Review of Experiences on Market Oriented Agricultural Advisory Services (MOAAS)

Local Market Development Project, Kyrgyzstan

Country: Kyrgyzstan

Name of intervention: Local Market Development (LMD) Project

Time period under analysis: January 2005 – August 2006 (Inception phase and the first year of Phase 1)

Institutions/agencies involved:

- Donors: ICCO, A Dutch Interchurch Organisation for Development Cooperation and Helvetas, Swiss Association for International Cooperation
- Extension service providers: Training and Extension Services (TES) Centre, Rural Advisory Services (RAS), Advisory Training Centre (ATC) of RAS
- Local NGOs
- Private Service Providers
- Private rural smallholders united in informal farmer groups,
- Private processing and trading companies
- Helvetas as project implementing agency

Brief summary of intervention objectives (maximum 10 lines):

The Local Market Development Project aims at facilitating market access for producers in the fruit & vegetable and dairy sectors by improving the product value chains (producer-processor-trader-consumer). In 2006 the project works in whole Kyrgyzstan with 9 value chains. The purposes of project interventions can be read as follows: 1) to enhance the commercial skills and knowledge of rural farmers' groups in order to strengthen their market orientation thus contributing to generating income; 2) to strengthen the product value chain in two sectors so that producers gain access to local (and external) markets; 3) to facilitate a multi-stakeholder approach in Kyrgyzstan to advance socio-economic development in rural areas. The gained experience is permanently shared with stakeholders for their institutional development and building up trustful relationship between all involved parties. Phase budget (2006-2008): 677'000 Euro.

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Date: August 28, 2006

Question 1: What are the settings and arrangements for MOAAS?

1.1 a) What does your agency hope to achieve by contributing to MOAAS and b) how does this relate to your agency's overall goals?

a) Enabling farmers to increase income through access to markets and building trustful and long-term relationship with down-stream actors of value chain;

b) Specific sub-objective of the Helvetas Program Strategy 2006 – 2010: Working area **Sustainable Management of Natural Resources** … *the strengthening of farmers' organisations … the promotion of small enterprises in the primary sector and the establishment of regional and international market chains.*

1.2 What is the context of the MOAAS intervention?

Set in the mountains of Central Asia, the Kyrgyz Republic was one of the lower income republics of the former Soviet Union although it had a relatively diversified economy and well-educated labour force. Kyrgyzstan became independent in 1991. The country has a population of 5.1 million people; more than 65 percent of them live in rural areas. Despite a remarkable 15 percentage point reduction in the poverty headcount since 1999, about 41 percent of the population is still below the poverty line.

With a total land area of about 198,000 km^2, Kyrgyzstan is a small country where arable land accounts for about 7 percent of the total area. The Kyrgyz Republic has made major strides in the past decade in its transition to a market based and globally integrated economy. The last five years have seen significant improvement in the country's overall macroeconomic performance, with real GDP growth averaging at about 4 percent per annum. Despite this progress, the Kyrgyz economic recovery remains fragile, hinging critically on agriculture, gold mining and, to a lesser extent, the services sector. Agriculture is the most important sector of the economy; it accounts for 34 % of GDP and 53 % of the employment[1].

Agricultural sectors in transitional economies, more than other sectors, have experienced slower and more difficult paths of adjustment towards market equilibrium due in part to the nature of agricultural production and the large number of farmers and entrepreneurs. Many farmers in Kyrgyzstan have been involved in subsistence agriculture, and it takes several years for farmers to understand the market realities of output price volatility and uncertainty. This usually is a learning-by-doing process, which involves disappointing experiences by farmers experimenting with crop substitutions based on the expectation that current prices will prevail at the time the crops are harvested and the outputs sold. Overproduction and low prices and losses for one crop in a year have been often followed by high prices for that crop in the following year. The domestic market is small and incomes are low but the market is made even smaller by several factors:

1. A large portion of the rural population is isolated from the market because distribution channels, which were disrupted after the collapse of the Soviet Union, have not been fully re-established;
2. High transport costs (because of high fuel costs, old vehicles, poor roads, and bribes for road police) and the lack of working capital worsen the situation.

Moreover, events affecting the world market, such as wheat production performance in Russia and Kazakhstan, the price of cotton in the international market, and agricultural subsidies in

1 2001 SAM, World Bank 2004.

Uzbekistan, are always influencing the decisions of farmers in Kyrgyzstan and often forcing them to shift from the production of one crop to another.

1.3 What are the particular constraints for farmers to connect to markets?

Kyrgyz farmers face an array of constraints, including access to markets, a lack of financial resources and production know-how. Only a few development projects in Kyrgyzstan focus activities at marketing of agricultural and processed products. The core problem that local producers face in Kyrgyzstan is a **lack of access to potential markets** where they could sell their products. There are several reasons for this. One of them is **lack of trust and unstable relationships** between producers and potential buyers. This was indicated as one of the main problems at several planning workshops conducted by the project between local producers, processors and traders. At the same time, processors and traders would like to have long-term contracts with producers and they are ready to negotiate a purchasing price in spite of market price fluctuation from year to year. Another problem is a **lack of reliable information** about markets and financial resources. Producers as well as processors and traders do not have information about market prices for different crops, export and customs procedures.

Another problem that constrains access to potential markets is the **small production volume** of individual local producers. After land privatisation in 1994, rural households got small plots that are on average 1.6 ha (in the South of Kyrgyzstan even less, around 1.0 ha). Due farmers' own needs in food and feed they are able to produce only small quantities of a particular cash crop. Use of diverse seeds and varieties makes it very difficult to unite production to meet buyers' requirements. There are several reasons for this. One of them is **weak development of cooperatives** and cooperation between farmers, which leads to spontaneous production and heterogeneity of crops. Farmers do not trust each other (consequences of Soviet time) and still do not want cooperation with each other. **Lack of quality seeds and fertilizers, lack of mechanization and simple tools** for production also have a negative effect on production volumes. Fertilizer nutrient use fell from 130 kg/ha in 1990 to 10 kg/ha in 1995 and remains below 30 kg/ha in recent years. The region's farmers use, on average, less than 50% of the amount of crop protection products used by agricultural producers in Western nations. The Kyrgyz seed industry remains mired in pre-transition patterns that are poorly adapted to the new farming structure. In the meantime, inputs from the black market account for 60% of cottonseed, 80% of fertilizer (which may change now that the VAT on fertilizer has been removed) and 90% of crop protection products[2].

In case of small land resources, farmers for increasing their income, have to grow high profitable crops such as vegetables, which are labour intensive as well. The project recognised that most of farmers in the South of Kyrgyzstan do not know how to grow them, because they historically were involved in production of cotton and tobacco (technical crops which have lower profitability, require bigger field size and mechanisation). This shows a **lack of knowledge** among farmers of how to produce certain crops that the market demands. Furthermore, many farmers do not have enough knowledge about harvesting technologies and appropriate storage conditions.

There is also the problem of obtaining financial resources (loans) from credit institutions due to a lack of collateral and proper information. Some financial institutions have quite "soft" requirements regarding collateral but producers do not know anything about them. For processors it is the same. Most of them use their own resources to finance agricultural activities. Less than 20% of processors borrowed funds from physical persons and less than 15% re-

2 IFDC Kyrgyz Agro-Input Enterprise Development Project - 2004

ceived credit from a financial institution[3]. The situation with regard to crediting trading activities is even worse: There prevail higher interest rates and lack of collateral in trading companies (all their money is in goods and credit institutes do not accept goods as collateral). Traditional lenders are still too conservative and cautious, oftentimes requiring several multiples of the credited amounts as collateral. Interest rates are falling, but are still high. The necessity to pay bribes to credit officers also remains an issue. Removing financial constraints would have a huge impact on the agricultural sector and is a high priority in Kyrgyzstan.

At the same time, Kyrgyz producers and processors have good potential for development. Privatised land gives producer families hope for further development. These families are supported by a pool of donor projects and local organisations that are working to assist them at production and policy levels. Importantly, processors and traders have an interest in long-term cooperation with farmers and are ready even to make investments in farmer businesses.

In this situation the work along value chains makes the discussion among involved parties more concrete and the needs more clearly defined, especially for such a small market, as is the case in Kyrgyzstan. If one link in the value chain does not work, then the whole system stops. Therefore, it is important to look at the entire system from the market side. This should be obvious, but gets all too often forgotten. Services provided by donor funded projects and local NGOs should not be looked upon as a category in itself, but they should be closely linked to the needs of actors along the value chain.

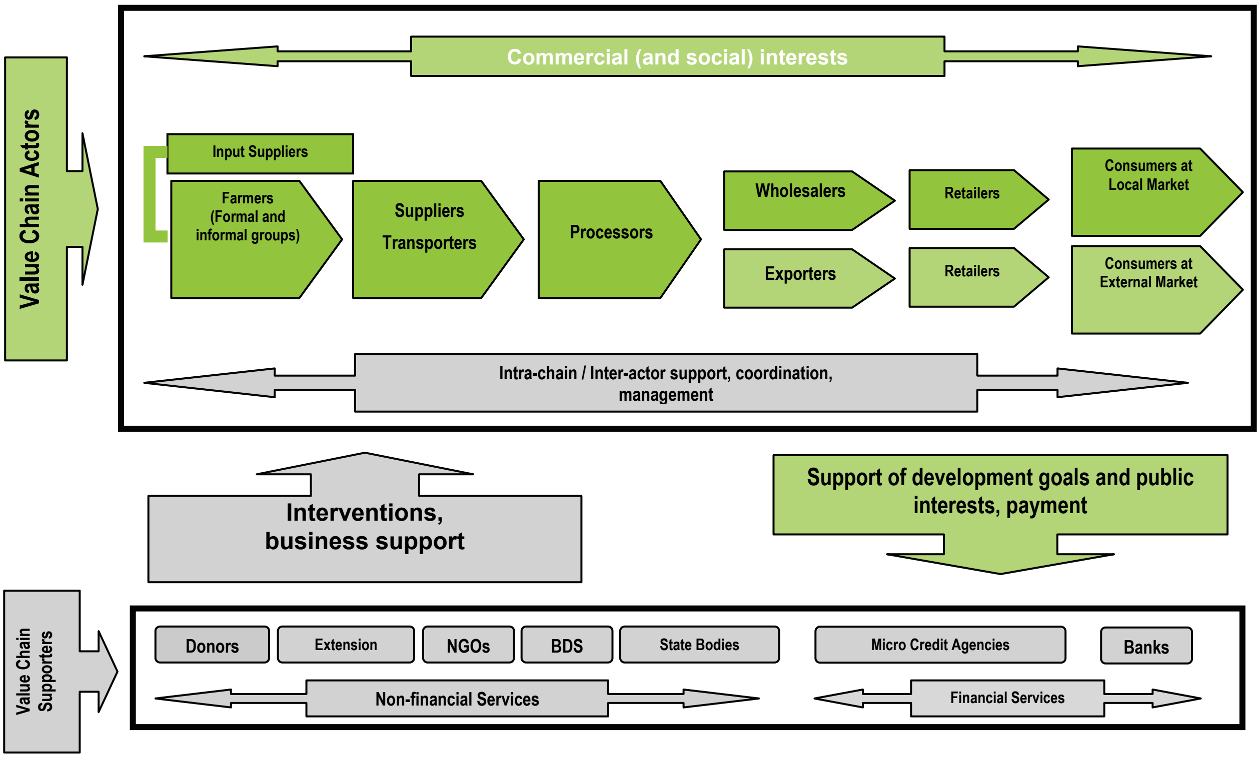
1.4 Who provides the MOAAS services, how do they operate, what services are provided?

The unique feature of the LMD project is that it intervenes through a variety of service providers along the entire value chain. Up-stream, mainly production related the project mandates extension service providers (RAS, TES Centre) to work with NGO supported farmer groups. Down-stream the project engages mainly private business development services (BDS) to support processing and trading companies. With a working group approach the project unites all stakeholders of a value chain to develop jointly supported solutions to problems arsing in the value chain.

Up-streams, the LMD project on the one hand builds on many community based groups, like self help or agricultural groups, which have gone through some stages of empowerment regarding political awareness, community based action, agricultural and saving and credit activities. Many members in these groups focus on agriculture and animal husbandry as a main source of income and are interested and ready to link to markets. On the other hand the LMD project builds on the social capital established in these groups and in addition other groups can participate when they comply with the conditions set by an economically oriented value chain. These two dimensions of a maximum focus on poverty reduction and therefore on marginal and disadvantaged groups in society, like resource poor farmers, ethnic minorities and women, and economically feasible value chain are present in the approach and program. These dimensions also indicate the challenge faced because it is seeking for a cutting edge between economic feasibility, which is crucial to any healthy product chain, and inclusion of those who often lack access to an enabling environment and/or direct means to participate fairly in such economic initiatives. One of the key elements to meet this challenge is to work with a range of actors including NGOs, with primarily a social mandate, to business actors like processing companies and BDS companies. A feature of value chain development is also demand driven production and support to actors at the down-stream part of the chain through

[3] Swiss Development Cooperation, Helvetas; Development Strategy for Fruit and Vegetable Processing Industry in Kyrgyz Republic, 2004

for example marketing promotion and stimulating systems to make market info available (Graph 1).



Graph 1: Relationship of Stakeholders in the Value Chain

Another element is a strong **facilitation** or **market broker** role between actors in the chain. Trust is often a constraint and the facilitation role assists in bringing actors together throughout the season and the provision of concrete expertise in developing relations between actors. This also relates to value chain supporters like local development NGOs, advisory services and micro finance institutions. The development of new services, which are suitable for the value chain actors, primarily producer and producer groups, and of value chain supporters like specific micro finance products, is part of this support role in promoting of an enabling environment. Last but not least there is increased attention for SME support from an employer of rural poor point of view and to promote social enterprise development.

1.5 How does the MOAAS support service providers?

Despite the fact that the market for services in the agricultural production and processing is very small, the experience of the project shows that working with private service providers without subsidizing them is possible and brings concrete results. The project tries to create an enabling environment, assesses needs among all stakeholders and supports service providers in developing demanded services. A thorough assessment of markets at all levels, both for products and services and a smooth adaptation of interventions to market needs is central for this approach.

Though at first glance traditional support by direct subsidies seems to be the easier way for service providers, most of them appreciate the no-subsidies-approach, because they understand that they are working for the future and that this way they become more competitive in the market. What the project actually does is to coach them on the job and to improve their ability to grasp market opportunities.

1.6 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

- The relatively limited budget forces the project to focus on few processing sectors (in the case of LMD vegetable processing and dairy industry). Only this approach allows guaranteeing efficiency because each sector has different markets, cash flow and risks for producers and processors.
- The work should be done along value chain “Farmer – Processor – Trader – Local Market”. In this case all actors and supporters of the value chain can define own expectations. If the project worked only with a part of the chain it would be impossible to arrange the work of the actors and supporters properly and it would be difficult to know the final results.
- Yearly planning of activities and monthly meetings of value chain specific working groups with all stakeholders provides an opportunity to respond in time to arising problems and overcoming misunderstandings among involved parties.

Question 2: Who are the clients of MOAAS?

2.1 How many and what types of farmers use the services?

In 2006 the project linked 46 farmer and self-helping groups (or 554 farmers and 253 of them are women) growing vegetables to processing companies. This linkage means that almost all farmer groups except a few have contracts with 7 processing companies for delivery 1’486 t of tomatoes and 654 t of cucumbers, or farmers got a possibility to sell their products for amount around 4,7 million KGS (~118’000 USD).

Besides, the project linked 2 farmer groups (51 farmers, 38 of them are women) with a dairy factory for delivery milk. Both groups have contracts with the dairy factory as well. Total delivered volume of milk at the end of June was around 28 t or for amount around 155’000 KGS (3’830 USD).

The groups consist of different types of farmers. Most of them are close to subsistence farmers with and limited market-orientation. There are some farmers (not more than 12) who are totally market oriented and most of them from North of the country (Chu oblast) where the degree of business behaviour is higher than in the South. Farmers producing exclusively for subsistence are not involved in project activities and value chains, since the processing companies, which are in need for volume of raw material would refuse to work with them.

Most of farmers, except totally market-oriented, grow several crops on their plots and at least one (two) crop(s) such as wheat or/and potato are produced for household consumption. All farmers groups involved in the project are not obliged to conclude contracts with processing/ trading companies for the total produced volume. The contracted share varies from 20 to 100%. Only fully market-oriented farmers contract their entire production. For the remaining farmers the contracted volume for delivery amounts in average to around 4 t (or around 0.1 ha of land). Taking into consideration that average farmer plots in the South are around 0.4-0.6 ha it is possible to say that the most farmers use around 15-25 % of the land (production resource) for high profitable and labour intensive products such as vegetables.

The share of young farmers involved in value chains is rather small (no statistic data but it seems around 5 %) due to the following reasons. Firstly, a large share of the youth migrates from the rural areas either to urban areas or to Russia and Kazakhstan. Secondly, according to the Kyrgyz tradition usually the fathers (grandfathers) are still main decision makers in rural Kyrgyzstan.

The LMD project conducted a social-economic study of three supported value chains in August 2005. The average age of 28 respondent farmers is 46.8 years; the average age of the women being 45.8 years and men 47.9 years. The youngest respondent farmer is 31 years old, while the eldest is 62 years old, both of them being the group leaders. All the respondents are educated people: 40% of the respondent farmers have secondary education, 35% have specialized secondary education and 25% higher education. Among the respondent farmers there were two agronomists with higher education. This comparatively high level of education has to be seen in the context of the generally high literacy rate and enhanced education level in the post-soviet areas. The average size of the respondent family is 6 people.

2.2 Do the actual clients correspond with the types of farmers the service intends to work with?

The ultimate target group of the project are small agricultural producers in remote rural areas of Kyrgyzstan who dispose of the necessary means of production and the possibility to sell their production at competitive prices. The project is aware that a value-chain approach does not reach the poorest of the poor. As described above, the involved farmers either have a surplus production for the market or a certain degree of a market orientation. However, the chosen approach to work through local grassroot NGOs enables the project to reach out to the really disadvantaged (poor, remote, men and women, different ethnic groups) producers.

Other beneficiaries of the project activities are all actors involved in the selected value chains such as processors, traders, wholesalers etc. Furthermore, the project is strengthening the capacity of value chain supporters such as the Association of F&V Processing Enterprises; NGO's working in this field, TES and ATC RAS.

In the light of Fair Economic Development, the target group can be further divided into the survival poor[4], the entrepreneurial poor[5] and the employers of the poor[6]. It can be assumed that the second and third category of the rural poor will profit from the project activities first of all. However, by the choice of products the project tries to give chances to farmers with small plots of land and who live relatively far away from processing companies. Cucumbers and tomatoes are both labour intensive crops that bring a high income from a small surface of land and need no mechanisation. In the case of cucumbers the price of the product is high and transport costs are relatively low in comparison. This makes it possible to include farmers into the production cycle that are as far away as 70 km from the processing company.

[4] "survival poor are those poor whose first priority is to improve their insecure livelihood, both through subsistence and market oriented production"

[5] "entrepreneurial poor: those poor who have secured their basic livelihood and engage in market oriented production to further improve it"

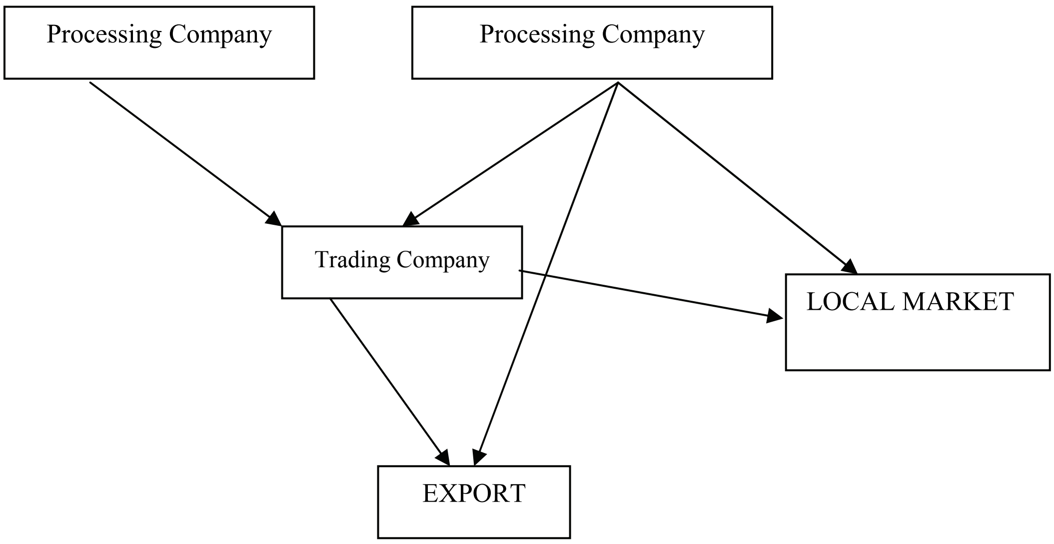
[6] this can be micro, small, medium and large enterprises

2.3 How are the clients involved in markets?

The project has been working from the beginning at the local market. But in autumn 2006 the project conducts a workshop with Kazakh trading companies for linking Kyrgyz processing companies with them. The project does some efforts on the export side because supported processing companies expressed their worries about their ability of selling their products at the local market in the season of 2006.

The biggest share of products for final consumers is pickles (pickle cucumbers, tomatoes and salads). On the second place are different juices and on third one are jams and stewed fruits. The biggest share of semi-processed products is taken by tomato paste.

Most of processing companies have relationships with local trading companies selling their products either at the local market or at the export market. But some processing companies sell part of their products themselves at the local market/ export and another part through trading companies (Graph 1). All processing companies have contracts with trading companies but quite often either side fails to fulfil the contracts.



Graph 1: Market Channels of Processing Companies

The project supports processing companies through the Association of Fruit and Vegetable Processing Enterprises in promotion of products especially under a newly developed common trade mark “Taste of the Sun”. The mark belongs to the Association and 7 members (out of 19) produce products under this common “Taste of the Sun” trademark.

2.4 What motivates farmers to use MOAAS?

Farmers involved in project activities get

- training,
- access to inputs such as certified seeds from local input suppliers, whom he/she did not know before
- access to small-scale credit schemes

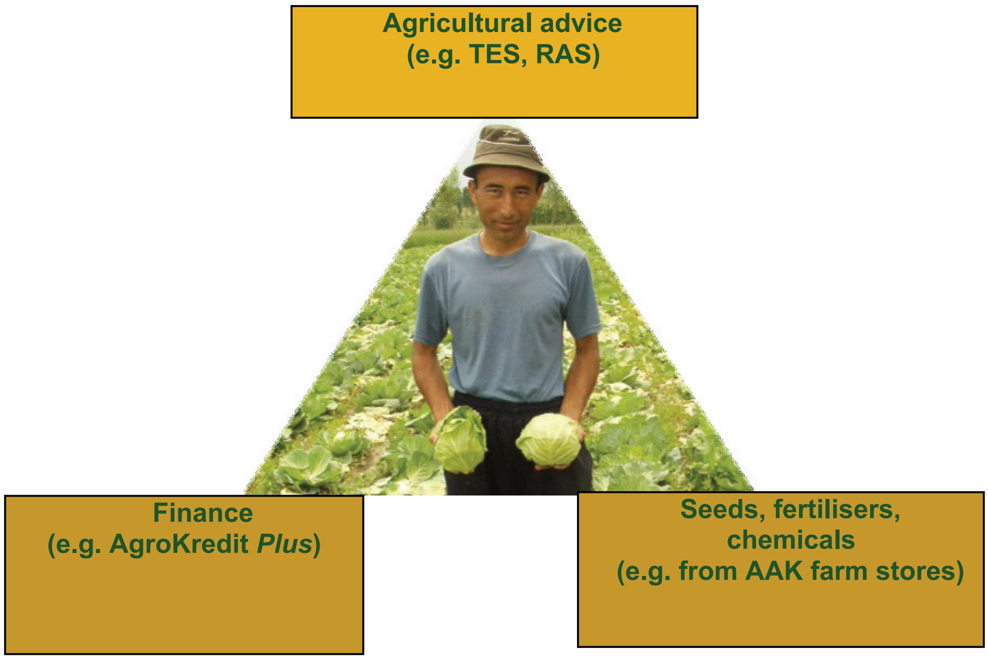
- certain guarantee to sell their products based in contracts with processing or trading companies.

All these benefits for farmers lead to higher income. Extensionists conduct training and provide consultancy to farmers on increasing production and decreasing costs. Besides, farmers united into groups are able to bargain better with processing companies and there are a few cases where the processors offered better prices for a group because they proposed quite big volume of raw material and regular delivery. In this case the processing company was able to reduce transportation costs and was ready to pay this amount to the farmer group.

Another example: The manager of the processing company Agroplast decided to pay money to a field consultant (trainer) of the farmer group Kok-Chapan, Mr. Askar Abdukerimov. This group will deliver to the company 100 t of tomatoes. The Agroplast will pay 100 som (~2.5 USD) for each training (total number is 18) and 75 soms for each trainee in the Farmer Field School (FFS, at the moment 12 people). Additionally for each ton of delivered tomatoes to the company above 30 t this consultant will get 30 som. Total possible payment to consultant may amount to 4'700 soms (~120 USD) and this is a reasonable revenue for the consultant.

2.5 Are there other clients to MOAAS services than farmers?

The project actually facilitates interactions between actors and supporters of value chains. These interactions give benefits for both sides. Up-streams, for instance, farmer groups conclude contracts with a processing company for a next year and know how much seeds and what variety they will need. Extensionists supporting these farmers groups apply to input supply companies asking to prepare the sale of the demanded quantity of certified seeds of a certain variety. The company orders the requested amount in advance and delivers seeds to farmers in time. The micro-finance agency pays for provided seeds, based on all technical cards elaborated by the farmer in close collaboration extension services.



Based on the principles described above, the project developed two approaches for the interaction between the producers and the triangle of extension, input supply and finance institutions. The two approaches have been implemented in Southern Kyrgyzstan in 2005. They are beneficial for all parties involved and are effective if actors mutually trust each other. In the first approach the advisory service selects the provider of inputs. This should be tender-based. The second system is voucher-based, and the farmer him/herself selects the provider. This approach is obligatory if the advisory service becomes involved in trading with selected inputs − a practice understandable in Kyrgyzstan, where farm stores are not yet able to supply in time what extensionists recommend (e.g. certain fertilisers or bio-insecticides). Both approaches work with a micro credit institution, which is farmer focused, ready to disburse small loans (100-200 USD per farmer), prepared to accept group collateral and willing to run a system, in which the farmer receives inputs instead of cash.

Approach 1:

1. The advisory service assesses the group and recommends it to the micro credit institution.
2. The lending organisation concludes individual loan agreements with the members of the group for input items based on the growing schedule, which was developed jointly by the advisory service and the farmer group.
3. The advisory service is the farmer's purchasing agent and selects the provider of the input included in the loan agreement.
4. The farm store delivers the input directly to the farmer group and receives signatures of receipt from each group member.
5. The farm store is now paid directly by the micro credit institution.
6. Farmers pay interest monthly and the principle after harvest. The group leader makes all payments straight to the office of the micro credit institution.

Approach 2:

1. The farmer group selects a provider and negotiates delivery terms. The provider has to be member of the farm stores apex organisation (Association of Agribusiness men in Kyrgyzstan − AAK). The group leader then sends this information to the micro credit institution.
2. A couple of days before delivery, the lending organisation transfers the money for the input in question to the AAK account.
3. AAK gives its o.k. to the respective farm store which then does the delivery to the farmer group.
4. The farmer group confirms delivery to the lending organisation. It passes the information on to AAK, which transfers the money into the farm store's bank account.

Farmers' feedback in 2005 and 2006 was very positive. Growers especially appreciate that they receive all inputs just in time. They say: "We did not waste time searching for chemicals in Uzbekistan", and they value the fact that they receive legally registered and controlled chemicals. Another point is that often farmers find it difficult to use cash credit for the purpose for which it was disbursed: to buy agricultural inputs. Repeatedly, loans are used to pay back other debts. When we spoke to farmers we heard frequently that they prefer to receive credit in kind.

Similarly to the up-streams arrangements the project facilitates contacts and contracts on the down-stream side. Business Development Service providers are mandated to support processing companies in their business. Such mandates include for example preparation of business plans, market research, linking processing companies with producers or sellers of equipment, development of labels and brands, linking processing companies with traders, promoting contacts between processors and traders with finance institutions, facilitating and supporting the newly founded Fruits and Vegetable Association as an umbrella organisation of the sub-sector.

2.6 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

- The project involves in its work providers of financial and non-financial services. The above-described collaboration is of mutual benefit, since risk is reduced (e.g. credit organisation has a certain insurance to get back money in time because farmer gets in time seeds and processing company pays in time as per contract).
- There is a general effect of "economy of scale" (e.g. farmers get certified seeds from input supply company at lower price because of bigger purchase volume; processing companies order jars and covers jointly).

Question 3: What approaches and methods are used for MOAAS?

3.1 What kind of services do MOAAS deliver?

The project works with two main organisations for the delivery of extension services to farmers, i.e. RAS and TES Centre. RAS is a nation-wide publicly funded extension service (with funds from IFAD, SDC and the Kyrgyz government). TES Centre concentrates on South Kyrgyzstan and evolved from a gtz-funded project. Both organisations compete for donor funds. In both organisations farmers have to pay a certain fee for the services rendered. The dependency on public funding is higher in the case of RAS.

Extension services involved in the project provide agricultural training and advice for farmers and organisational development of farmer groups. Organisational development includes some training on group formation and improving of facilitation skills of leaders of farmer groups.

The approaches applied by TES Centre and RAS slightly differ and are described below:

Model 1: The TES Model – training and coaching farmers

The TES Centre in Osh (Kyrgyzstan) is a Centre of Excellence with a limited number of qualified specialists in group development as well as livestock and crop production and a large number of freelance field advisors. According to the raw material needs of a specific processor and his readiness to conclude contracts satisfying the standards of the processor, the TES Centre starts organising village meetings in early winter. These meetings are as inclusive as they can be with announcements via the local government and other places. Farmers interested in contract farming are invited to a first group formation meeting. TES works with groups of farmers who learn together, commit themselves to follow the growing protocol, accept mutual liability for each other's loan repayment and deliver to the processor jointly. Farmers who are on the black list of a processor or a bank are excluded. During the group formation process the number of participating farmers usually sharply declines until a stable group starts to form.

From each group (consisting of 5 to 15 members) a leader is elected who receives a contract from TES to act as field advisor during the entire cropping season. He/she receives additional training at TES Centre every month or more often (technology and methodology) and is expected to carry out practical demonstrations at the group's learning field as well as to monitor the crop of each group member, to organise joint input purchases, work out the delivery schedule with the processor, and organise collection or delivery of the group's produce. The practical demonstrations are about operations which have been discussed at the Centre, for example (in the case of tomatoes): Seedling production, field establishment, scouting for pests, predator release, working out fertiliser and chemical amounts, anti-erosion measures in irrigation. The field advisor signs the responsibility for all farmers to apply the agreed fertilising and spraying program. TES agronomists assess all farmer fields three times during the growing season, and according to these results a gratuity payment to the field advisor is computed.

This approach is somewhat top-down and result-oriented. Its advantage is that it comprises not only training, but also the delivery of the produce to the processor. The approach assumes that the advisory service knows the answers (or can easily find the answers) and that farmers learn by being required to implement the growing protocol step by step. This model works well where the distance between the training centre and villages is short, because field advisors need quite substantial support from the centre to carry out all of the technological innovation included in the growing protocol.

Model 2: The Farmer Field School Model − farmers become their own trainers

In 2005 the Farmer Field School (FFS) approach was used for the first time to integrate farmers into fresh vegetable value chains with the processor in Kyrgyzstan. The FFS was established in proximity to the processor and with access to a learning field. Eight farmer groups, which have been established by non-governmental development organisations in recent years, are involved in this extension program. Each group selects two representatives who function as trainers for the others. Five master trainers work with these ten selected farmers. During the entire growing season all trainers and master trainers come together once a week for a two-day seminar. During this time participants mainly learn how to observe the crop in the learning field of the FFS recording crop development, abnormalities, pests, diseases and particularly predators. Observations are discussed and responses developed, implemented and jointly evaluated. In order to break up long group meetings, special attention is granted to make sessions enjoyable with the help of icebreakers and energisers.

During the other days of the week the master trainers visit the groups in their villages and assist in the meetings between trainers and group members. Where required, they give some input on topics requested by the group. Typically, the group meets once per week to work together on the group-learning field.

This approach is rather process-oriented and recognises that adults learn best from experimenting. It assumes that most answers can be found within the group, as farmers already have substantial knowledge from own experience. The approach also puts special emphasis on the ability of a crop to recover itself from pests and diseases by favouring natural predators and resistances in the fields. Whereas the FFS approach improves people's problem solving abilities, the group learning fields have generally not been in a better condition than usual farmer fields in terms of pest and disease pressure. In addition, time commitment is substantial in this approach, and some farmers cannot afford to be away from their farms and families for two days every week.

The LMD project observes certain limitations in the collaboration particularly with quasi-public extensionists. They are not able to establish proper linkages between farmers and markets because they do not know very well markets and market trends. Most extensionists have grown up in the centrally planned economy of the former Soviet Union. A pure market orientation requires an attitude change that is not easy to achieve and may even require a generation change. Both organisations invested into capacity building for their advisors. Methods trained include among others group formation, Rapid Market Appraisal, Participatory Technology Development and – in the case of RAS – Farmer Field Schools (FFS).

One example for the above described limitation: The TES Centre appointed in 2006 one extensionist to work with farmer groups producing fresh vegetables as an intermediary for delivery of products to shops and markets. This person did not manage this work and finally refused to act as the intermediary. Main reasons of his failure: 1) He was not a businessman and his behaviour was still as agronomist; 2) He did not know market and relationships between actors; 3) He has some duties in his organisation, which he has to fulfil and some of his business activities were not done in time and the business does not forgive delays.

Other linkages of farmers to financial institutes and input supply companies were described in 2.5.

3.2 How do the MOAAS providers and the clients relate to each other?

The project started to intensify cooperation with service providers in parallel with working on the market assessment. The main vehicle for fostering collaboration among various stakeholders are value chain specific working groups, in which all parties meet in regular (monthly) intervals. These groups are involved as much as possible in the project planning, implementation and evaluation processes.

The project took the role of a facilitator and delegated as much initiative and responsibility as possible to its local partners. This approach helped to make the project lean and cost effective, since the resources of the local partners were used efficiently. It also ensured that the project activities were in line with the needs and objectives of local partners.

The group members (who did not known each other before the formation of the working group), started to cooperate among themselves, which also led to unplanned activities, that went beyond the project's objectives.

The experience with this "participatory project implementation" approach is positive throughout. However, it needs a maximum of transparency from the project and a readiness to accept local companies as equal partners in the project's development scheme. This particularly applies to decisions on allocating the available project budget.

To create a common awareness of the problems the project started to organise planning workshops where all actors and supporters of value chain were invited. These include leaders of the farmers groups, managers of processing companies, representative of trading companies, service providers, extensionists, input supply companies and credit institutions interested in working in the frame of the project. The workshops were organised in a remote place so that participants had to leave their daily work behind and the duration was two to three days. At the beginning of the workshop, the participants jointly formulated the problems of the chain and prioritised them. Later, the participants were organised into working groups by interest and each working group elaborated a common action plan to overcome the prioritised difficulties. The project did not actively intervene in the process. Its task was limited to organising the workshop and moderating the discussions.

Finally, at the end of the workshops a common action plan for the chain was elaborated, then a permanent working group was elected which would monitor the implementation of the action plan and work out further activities.

The response to these workshops was positive throughout. Many stakeholders of organised value chains did not know each other before. The joint discussion of problems and the personal acquaintance during three days of intensive work created an atmosphere of trust between the participants, which served as a basis for common action and future activity.

3.4. How are innovations in MOAAS being upscaled?

The LMD approach is relevant for Kyrgyzstan and shows achievement of good results. A few supported organisations involved in project activities (as NGOs Shoola and Mehr-Shavkat and extension services as TES Centre) started to use this approach and project experience in their work. So, TES Centre uses this approach with other farmer groups involved in other donor-funded projects and even initiated an own project on delivery fresh milk produced by suburban farmers to Osh town.

The donor organisations of LMD, Helvetas and ICCO, consider an expansion of the LMD project with a similar approach to the neighbouring Tajikistan

The project invests considerable resources to make the chosen approach known nationally and internationally. On national level the project engages in policy and discussion forums. A monthly newsletter (latest edition is attached) informs an interested audience about the project's progress. In 2005 LMD published a brochure with the title "Value Chain Management and Poverty Alleviation in Rural Areas: Project Experience of Kyrgyzstan" (attached), which provides a comprehensive description of the tested approaches and lessons learnt. The project manager regularly participates in international experience sharing events, such as the annual BDS seminar in Turin that ILO organises.

3.5 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

Working with all actors: involve all actors along the value chain in providing the services needed to overcome obstacles, encourage contract fulfilment and make sure that all parties receive fair compensation for their efforts.

Setting up a supporting framework: facilitation of interactions among actors and supporters through provision of information, training, extension and management advice.

Coordination of the value chain: One of the supporting organisations should act as coordinator to tailor technical support and organise regular working group meetings. It is an illusion to think that value chain actors would initiate cooperation because the existing processing businesses in Kyrgyzstan are too small and have too few resources to develop a value chain; however, many are very interested in developing their own businesses. A supporting organisation can also better act as a referee between value chain actors.

Working with local service providers: technical and organizational support to farmer groups, processing and trading companies could be mandated to local service providers using public funds

Dialogue between actors and supporters on lessons learnt with the aim of disseminating and capitalizing their experience.

Question 4: What are the outcomes and impacts of MOAAS?

4.1 How is MOAAS helping farmers to deal with market constraints?

- Providing access to market information through SMS. Information about 37 agricultural products is available for all agricultural producers and processors. The information for different products updates one to three times a week. A description of the SMS market information system is attached.

- Providing capacity building for extensionists and service providers. The project has a part-time expatriate project advisor (paid by ICCO from a separate source), who focuses his work on capacity building of supporting organizations – a few NGOs, Association of Fruit and Vegetable Processing Enterprises and TES Centre.
- The project and TES Centre permanently analyse the potential profitability of different products and provide this information to farmers.
- Supporting farmers to deal with quality requirements requested by processing and trading companies as well with delivery of the agreed quantity and in time. Extension services involved in the project have these indicators in their mandates.
- NGO Mehr-Shavkat and TES Centre are linking some of their farmer groups to traders and processors.

4.2 What are the outcomes/impacts of MOAAS?

In its present set-up the project is still rather young and it is too early to talk about sustainable impacts.

A brief joint and internal review mission in September 2005 found that **impressive progress** has been made. We quote from this review, which is attached too: "Expected results were achieved or work is in progress. Basis for the success are **trustful relationships** originating from the previous work to build up NGOs (ICCO) and the work with value chains by Helvetas as well as the commitment of the LMD team. Thanks to the LMD interventions farmers produced and supplied more cucumbers to processing companies than anticipated; processors processed them and a substantial stock is now ready for being marketed. Exceptionally high tomato prices (due to unfortunate weather conditions and high disease incidence) prevented farmers largely to supply tomatoes to the processors as formerly agreed and the processors will not produce tomato paste this year because the world market price is below the production costs. In the case of the dairy VC the LMD Osh project's work just begun only."
All experience gained so far support the initial hypothesis of the project, namely those trustful relations between the stakeholders of a particular value chain lead to increased quantities of processed and marketed agricultural products. Thanks to contractual relationships even poor and remote producers can sell their products at a fair price and gain an increased and additional income. The farmers income rose too because they were able to increase their yields up to 40% above the region's average and because they shifted from tobacco and cotton production to the more profitable and intensive vegetable production.

Particularly the chosen extension approach "Farmer Field Schools" pays attention to environmental aspects and strictly promotes ecologically sound integrated production methods such as IPM (Integrated Pest Management).

4.3 Are there side-effects or unexpected outcomes of MOAAS?

The LMD project initiated the provision of a SMS based market information system. The private service provider recognised a great possibility for a business development and after reading in LMD's monthly bulletin that the project considers an expansion to Tajikistan he expressed his interest to start himself this service in Tajikistan. This is an example of a positive unexpected outcome.

Till date no negative unexpected outcomes are known.

4.4. Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

- Participatory planning along value chain is efficient.
- Cooperation with service providers and NGOs makes project efforts efficient. They know very well the farmers and are very strong partners in farmers' group's formation and development.
- Provision of reliable and operative market information reduces "speculation" in bargaining between producers and processors/ traders.

Question 5: What is the role of development cooperation and other key stakeholders?

5.1 What are the roles and functions of development agencies in MOAAS?

In Kyrgyzstan, the ICCO and Helvetas project Local Market Development plays a pure facilitation role and does not provide any services. The project initiates the provision of demanded services by local service providers. The project's facilitation role stands for keeping its interventions to a minimum and handing over as much responsibility as possible to local partners. Where vital functions are not assumed by any partner, the project takes over these functions, but withdraws as soon as private service providers or other stakeholders take over.

In Southern Kyrgyzstan the project organizes working groups for different value chains (pickled cucumber, tomato paste, milk processing) in which all actors (farmer group leaders, processor, traders) and supporting organizations (extension service, development NGO, consulting and marketing companies) come together. The groups have regular monthly meetings at the processing enterprise where all parties give details about past activities and discuss existing difficulties (e.g. lack of agricultural inputs or lack of covers for twist-off jars). Such meetings play an important role in building trustful relationship among partners.

The roles of supporting organisations:

- Support sector, sub-sector and value chain analysis as well as Research and Development efforts.
- Support small farmers in becoming eligible partners for private value chains; facilitate small farmers' linkages to markets; employ entrepreneurs and marketing experts where entrepreneurship and commercial knowledge is needed.
- Improve market access for local small-scale farmers and develop their capacities.
- Support small and medium enterprises to withstand increasing competition from imported products at local markets and/or access regional or international markets.
- Provide technical assistance to the businesses at the micro level (value chain actors), to institutions providing business-oriented services at the meso level (value chain supporters) and to government in changing framework conditions at the macro level.
- Facilitate Public-Private Partnership with the aim of using public money for public interest.

5.2 What are the roles and functions of the government (local and national) in MOAAS?

The Kyrgyz Government in principal supports the development of a market friendly business environment. Kyrgyzstan is still in a process of transition from a centrally planned command economy to a market economy. There are always (political) forces moving ahead and others pulling back. After the recent "tulip revolution" the new Government expressed intentions to revert formerly made steps towards a free economy back to central planning – for any entrepreneur in Kyrgyzstan an impossible mission.

The government runs several projects on improving rural infrastructure, electricity supply (seco), building roads (ADB) and expansion of the mobile phone network (EBRD), all investments that are essential for a further market orientation. The Government further took several soft-loans to invest into the agricultural sector, including the IFAD co-funded Rural Advisory Services.

The role of government should be in improving business environment and actually Kyrgyz Government works in this field. For instance, Kyrgyzstan is a member of WTO and the Customs Union of Russia, Byelorussia, Kazakhstan, Tajikistan and Uzbekistan. Transit of goods through Kazakhstan in last years was substantially improved.

5.3 What are the roles of other stakeholders?

The LMD project cooperates with other donor funded projects (USAID/AgFin+, SDC/ITC, ADB, USAID/IFDC) on different issues as delivery of certified seeds to farmer groups, farmer group formation, promotion of final processed products at local and external markets, organisational development and capacity building of partners.

5.4 What are the implications of these roles and functions?

Some donor-funded project continue to distort the market of business development services either by offering services to producers and processors of agricultural products themselves or by subsidizing the provision of services by local service providers.

5.5 Which insights and lessons can be learnt from the case, e.g., good practices, obstacles, pitfalls?

Due to a rather weak government there is a tendency that donors dominate the country's decision-making processes related to the future development of the Kyrgyz agricultural sector.

Question 7: Which insights and lessons can be learnt from the case?

7.1 What are the lessons learnt in terms of:

- The case of the LMD project has been chosen as an example where actors and supporters of particular a value chain collaborate for mutual benefits. The key-tool for value chain facilitation is value chain specific regular working group meetings. They foster mutual understanding, trust building, information and experience exchange.

- Besides the working groups the project does bilateral facilitation between key-actors of the value chains. Bilateral facilitation is particularly important for high potential leverage points on the downstream side of the selected value chains (contacts and trust building between processors and traders as well between traders and whole sellers).
- Transparency is a precondition for trustful relationships between the value chain actors and supporters. Towards this end the project complements the working group sessions and facilitation endeavours with the provision of specific documentation and information about providers of financial and non-financial services and market prices for different agricultural products.
- Precondition for the successful intervention of LMD is that the project has a clear understanding of the selected value chains and markets and has a good image among partners. Only such a strong reputation and trust among the partners allows the project to be involved in business discussions by actors of the value opens the opportunity to influence their decisions (argue with them) if it is necessary.

7.2 Describe good practices that you recommend for other MOAAS

It would be highly recommended for other MOAAS to have:

- Sub-sector focus, choose value chains within the same sub-sector in order to profit from synergies.
- Value chain approach: intervention along the whole chain but with focus on weakest point, most likely this is on the down-stream side of the value chains (processor – trader linkages and trader market linkages).
- Main role and approach of the project: facilitation; as far as possible through local service providers.
- Customised multi-stakeholder technical advice through local service providers, whereas “customised” means adapted to the need of the respective actors (producers, processors, traders) and “multi-stakeholder” refers to the potential involvement of several supporters (NGOs, extension services, business development services).
- Focus on fair relationships (pro poor, gender) as well as economical and ecological sustainability.
- Optimise outreach with available resources (influences on which market channel the project intervenes).