

I. Understanding Extremely Poor Producers

A. Extremely Poor Producers' Vulnerability and Resiliency

To understand extremely poor producers, it is often helpful to start by trying to understand their households. Extremely poor producers' households are highly vulnerable to shocks; these could be in the form of environmental shocks such as droughts or floods, political shocks such as conflict or changes of policy, health shocks such as HIV and AIDS or other illness, or market shocks, such as loss of a job, currency devaluation, sudden decrease in selling price, or rising food prices. For the extremely poor, any sort of unfavourable circumstance could wipe out the few assets they have, and just meeting daily needs can be a struggle. They lack effective risk mitigation mechanisms, such as savings or insurance, to deal with unexpected shocks.

The objective for extremely poor households is to become more resilient to these shocks. This means if something goes wrong, they will have the ability to continue their lives without losing everything they have. This might mean they have enough savings so that they do not have to sell all their assets or be forced to leave everything and migrate to another area. Or it might mean they have basic health or crop insurance so they will not have to send some of their family members to work elsewhere, or lose everything they have built up, becoming entirely destitute. With extremely poor producers, it becomes very important for any type of analysis to take place at household and intra-household levels, rather than simply at enterprise or income-earning levels.

For this reason, extremely poor producers often behave in ways that might not be expected. Because the very poor are already vulnerable to shocks, they are not in a position to easily take on added risks, however small, that could threaten their basic survival. Rather than putting a priority on increasing their incomes, they may put a priority on decreasing vulnerability. This can mean decreasing the amount of economic risk that they want to take on. They might increase their savings rather than their spending, and therefore invest less in their farm or other livelihood activities. What may seem like an opportunity to a higher income producer (investing in a capital asset or technology to increase production) may seem like a large risk to a very poor producer (i.e., they could lose all of their investment and be left with nothing). The very poor producer may feel he/she cannot afford to invest time and resources in a crop that might fail or a product that could face drastically falling prices.

B. Market Realities Facing Extremely Poor Producers

Extremely poor producers face many constraints in being able to participate in markets. These include:

- Limited capacity and resources
- Vulnerability and over-indebtedness
- Strong risk aversion
- Inadequate access to products and services
- Limited mobility and freedom
- Unequal distribution of entitlements
- Time poverty
- Inexperience and shallow networks
- High transaction costs
- Limited knowledge of market
- Social exclusion/lack of empowerment

C. Extremely Poor Producers' Constraints Linking to Buyers and Sellers

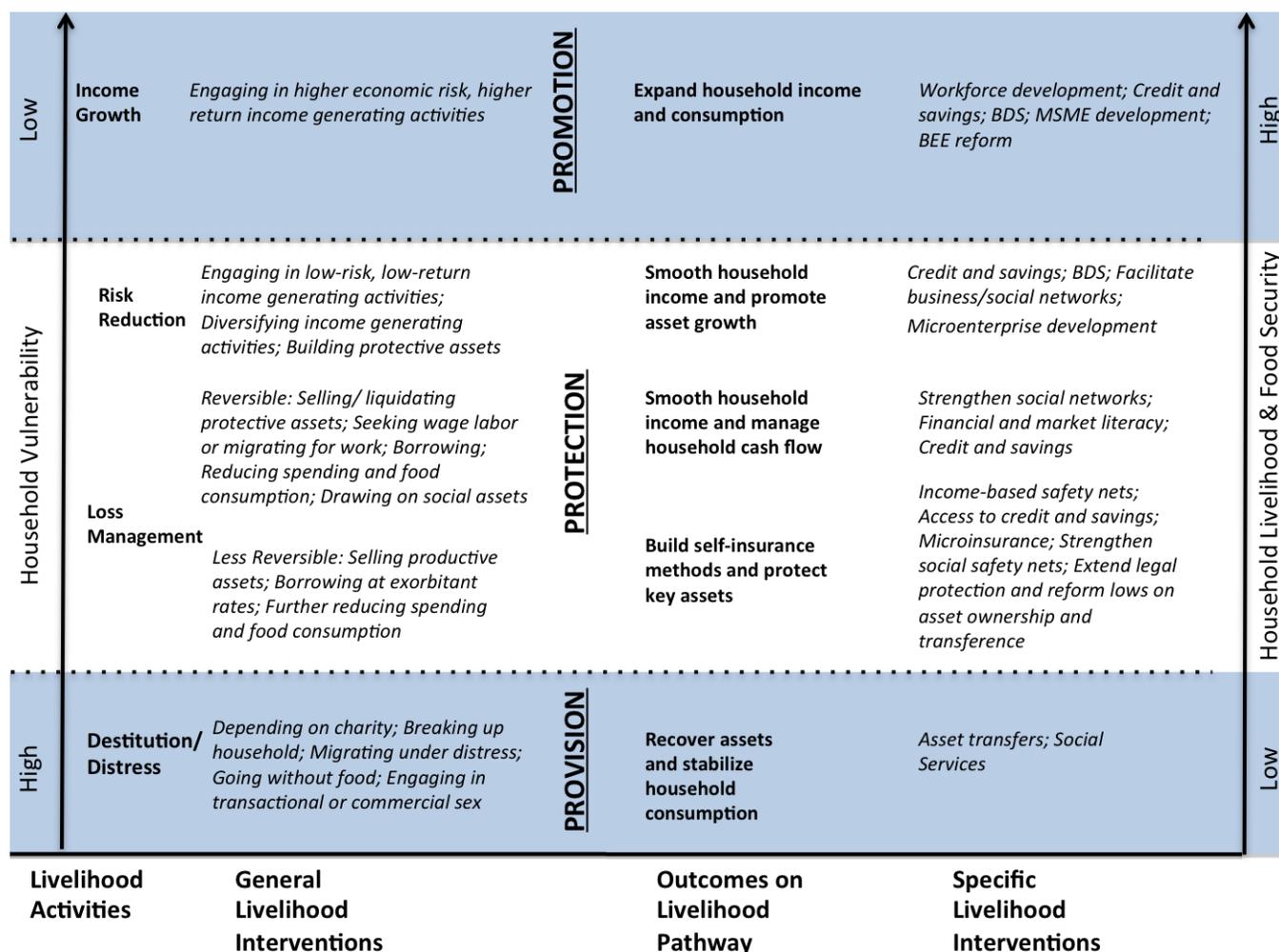
Extremely poor producers often buy inputs, if at all, in such small quantities and so infrequently that it is not profitable enough for input supply firms to make an effort to sell to them. They generally produce in such small quantities that it is also not profitable enough for buyers to make an effort to buy from them. Extremely poor producers do not generally feel comfortable interacting with other more formal or larger businesses as they do not understand the language of business, and do not feel comfortable negotiating business contracts, or even negotiating basic pricing and ordering.

D. Extremely Poor Women's Constraints in Participating in Markets

Extremely poor women face their own additional set of constraints in interacting in markets. Women are often limited from actively participating in markets and business activities owing to risk of physical, sexual, and other gender-based violence; limited social standing or social capital in the community with limited access to certain market opportunities or group structures; social or cultural confinement and immobility; inadequate legal protection or enforcement of existing laws; traditional gender roles and expectations; and lack of control over resources (in particular, property). These and other constraints are discussed in further detail in other sections of this Field Guide.

The diagram below demonstrates the vulnerability levels of extremely poor producers and the associated market and livelihood interventions most appropriate at different levels of vulnerability.

Livelihood and Food Security Vulnerability Framework Relevant to Extremely Poor Producers¹



¹ Sourced from USAID's Livelihood and Food Security Technical Assistance Project (LIFT) Livelihoods Framework