

Market-Friendly Support to Resource Poor Farmers

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Why Resource Poor Farmers Need Support?

- Nearly one-half of the population in SSA is poor and approximately one-third suffers from hunger and malnutrition.
- Most of the poor people live in rural areas and depend on agriculture for livelihood.
- Agricultural productivity is low because the use of modern inputs (seed, fertilizer, CPP) is insufficient.

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Why Resource Poor Farmers Need Support?

- Market development is necessary but not sufficient to get poor people out of the poverty trap.
- Resource poor farmers do not have the purchasing power to participate in the marketplace.

Why the support should be market-friendly?

- Properly monitored and regulated markets promote efficient distribution of inputs.
- Distortions in the market lead to inefficiencies in input distribution and encourage rent-seeking behavior.
- Free distribution of inputs discourage the development of efficient markets and the participation of small retailers in the market.

How to make the support to RPFs market-friendly?

- Support to RPFs should not distort the market. That means it should not adversely affect the pricing or distribution system.
- Program to help RPFs should not work against the private sector or make playing field un-level.
- It should not create the dependency syndrome.

What mechanisms are available for MFS?

- Food Aid/Food for work
- Cash Aid/Cash for work
- Input aid/Inputs for work
- Vouchers

Pros

Food Aid

- Guaranteed food aid

Cash Aid

- Provides food or input purchasing demand

Input Aid

- Provides means to increase food production
- Less expensive than food aid

Cons

- No long term impact,
- more expensive than inputs

- No control over how is money spent
- No direct support of dealers

- Distorts markets
- Often excludes dealers
- Can create secondary markets

Pros and Cons

Voucher Program

- Provides PPS to increase production
- Restricts aid use to inputs
- Develops markets and dealers
- Dealers need access to credit
- Can create secondary markets
- Possibility of fraud

What's a Voucher?

A coupon entitling the recipient with purchasing power to buy specified inputs from input dealers

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Voucher #

INPUTS FOR ASSETS PROGRAM (IFA)

	Beneficiary ID #	Name	Location
Beneficiary	<input type="text"/>	<input type="text"/>	<input type="text"/>

	Issuing NGO	Date Issued	Location
NGO	<input type="text"/>	<input type="text"/>	<input type="text"/>

	Dealer ID	Name	Location
Input Dealer	<input type="text"/>	<input type="text"/>	<input type="text"/>

Dealer Signature: _____ Date:

Beneficiary Signature: _____ Date:

Received one bag of 50 kg urea		Received one bag of 10 kg maize seed	
Dealer initials	Benef. initials	Dealer initials	Benef. initials
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>



Malangizo:

Chonde M patseni mwini wachikalatachi thumba limodzi la 50 kg Urea komanso thumba limodzi la 10 kg chimanga cha makono Izi zichitike kuyambira pa November 1st 2003

Instructions:

Please provide the Bearer of this Voucher with a 50 kg bag Urea 46% N fertilizer and 10 kg bag of Hybrid Maize Seed.

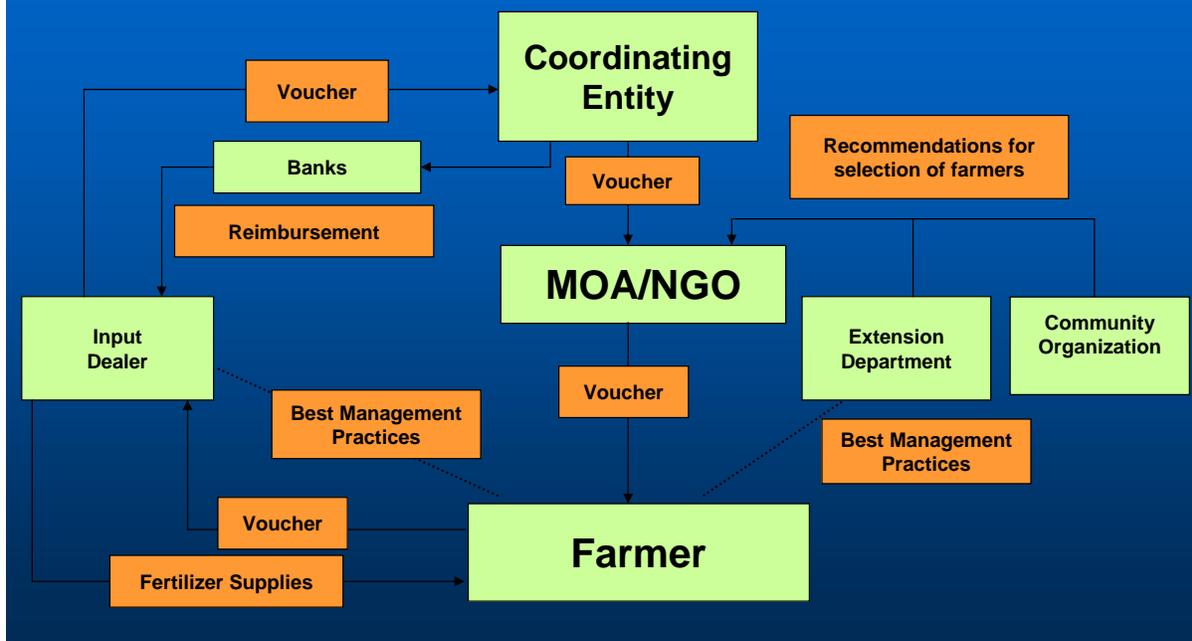
To be supplied on or after November 1st 2003.

Expiration date: 31/01/04

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Schematic Diagram of the Targeted Voucher System



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IFDC Experiences in implementing Voucher Programs

- Afghanistan: In-kind seasonal credit
- Malawi- SPLIFA
- Nigeria- SPFS/NPFS
- Rwanda- PPS
- Mozambique- PPS

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A Case Study in Market Friendly Support

The SPLIFA Project
(Sustainable Productive Livelihood
Inputs for Assets Project)
Malawi

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SPLIFA Objectives

- Improve the food security of 100,000 smallholder households
- Improve access to markets and services through the improvement of rural feeder roads
- Explore new methods of income transfers and targeting beneficiaries
- Develop the private sector inputs market network

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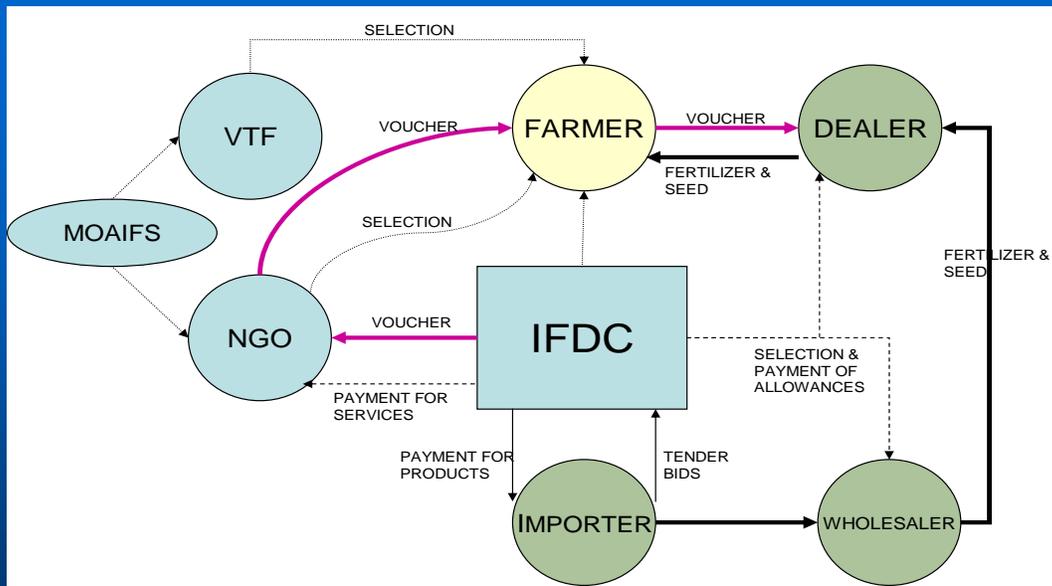


SPLIFA Participants- Existing Conditions

- Average 1.6 acres maize planted per household
- Fertilizer rates averaged only 24 kg/ha and 13 kg/ha for Male and Female Heads of Households
- Prior maize yields very low – 302 kg/ha and 225 kg/ha, MHH and FHH

SPLIFA Components

- Voucher worth 10 kg maize seed and 50 kg urea
- One month of volunteer work on feeder roads
- Value of voucher equivalent to higher than average daily wage for public works programs
- Dealers received 5% margin on products handled



Flowchart of the Voucher Scheme for Fertilizer and Seed

Vouchers worth 50 kg urea and 10 kg improved maize seed

SPLIFA Work for Vouchers

- First year for 30,000 households in 8 districts, 2003-04
- First Selection by NGOs, Village Task Forces, and Ministry officials based on most food insecure
- Final selection rested with Village Headman
- Second year 70,000 households in 9 districts, 2004-05

SPLIFA Farm Level Impact of Food Insecure Farmers

- Year 1 – Yields increased by 64% (MHH) and 50% (FHH)
- Year 2 – Drought year yields down 14% compared to year 1
- Hungry period decreased from 4 months to 1 month for beneficiaries

SPLIFA Monitoring of Food Insecure Farmers

- Monitoring every quarter for 2 years of both beneficiaries (800 households) and 70 dealers
- Targeting system deemed to be fair
- Only 4.3% reported fraud
- 100% of women and 91% of men found inputs readily available
- Distance to supplies 1-16 km
- Room for improved timeliness
- Technical information could have been better

SPLIFA Monitoring Impact on Women

- 45% of households headed by women
- FHHs consistently worse off than MHHs
- Impact of work programs more severe on women since they had no say in work hours or norms
- Although women mainly said they could cope, wanted either cash or food in addition to inputs
- Half of beneficiary households had access to food aid (prior to the program) compared to 11.3% for non-beneficiaries

SPLIFA Monitoring of Input Dealers

- 71 dealers trained in voucher system
- An almost zero percent fraud on all vouchers
- 100% accuracy in input distribution to dealers
- 68 participating dealers received commission and 70% reinvested in the business
- Beneficiary verification needs to be staggered as farmers all arrived on the same day creating huge work load and preventing technical assistance messages from being given

Voucher Scheme Exit Strategy

- Improve access to inputs and farm production
- Improve dealer business skills, technical skills, income and linkages to farmers
- Introduce collective marketing of surplus production or crop diversification
- Progressively reduce value of vouchers to zero or
- Change to crop production credit and revolving funds

Lessons from SPLIFA

- Vouchers provide a flexible intervention to reduce risk in developing markets for the most food insecure
- Vouchers provide a means of targeting recipients
- Vouchers provide “market friendly support”
- There are two groups of beneficiaries
 - Food insecure farmers
 - Agri-input dealer networks

Conclusion: The Way Forward

- Resource poor farmers will need medium-term support to get out of the poverty trap.
- Support should not be a “free lunch”; farmers should pay either in kind or labor.
- Support should not be “free for all”; it should be targeted to the poor farmers.

Conclusion: The Way Forward

- Support should be administered through a voucher program and should include an exit plan
- Empowering people to participate in the marketplace through vouchers will kill two birds with one stone—develop markets and alleviate poverty & food insecurity.



**THANK YOU VERY MUCH
FOR YOUR ATTENTION**

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