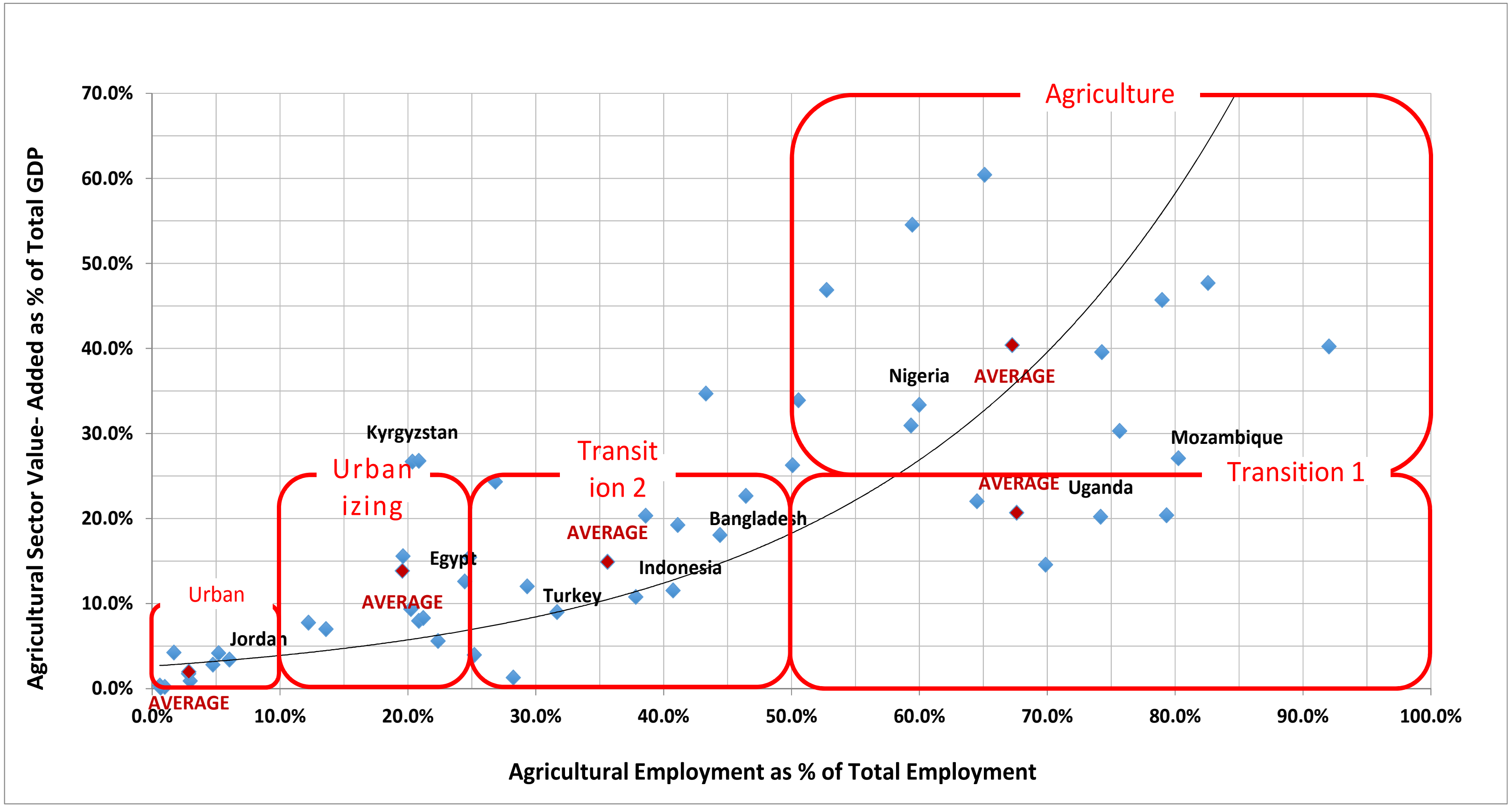
Overseas partners can bring expertise, capital and established marketing channels



Source: ITC 2014

Note: Data reported for the 2010-2012 years

Urbanizing and Urban Countries

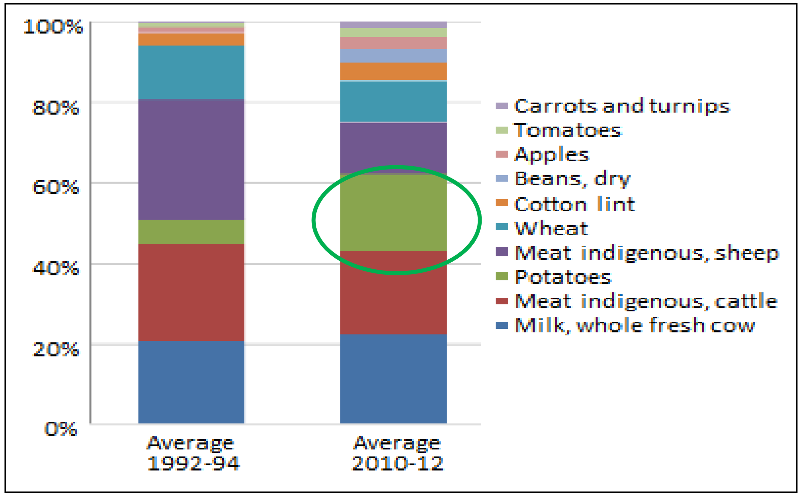


Urbanizing

Kyrgyz Republic: The Importance of Good Logistics and Supporting Regulations

- Potatoes are exported to Kazakhstan, Uzbekistan, Tajikistan and Russia
- Smallholders account for 99% of production
- Transport issues are a major challenge for exports
- Customs inspection regulations in the Kyrgyz Republic, Kazakhstan and Tajikistan require the entire truck to be unloaded
- Traders resort to informal payments to circumvent these regulations and reduce delays
- Farmers, believing that traders keep farm-gate prices low to increase their profit margins, are reluctant to enter into longer-term contractual agreements with traders
- Traders are then unable to sign contracts with larger potato importers

TOP SOURCES OF FARM REVENUE IN KYRGYZ REPUBLIC, 1990–92 AND 2010–12



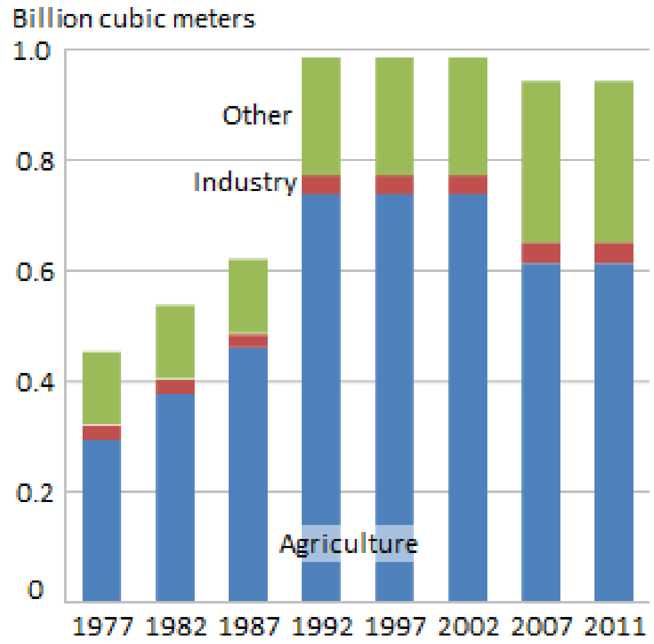
Source: FAOSTAT (FAO 2014).

- The livestock sector remains important, with milk and meat being the major commodities
- Production of potatoes, beans, horticultural products (carrots, tomatoes, and apples) increased

Jordan: Promoting Sustainability

- In 1996 Jordan adopted a new policy to limit the government's role and rely more on markets
- Jordan abolished its Agricultural Marketing Organization, lifted import restrictions, and in 2000 ratified all WTO agreements
- Policy changes and rising incomes led to significant restructuring of the ag sector
- After reforms, wheat production shrank
- Production centered on smaller set of higher-value products, mostly horticultural goods
- Jordan was able to stabilize its freshwater use at lower levels by encouraging farmers to switch crops

FRESHWATER WITHDRAWALS IN JORDAN, 1997–2011



Source: World Development Indicators

Cross Cutting Lessons for OIC Member Countries

- ***Creating the right enabling environment is critical for improving access to markets***

  - Policy reforms and public investments in infrastructure, education, and social safety nets allowed for a smooth transition to a downsized, yet more efficient, agricultural sector in Jordan and contributed to increased incomes among farmers

  - Policies intended to prop up traditional crops or to anticipate emerging winners will likely fail

  - Need to build on comparative advantage and support farmers and investors along the value chain, providing a framework that promotes adaptation and success for the sector as a whole

- ***Investments in transport and energy infrastructure are fundamental for improving access to markets***

Cross Cutting Lessons for OIC Member Countries

- ***Telecommunications*** help modernize marketing and widen participation in value chains

- ***Mobile phones*** help convey timely, accurate market information such as prices, buyer contacts, distribution channels, specifications for grades and standards etc

- As part of its ***Growth Enhancement Scheme*** (GES) Nigeria has provided millions of small farmers access to inputs through electronic vouchers (e-wallet)
  - Developed a database that has included biometric information on about 10 million farmers (around 70% of farmers in Nigeria)
  - Within only 120 days of start-up, over 1.5 million farmers received vouchers for seed and fertilizer subsidies
  - Access to input subsidies increased from 11% to 70%
  - An important mechanism to also reach millions of farmers with new financial products

Cross Cutting Lessons for OIC Member Countries

- ***Improving access to finance is important for linking smallholder farmers to markets***
  - Innovations are needed to permit more flexible forms of agricultural lending while guaranteeing that borrowers repay

- ***Transaction costs can be reduced by facilitating aggregation through producer organizations, associations, or cooperatives***

- ***Special attention in needed to ensure inclusion of women***

Cross Cutting Lessons for OIC Member Countries

- ***Productive alliances*** are a promising approach
- ***Contract farming*** is an avenue for small-scale farmers to enter markets from which they are normally excluded
  - Smallholders who have access to assets and capital and regularly produce marketable surpluses are in the best position to benefit from contract farming
  - CF not suitable for asset poor/unorganized subsistence farmers
- ***Insufficient or uneven investment in rural health and education places smallholder farmers at a disadvantage in adjusting to rapidly evolving agri-food markets***
  - Technical skills and knowledge that farmers require to participate effectively in modern agri-food value chains will only increase
  - A healthy, educated rural population is in a better position to transition to work outside of agriculture.

Organizing farmers

Linking them with a market

Investing in production and marketing

Technical assistance

THANK YOU