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.
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
IFDC Experiences in implementing Voucher Programs

- Afghanistan: In-kind seasonal credit
- Malawi- SPLIFA
- Nigeria- SPFS/NPFS
- Rwanda- PPS
- Mozambique- PPS
A Case Study in Market Friendly Support

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

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
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.

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