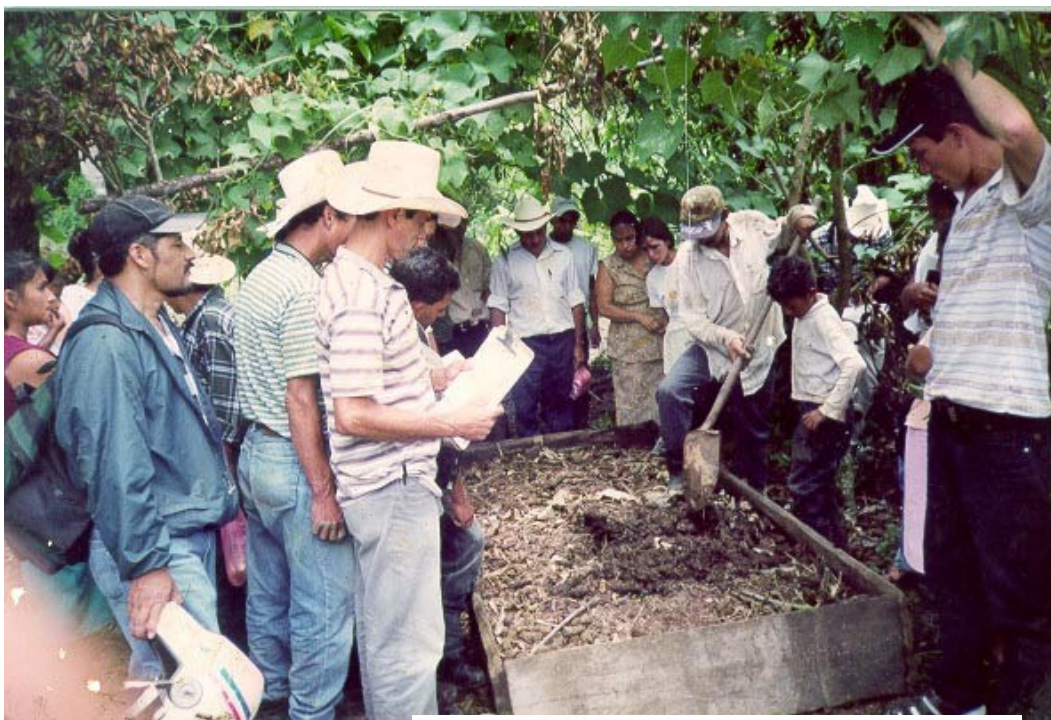
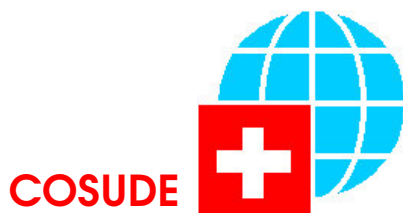


# Small-scale hillside farmers, Demand Driven Extension and Better Access to Markets

“Converting farmers from beneficiaries to clients”



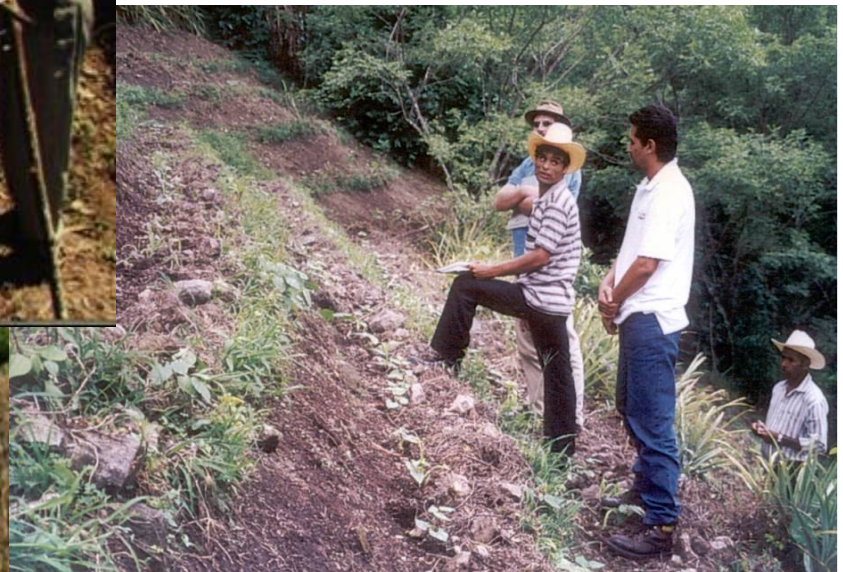
Presentation by  
Carlos Perez to the  
SDC Workshop on  
Rural BDS, January  
2004



inter  
cooperation

Manejo de Recursos Naturales  
Economía Rural  
Gobernabilidad Local y Sociedad Civil

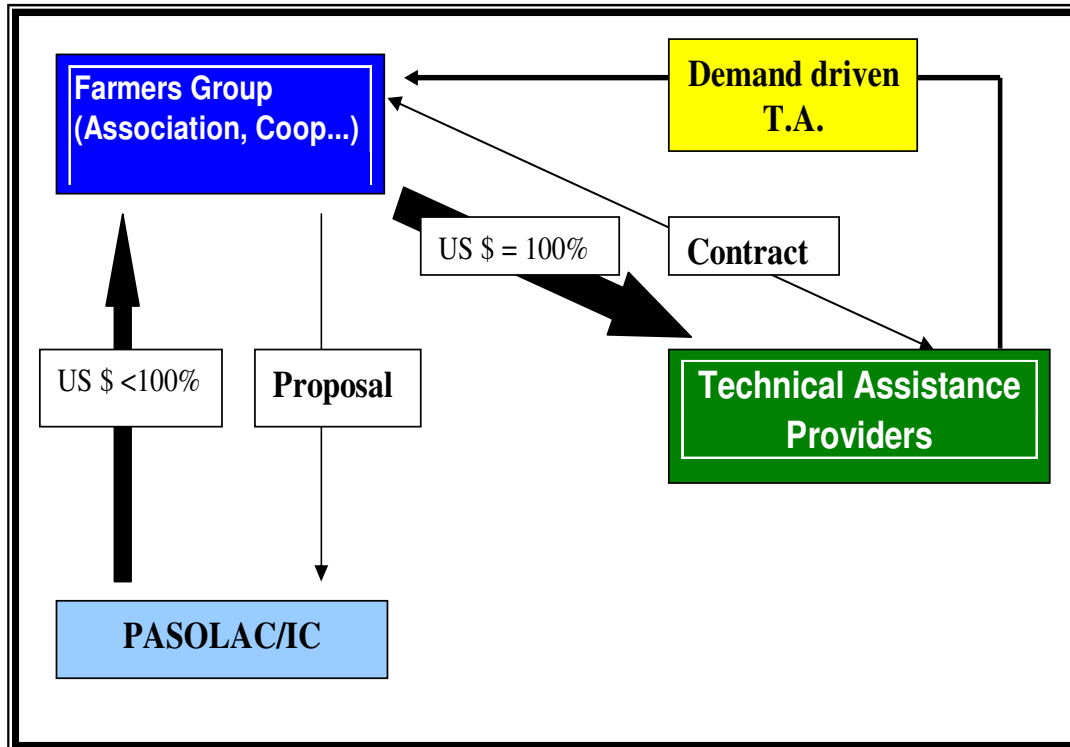
**Major objective: increase the adoption of sustainable soil and water management techniques in the hillsides of C.A.**



# Demand Driven Systems for Small-Scale Hillside Farmers

1. The Context in Central America
  - a. Evolution of Extension Systems
  - b. Use of material incentives by some donors
  - c. Need for market orientation
2. ¿Why is it important for small-scale farmers?
3. The role of PASOLAC in testing new hypothesis and approaches
  - a. Demand Driven Extension (DDE)
  - b. Better linkages to markets (MERCASEL)
4. Concepts, Experiences and Lessons Learned

# Demand Driven Extension (DDE)



## EXPECTATIONS:

- Increased Farmers' empowerment
- Cost sharing – reduced subsidies
- Services will improve
- Accountability
- Open subject matter
- Adoption of various types of technologies
- Increased managerial capacity

BeratInnen News 2/2003. After taking a new look – taking a new step: an Approach for demand driven extension. pp. 37-42

# Lessons Learned from Demand Driven Extension

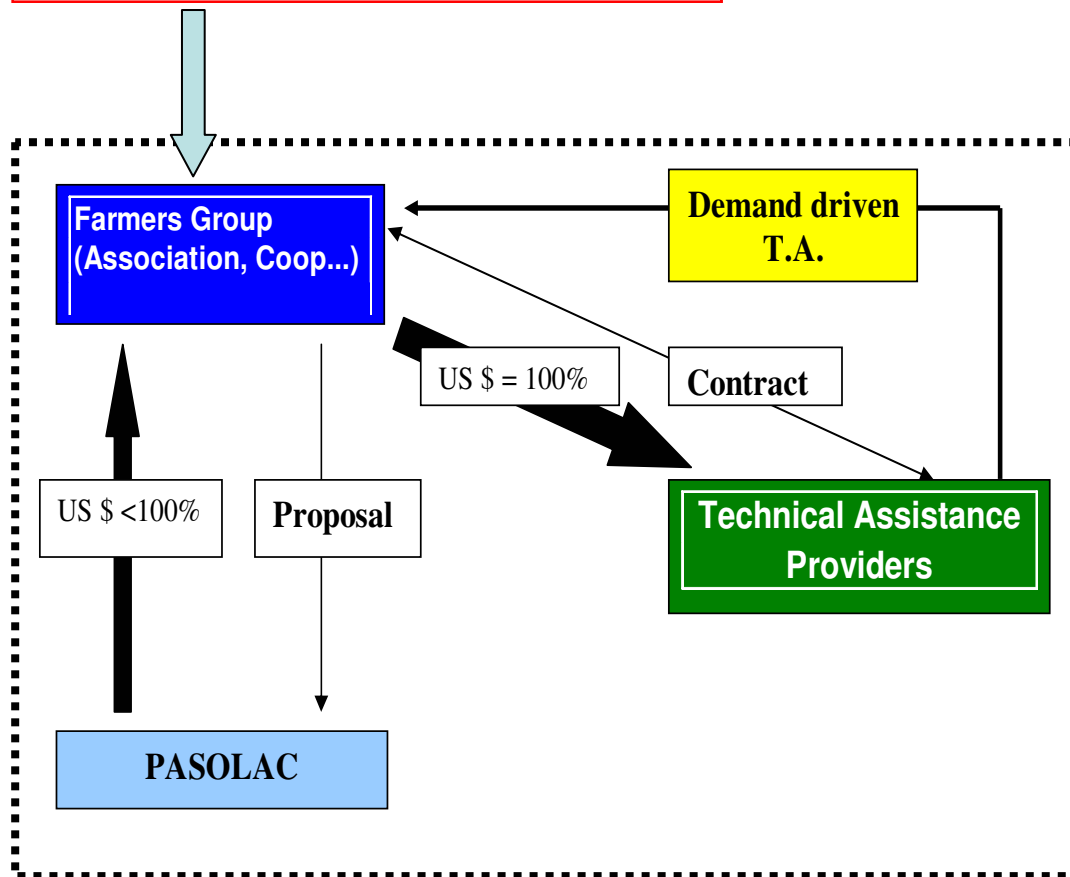
1. Strengthening of Farmer's organizations is needed to dinamize BDS supply and demand
2. This approach improves quality of extension and diversifies the supply of BDS providers
3. There is Increased Empowerment of small farmer's and their organizations: **farmers seek legalization to have increase chances with providers of financial and non-financial BDS**
4. Contribution to payment for services most be direct and clearly identified, **otherwise there is doubt about farmer's empowerment**

# Lessons Learned from DDE (cont....)

5. BDS providers may interfere with this approach, **specially when they help farmers to formulate their own proposal**
6. DDE goes well with market orientation: **farmers direct services toward key products**
7. **Farmer's demand for services may be distorted when linking credit and BDS supply; however, a specific line of credit for BDS may be the solution**
8. **Donors and NGOs using direct material incentives impair the development of this approach**

# Putting the market first: MERCASEL

Market Information from  
Product Chain Analysis



## EXPECTATIONS:

- Better linkages with markets
- Orientation to quality products
- Technology adoption driven by market demands
- Increased managerial capacity
- Better recognition of information networks
- Sustainability

# The Case of COAPROCL: a COOP of organic coffee producers in Copán, Honduras

From technology innovation to:

- Certification
- Quality coffee harvesting
- Processing and packaging
- Product development and registration
- Local market and Export to Europe



Processing

Marketing



- Increased income
- Employment
- Women participation



# Non-subsidized BDS at COAPROCL

<b>Financial Services</b>	<b>Provider</b>	<b>Type of Payment</b>
Credit for Equipment	Private Local Bank	Farmers must payback in full
Credit for coffee harvest (03-04)	The coffee importer from Europe	Deduction from payment upon product delivery
Other credit	NGO (Funds from development project)	Farmers must payback in full

# Non-subsidized BDS at COAPROCL

<b>Non-financial Services</b>	<b>Providers</b>	<b>Mode of Payment</b>
Coffee transportation	Private transporter	Deduction from check
Preparation of coffee for export	Private (a COOP: CACTRIL)	Deduction from check
Tech. Assistance for coffee production	IHCAFE: state organization	Deduction from check
Coffee certification	Private certifier	Direct payment after visit
Supply of raw coffee for women enterprise	COAPROCL members	Direct payment upon product sale
Accounting and bookkeeping	Private	Direct payment (Monthly Salary)

# Subsidized BDS upon coffee crisis

<b>Non-Financial services</b>	<b>Providers</b>	<b>Who pays?</b>
<b>Participatory coffee chain analysis</b>	NGO: OCDIH, and PASOLAC personnel	PASOLAC
Market study for roasted coffee	NGO	PASOLAC
Coffee roasting & quality control	NGO	PASOLAC
GUACAMAYA Trademark Registration	NGO	PASOLAC
Computer and Internet training	NGO	PASOLAC
Training in formulation and application of organic fertilizers	Private: ASOPAC	PASOLAC + COAPROCL
Course on basic accounting	NGO	PASOLAC
<b>Investment (3 yrs) US \$</b>	<b>US \$ 8,150.00</b>	<b>Total PASOLAC's investment US \$ 17,000.00</b>

# **RESULTS: Comparison of revenues from Conventional and Organic Coffee at COAPROCL**

Concept	Conventional (USD)	Organic (USD)	Differential (USD)
Production costs /qq <sup>1</sup>	46.60	59.04	12.44
Price /qq	60.30	105.00	44.70
Net Income /qq	13.70	45.96	32.26
Net Income (´02-´03 Harvest; sold 420 qq) <sup>2</sup>	5,754	19,303	13,550
Net Income (´03-´04 Harvest; sold 840 qq)	11,508	38,606	27,098
Roasted Coffee Sales (´02-´03): 1,840 kg at USD 1.26 net/kg			2,320 <sup>3</sup>

Source: COAPROCL, 2003

<sup>1</sup> One "qq" is equivalent to 100 pounds ( $\approx$  45.5 kg). Costs of organic coffee include certification

<sup>2</sup> 420 qq is the load of one container ready for export ( $\approx$  19.1 TM). Net income for Conventional coffee is hypothetical; it is used in this table only for comparison.

<sup>3</sup> The season 2002-2003 is the first season of roasted coffee sales by the women's microenterprise

# Some conclusions about BDS

1. PASOLAC's Expectations with demand driven approaches are being achieved
2. Small-scale farmers, like the COOP, pay for BDS of different types; however, empowerment is not evident
3. Some Non-subsidized services for which farmers pay are "non-facultative" (i.e.: IHCAFE) and recurrent; most are "hardware type" (i.e.: coffee transportation)
4. Subsidies or investment: most subsidized BDS are "software type" and not recurrent; farmers need strengthening to look for this type of service and not just the "hardware type"
5. Poverty reduction is of public interest, therefore public investment is needed in vulnerable rural areas; DDE experiences and COAPROCL offer guidance for public investment in rural areas

# Summary of limitations to DDE

- 1. Limited capacity for identification of BDS needed in farmer's organization; farmers need facilitators but beware...**
- 2. Presence of free services in the zone**
- 3. Use of other Approaches like use of material incentives by development projects**
- 4. BDS supply is limited in rural areas**
- 5. State organizations may play the role of facilitators but ...**