

SFRAS MEETING

WHAT IS THE POTENTIAL OF CONTRACT FARMING TO INCREASE ACCESS TO RURAL ADVISORY SERVICES?

Stefanie Kaegi
Senior Advisor Sustainable Agriculture

Zurich, Max Havelaar-Stiftung
26th February 2020



“Increasingly CF is viewed as a fair and responsible inclusive business modality, formalizing the supply chain linkages between smallholder farmers and agribusiness firms” (FAO)



What is contract farming?

...an agreement between farmers and processing companies and/or traders for the production and supply of agricultural products, frequently at predetermined prices and combined with input supply and other services.

Why contract farming?

CF..

- ... **connects** smallholder farmers to buyers
- ...helps to **reduce unpredictability** in agricultural production and supply of produce
- ...can **reduce risks** related to fluctuating prices or natural disasters
- ...can lead to **significantly increased yields** and profits

How can contract farming contribute to increased access to rural advisory services?

How to include poorer/remote farmers into contract farming systems in a fair way?

What are tradeoffs of contract farming schemes that include rural advisory services; and how to address them?



Agenda

9.15	Opening & Welcome	Stefanie Kaegi
9.20	Introduction to the topic	Stefanie Kaegi
9.30	Fairtrade principles to enhance farmers voice in contract farming schemes / current status of discussions on Fairtrade and Contract Farming	Manuela Stiffler & Annet Röst, Max Havelaar Schweiz
9.45	Caritas' experiences with Contract Farming in Bosnia and Herzegovina (IGAS project)	Daniel Bronkal, Country Director Caritas BiH; Elvedin Alic, Caritas BiH; Berry Kralj, Caritas CH
10.00	Swisscontact's experiences with Contract Farming in Eastern Europe (Promoting Private Sector Employment Project)	Fisnik Reçica, Deputy Project Manager PPSE, Swisscontact
10.15	Helvetas' Experiences in Contract Farming in Tanzania (Rural Livelihood Development Project)	Martin Fischler, Regional Coordinator East Africa & Senior Advisor Sustainable Agriculture, Helvetas
10.30	Coffee Break	
10.45	Group Work a. What are common learnings from the presentations? b. How to enhance farmers voices in contract farming schemes? c. Under which preconditions does contract farming improve access to quality services; what are limitations and risks; and how to address them?	Moderated by group members
11.15	Sharing of results; conclusions	Group moderators
11.45	News from members including update on GFRAS annual meeting and SDC RAS brief	All
12.15	Closing	Stefanie Kaegi

A short introduction and food for thoughts

Advantages for farmers

- easier access to inputs, services and credit
- improved production and management skills
- secure market or access new markets
- reduction of price-related risks
- more stable income: better planning
- introduction of new technologies

Advantages for buyers

- consistent supply of raw materials
- products conform to quality and safety standards
- reduced input and labour costs when compared to integrated production on company-owned land
- better chance to secure products of a consistent quality
- can help to overcome land constraints
- production more reliable than open-market purchase

Disadvantages for farmers

- loss of flexibility to sell to alternative buyers when prices increase
- possible delays in payments and late delivery of inputs
- risk of indebtedness from loans provided by the buyer
- environmental risks from growing only one type of crop
- unequal bargaining power between farmers and buyers
- increased dependency and vulnerability if buyers are unreliable or exploit monopoly

Disadvantages for buyers

- high transaction costs from contracting with many small farmers
- risks of side-selling if farmers decide to break the contract and sell to others
- potential misuse of inputs if farmers use seeds and fertilizers provided
- by the company for another purpose
- loss of flexibility to seek alternative supply
- reputational risks if things go wrong