



Contractual farming for poverty alleviation

IFAD and its Governance Structure

IFAD is a unique mixture of:

- Specialized Agency of the United Nations; and
- International Financial Institution.

- More than 30 years of exclusive focus on agricultural and rural development!



IFAD context and goal

IFAD Overarching Goal:

Enabling poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience.

About 1.0 billion hungry people in the world

About 1.0 billion malnourished
2 billion live on less than US\$2 per day

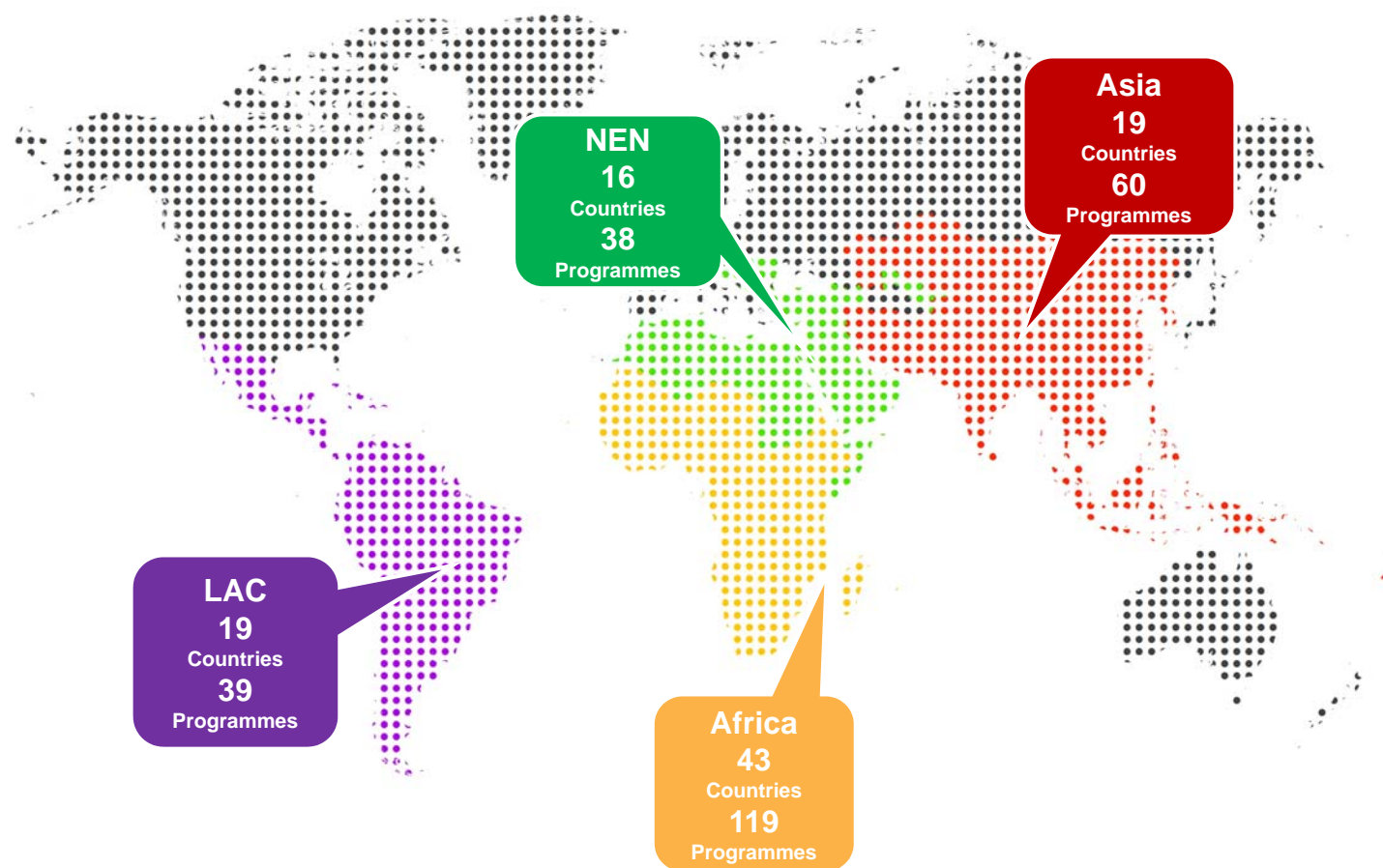
Enabling poor rural people to overcome poverty



IFAD characteristics

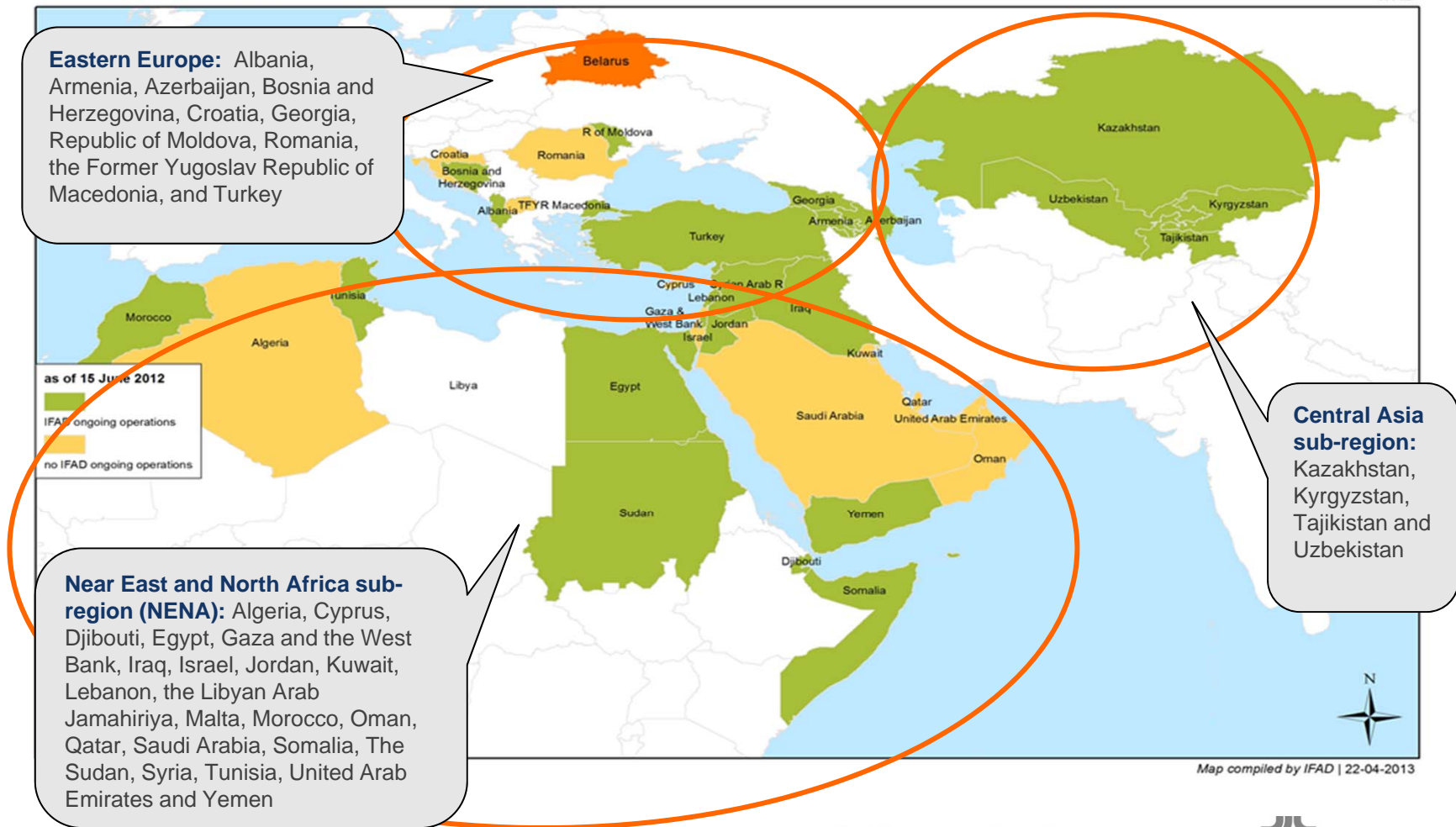
- We **target poor** rural populations and small-scale farmers
- **IFAD-supported projects reach about 36 million poor rural people a year**
- **IFAD is a major supporter of community-designed and managed** rural development projects and farmer organizations
- We provide **loans and grants** to governments and use **government and local management systems** rather than managing projects ourselves

IFAD Globally



Where does IFAD operate in NEN?

IFAD Near East, North Africa, and Europe Division, Active portfolio in 22 countries and 1 territory



Enabling poor rural people to overcome poverty



IFAD's experience in Egypt: West Noubaria Rural Development Project

- **About the Project:** effective in 2003, operational for 10 years (total project cost of US\$ 54.75 million, of which IFAD provided a loan of US\$ 18.48 million).
- **Project aims:** to enhance the livelihoods of the target population (graduates, small farmers and rural women) in the New Lands of West Delta. **How:**
 - establishment of sustainable economic activities;
 - improved links with the market economy.
- **Project components:**
 - community development;
 - technical operations (crop and livestock production and development, and water management);
 - **marketing operation support;**
 - credit facilitation and enterprise development.

Market integration: smallholders as viable private sector partners

- Under the Marketing Operation Support component, the Project has:
 - Covered 30 570 small farmers
 - Promoted the establishment of **Farmer Marketing Associations (FMAs)**.
 - FMAs have helped change the exporters and processors' negative **perceptions of smallholder farmers** (unreliable and unqualified partners).
- Smallholders are now **linked** to:
- (i) Agro-processors in Egypt (e.g. Heinz – for tomato processing);
 - (ii) Domestic supermarkets (e.g. Metro in Cairo and Alexandria); and
 - (iii) Private sector companies exporting to Europe and the Middle East.

Contractual farming arrangements – some examples

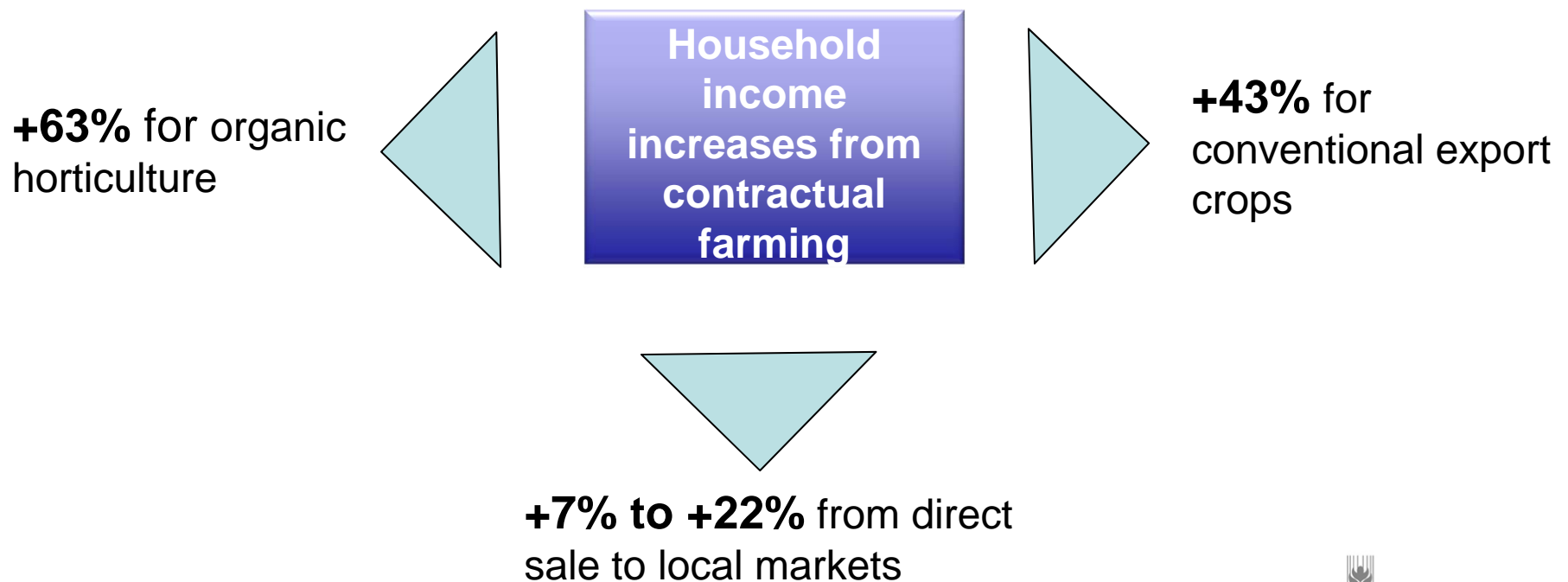
Company	Market	Commodity	Farmers contracted (no.)	Area cultivated (ha)	Other services provided by firm
Agro Food	Europe	Organic potatoes	323	557	Seeds, fertilizers, training provided by the company's own technical experts, credit
Almaghrabi Export	Europe	Raisins	3	3	-
Arnaut	Switzerland	Peanuts	80	126	-
Heinz	-	Sun-dried tomatoes	300	504	Tomato seedlings, training provided by the company's own technical experts
Kenana	Italy	Sweet peppers, sun-dried tomatoes	15	13	Seeds, seedlings, training provided by the company's own technical experts

Improved farm-gate prices through FMA membership

Crop	Wholesale market			Processing			Export Market		
	Farm-gate without FMA (EGP)	Farm-gate with FMA (EGP)	% change	Farm-gate without FMA (EGP)	Farm-gate with FMA (EGP)	% change	Farm-gate without FMA (EGP)	Farm-gate with FMA (EGP)	% change
Potato (ton)	500	750	+50	-	-	-	500	1,200	+140
Tomato (ton)	1,000	850	-15	500	650	+30	n/a	700	n/a
Artichoke (flower)	0.31	0.50	+61	0.21	0.40	+90	n/a	0.65	n/a
Cauliflower (ton)	500	800	+60	n/a	1,200	n/a	-	-	-
Pepper (ton)	1,250	1,500	+20	-	-	-	n/a	2,000	n/a
Peanuts (erdab)	330	360	+9	-	-	-	n/a	400	n/a
Guava (ton)	1,200	1,250	+4	-	-	-	1,300	1,500	+15
Orange (ton)	800	n/a	n/a	-	-	-	800	1,100	+37

Contractual farming arrangements — shifting governance in favour of smallholders

- Contractual farming: an effective way of making small farmers become **stronger actors** within value chains.
- Contractual agreements for 25 commodities, covering an area of 8,705 hectares, including 51 greenhouses.



Value addition and Vertical integration

- **Additional benefits** by encouraging farmers to move up the value chain, allowing them to capture additional margins for many crops (e.g. tomatoes, guava, figs, potatoes, limes, apricots, peaches and grapes).
- **How:** through engagement in early processing (e.g. sorting, washing, packaging, even sun-drying), to reduce spoilage, add value, and to protect earnings during market gluts.
- **Example: Tomato producers** engaged in sun-drying tomatoes, which commands a higher price (US\$ 14/kg vs. US\$ 3/kg for fresh tomatoes), and a longer shelf life.



Price transmission along the peach value chain

Stage in the chain	US\$ /ton	% of wholesale price	% of retail price	% increase in gross revenue (compared to SCENARIO A)
SCENARIO A: Farmers' gross revenue (/ton) by selling unprocessed product to wholesaler				
Farm-gate price	274	67	43	
Production costs	82			
Farmers' gross revenue	192			
SCENARIO B: Farmers' gross revenue (/ton) by selling unprocessed product to processor				
Farm-gate price	329	80	52	
Production costs	128			
Farmers' gross revenue	201			5
SCENARIO C: Farmers' gross revenue (/ton) by selling processed product				
Farm-gate price	821	n/a	n/a	
Production costs	301			
Farmers' gross revenue	520			171
Prices:				
Wholesale price (fresh product)	411			
Retail price (fresh product)	639			