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PATHWAYS OUT OF POVERTY CASE STUDY

OVERCOMING RISK AVERSENESS IN HOMESTEAD FARMING¹

INTRODUCTION

The Rural Enterprise Development (RED)² project is currently being undertaken in Charfasson upazilla of Bhola District in the southern coastal belt of Bangladesh.³ RED is one of three components of the Market Infrastructure Development Project in the Charland Regions (MIDPCR). MIDPCR began in February 2006 with funding from the Local Government and Engineering Division, Government of Bangladesh (LGED), the International Fund for Agriculture Development (IFAD), and the Government of the Netherlands. The project aims to reduce poverty and improve the wellbeing of over 87,000 primary producers, traders (both women and men), landless and women heads of households in the southern coastal chars of Bangladesh. The RED component is implemented by International Development Enterprises (iDE) and works to engage local people, particularly women, into productive market activities.

Bhola has a severe poverty incidence, with 50.4 percent of the population falling below the poverty line.⁴ The area is characterized by the prevalence of traditional agricultural practices and patriarchal social and familial structures. In poor families, men typically perform mostly off-farm labor, such as working in brick kilns, pulling rickshaws and driving vans; and women undertake activities at the homestead level such as gardening, poultry rearing and domestic duties. The purdha system⁵ remains predominant and there is considerably less female participation in economic activity in Bhola than in other areas of Bangladesh. Average family income is around \$481 per year.⁶ iDE identified commercial vegetable production as an appropriate, growing and profitable sector within which the poor could engage despite their particular economic and social constraints. iDE's value chain analysis revealed that imported vegetable products accounted for approximately 60 percent of the local area demand,⁷ and that this could be off-set by local production. However, analysis found that access to assets (particularly land), finance and quality farm inputs were, amongst other issues, problems for many farmers.

Consistent with the mandate of the RED project, women's groups formed by MIDPCR represented the ideal target group for the project to engage. iDE found that only in a very few cases were women undertaking agriculture labor outside of their homes, with the women contributing on average only 8 percent of total household income. However, the women had been trained previously in how to access microfinance, were located in an area where demand for vegetables presented a viable business opportunity, and there were a number of input retailers operating locally. It was also found that the women and their families could access some land through leasing arrangements with local land owners. iDE thus focused on improving access to inputs for the women farmers to enable them to take advantage of these factors that presented a viable opportunity to participate in vegetable production.

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² This is implemented by the iDE Bangladesh team under the leadership of the iDE Operations Director, Nurul Amin.

³ Charfasson is one of the seven upazillas (sub-districts) in Bhola District, situated in the southern part of Bangladesh. Bhola is a 'char,' or an island district. There are 14 unions (lowest administrative tier) in the upazilla.

⁴ "Food Security at a Glance." World Food Programme. <http://www.foodsecurityatlas.org/bgd/country/food-security-at-a-glance>

⁵ The purdha system refers to women's invisibility in the male-only public sphere.

⁶ Baseline data from iDE project; figures calculated in U.S. dollars.

⁷ Market analysis is derived from *Agriculture Market Assessment Report, Barisal and Noakhali Region*, iDE, 2009.

INTERVENTIONS

The project sought to integrate the women into the vegetable value chain using a set of interventions that iDE had used successfully in other projects. This involved training the farmers in agricultural production techniques and linking them to input and output market actors, such as seed suppliers on the input side, and traders and aggregators who would purchase the vegetables on the output side. iDE started by bringing all of the relevant market actors involved in the vegetable value chain together. This included seed companies, input retailers, traders and a local farmers' association (FA) already present in the vicinity,⁸ the *Adarsha Chasi Kalyan Shamity*, which was introduced in a training capacity to provide information on cultivation techniques to the women farmers. This workshop served to demonstrate to the women the opportunity for mutual benefit that a commercial relationship with these partners could yield. It also enabled the women farmers to have access to inputs supplied by the retailers and information on vegetable cultivation techniques provided by the FA. The market actors were able to see that the women were serious about engaging in commercial vegetable farming.

Crucially, the workshop also revealed new information that led to the project reorienting its approach to assisting the women. During the workshop the women talked about requiring their husbands' approval so they would support (rather than block) the venture. Since the poorer households were generally found to be more socially conservative, it was especially important for women to obtain their husband's approval before engaging in new activities thought to be 'risky' for the family. Their husbands wanted a level of certainty regarding the quality of the seeds the women would be buying and sowing, and therefore the viability of the business the women would be engaging in.

However, there was a problem of asymmetrical market information, as the women farmers felt they could not always trust the information provided by the seed retailers.⁹ This lack of trust in information regarding the quality of inputs and other production-related issues (such as disease prevention, optimal fertilizer usage, etc.) appeared to prevent the women from making the case to their husbands for purchasing the inputs required for their vegetable businesses. Therefore it became clear that it was not the access to inputs in itself that was the problem for the women, rather it was overcoming their (and their husbands') risk-aversion to engaging in the commercial enterprise. This led the project to take on a new focus of strengthening the information system within the vegetable value chain. This involved seeking a reliable source of information that the women could access, which would serve to triangulate and verify information the retailers were providing. It was anticipated that this would give the women and their husbands the confidence to invest in commercial vegetable farming.

Box 1: The Adarsha Chasi Kalyan Shamity

The *Adarsha Chasi Kalyan Shamity* is a farmers' organization that is working to ensure that its members get the best quality inputs and access to markets. By collaborating with each other, farmers have managed to both increase their individual yields and access new markets for their produce. The FA operates a shop that sells inputs both to members and non-members, which supplements the income they receive from entry fees into the association. Key to their success has been their work on quality control of agricultural inputs. In particular, they perform trials on seeds from companies when necessary, and then advise their members on which companies and seed types are most reliable. This contrasts with regular seed retailers, whose advice is often compromised by the incentive to promote certain products based on commission and bonuses from input companies. If any seed is found to perform poorly, the FA checks seeds from other companies and advises their members accordingly. It is this assurance from the FA that gave the women (and their husbands) the confidence to start production.

⁸ The FA members in the various unions were widely known as "lead farmers" and thus were already trusted by the women.

⁹ Even though the most easily accessible channel of input sales is through the retailers, small farmers generally think that the retailers try to push certain products, rather than give the right information.

To ensure the participation of the husbands and to incorporate an entity that could provide the information that the women could rely upon, iDE adjusted the project’s workshop model. First, iDE reorganized the ‘linkage’ workshops between the market actors and the women to include their husbands (this was implemented in about 30 workshops thereafter). The husbands were happy to participate in the workshops as the discussions enabled them to better understand the market opportunities and the technical support required to engage successfully in commercial vegetable production. Second, iDE encouraged the FA to participate in the workshops and to offer their services to the women in order to enable them to triangulate and verify the information on inputs they were receiving from the retailers. The FA had never considered that the women could form any part of their association since social constraints that exist in Bangladesh still prohibit the women from becoming full members. To convince the FA, iDE brought experts from the FA into a training to demonstrate the potential number of farmers they could reach by engaging with the project. Rather than admitting the women as full members, the FA agreed to provide them with information as required, and is now considering accepting them into the local-level union. This appealed to a key incentive for the FA of increasing its capacity to influence powerful market actors, such as the seed companies and government. Generating a larger number of recipients for their services by integrating the women into their information service would increase its representative base and strengthen its bargaining power when engaging with outside actors. iDE also helped to introduce the FA to providers of technologies that the FA could sell to their members—including micro soil-testing services and fertilizer pellets, which are appropriate for poorer farmers with limited cash-flow. The women farmers now have the opportunity to purchase inputs from local retailers or the FA and verify information from each source to inform their purchasing decisions. As a result, the input retailers benefitted from the relationship between the FA and the women farmers as it helped to increase their sales as well.

Box 2: Institutionalized Relationship

It is important to note that the FA was not unknown to the women at the time of the project activities. Rather, the project institutionalized the relationship between the women and the FA. The technical advice provided by the FA has become a regular service, whereas previously information would only be passed on an *ad hoc* basis by certain lead farmers. The FA’s lead farmers now provide information to the women via cell phone or at the FA shop in Charfasson Sadar in the evenings. This model is need-based in that the FA agreed to provide information services to the women whenever they are contacted for advice.

OUTCOMES

The project interventions appear to have successfully strengthened the information system and enabled poor farming families to access a clear pathway out of poverty. By enabling poor families to utilize free advisory services that they can confidently rely upon to triangulate information, the project has helped to push families out of poverty. At the same time, the project has helped to pull the farmers into the vegetable value chain by building relationships with market actors. These strategies have helped the women achieve both economic and social benefits through increased income and their ongoing acceptance by key market actors, such as the FA. Some specific impacts include:

- **Economic**—initial data from 2010 shows that around 90 percent of the families have started growing vegetables. The results of this activity have been to increase women’s income, both in absolute terms and as a percentage of household income, and to better integrate the women into the local market system. The women were able to increase their household income by around 26 percent (from approximately \$481 per annum to \$605) and compared to their contribution of 8 percent of household income prior to engaging in commercial vegetable cultivation, they are now contributing nearly 21 percent of household income.
- **Social**—the increases in income also led to wider social changes, as the women have been able to work in the fields in the Charfasson areas, where traditionally working women are not looked upon favorably by society. Interviews conducted for this case study found that as the women demonstrated their earning power through vegetable farming, it encouraged male family members to accept the women as participants in the commercial agricultural sector. The social

orthodoxy that women should only undertake domestic work has thus been challenged through project activities. This has given confidence to the women and increased their voice within the family structure.

- Institutional—one of the most effective methods of providing information is through retailers. This is a well-established business model in the project area and input companies have seen their business grow using the retailer model. However, the project has served to connect the women farmers with the FA advisory services as another channel for information, one upon which they can confidently rely. Since the providers of the advisory services are mostly lead farmers who have been present in the area for a long time, the project’s role was to help integrate the women into a well-established, institutionalized service.
- Empowerment—the FA helps poor families feel more socially and economically empowered to participate in commercial farming. It has in instances (though not within the timeframe of this project) lobbied with the seed companies to compensate the farmers for poor yields that can be attributed to poor quality seeds. The farmers thus trust the FA to act on their behalf as a guarantor of quality for the inputs, and at times to serve as their voice. In particular, having the association behind them and having the FA’s advice available to them on an as-needed basis has helped the women become confident and invest in their businesses. A key indicator of this is that women have been taking advantage of opportunities to lease land—the asset they need most—from slightly larger farmers in amounts averaging approximately 0.18 acres.

SCALE AND SUSTAINABILITY

Although the services are neither based on a fee-paying model, nor embedded in input provision, the model does appear to be sustainable. The association gains from getting new clients for the FA shop and the individual members benefit from the increased share value. The farmers that provide information are incentivized to do so to establish their social standing within the community, and also to sustain the institution that benefits them. Furthermore, while the shop is creating a modest profit, its real value lies in the role it plays as an institutionalized meeting point through which the FA can gain influence in the local area. The FA is further looking at creating two more union-level shops so as to increase the strength of the organization by increasing the numbers of those reliant upon it for information. This in turn benefits the farmers, as the larger the critical mass of the FA, the greater voice it will have when dealing with external agencies (such as seed companies). There is considerable scope for scale-up, especially considering that there are more than 80,000¹⁰ homestead women in Charfasson.

Box 3: Small Plots

There are around 80,000 homestead households in Charfasson. The women benefitting from project activities are cultivating vegetables in around 18 decimals (1 acre = 100 decimals) of farm land. They are leasing out commercial farm lands for these purposes.

The project successfully helped to link 500 women to the FA, and of these, around 90 percent has successfully started cultivating vegetables. The FA now perceives that it can extend its services to over 5,000 women farmers in the area—a market it had not previously thought about entering—and is considering forming union-based farmers’ associations that could include the women and other farmers that are risk-averse to developing their farm businesses. The FA is starting to gather information from the women and include them in meetings so that they can explain the vegetable market opportunity and provide necessary assurances about inputs. However, it is clear that without some external support, the FA is unlikely to be willing to spend money to undertake the initial linkage meetings. This is because the mission of the FA is to protect the interests of their member farmers and while increased profits from the shop may be desirable, the purpose of the shop is primarily to act as a location where commercial activities can take place. While the expanded membership is important to the FA, there is a strong presence of development donors, projects and the government with accessible funding, so the FA

¹⁰ Calculated on the basis of land holding, Bangladesh Bureau of Statistics (BBS) data.

does not have an incentive to invest its own money. Rather than provide money directly however, there is an opportunity for development partners to support the FA by linking them with companies that could be incentivized to cover the initial costs of the meetings, such as seed companies, farm machinery manufacturers, etc.¹¹ The ultimate aim is for the companies or even the government to take up the initial tasks of linkage formation.

LEARNING AND CHALLENGES

A number of areas of learning and key challenges were identified through the experience of integrating the women farmers into the FA. These include the following:

- Though there are often many potential information channels, it is important to identify those that best enable the poor to tap market opportunities. The existing retail system is one of the most effective channels to provide the necessary inputs to rural households in Bangladesh. However, this case study shows that because of increased risk-aversion, the poor need information from trusted sources (and retailers do not feature high on the list in this regard), and thus providing the farmers additional information on inputs through the FA helped them to triangulate the information from input companies to make decisions concerning input purchases. Ultimately, the reported increase in business of 6-8 percent¹² by the input companies is evidence of the potential for scale-up.
- Social norms and relationships play an important part in developing market systems that benefit the poor. A simplistic view of developing a market system for information provision would focus upon the retailers having the right incentive to provide such information and inputs. However, more nuanced analysis shows that the women were not able to utilize such services without their husbands' approval. The project was thus able to address a critical constraint—quality assurance related to input information—in order to build the confidence of poor women and help them get the approval of their husbands to pursue entrepreneurial activities.
- Working with existing institutions helps in the sustainability of services. The reputation and credibility of the FA is its main capital and it does not want to jeopardize this asset. The project was able to show the FA how engaging the poor women would expand its member base and thus its clout with other public and private organizations. The FA has expanded from 100 farmers in 2006 to 500 farmers to date. As the FA continues to grow, it will ensure that lead farmers continue to provide the necessary services to the poor women farmers.

¹¹ iDE plans to test this model in the RED project in 2012.

¹² Figures derived through engagement with the private sector.