

Strengthening Contract Farming System

Intervention Brief: Maize



Background

The maize sector contributes around BDT 17 Billion to the GDP of Bangladesh, with around 553,000 farmers and 138,000 labourers involved in a year (Maize CSS, 2010). The sector is growing parallel to the poultry sector. However, the demand of maize is still significantly higher than the net supply which has been met by imports.



Maize has emerged as a high value cash crop since the commercial cultivation started in the year 2000. The cultivable lands across the country are suitable for maize cultivation. In Bangladesh, the commercially cultivated maize is grown with hybrid seeds. However, it is a labour intensive agriculture process and requires high initial investment, but is still profitable in terms of per unit yield compared to other competing crops such as wheat or Boro rice. It can be grown in both summer and winter seasons. Maize possesses high potential in reducing poverty by providing huge rural employment as labourers and producers. Around 70% of the labourers in this sector currently are female.

Limited access to information on best cultivation practices, unavailability of quality inputs, weak linkage to markets and low investment capacity, manifests the lower participation of marginal and small farmers in maize cultivation. 'Contract Farming' envisages one best solution to unlock these potentials by addressing the problems associated with the marginal and small farmers.

Target Beneficiaries

Katalyst's overall target group in the maize sector comprises farmers with 0.2 to 2.5 acres of lands. Maize sector has special focus on char areas where 70% of the farmers are marginal and small. Currently, Katalyst sees opportunity to expand its interventions to the Chittagong Hill Tracts (CHT) where the presence of the poor farmers is also substantial.

Locations

Katalyst focuses on char areas of Bogra- Sirajgonj and Rangpur – Kurigram regions and intends to expand into the CHT.

Major activities

Maize traders are decentralized and usually have a limited regional coverage. In Phase I and early Phase II, Katalyst worked with around 25 maize traders in different zones of Bangladesh. However, Katalyst needed a second level of intervention to trigger crowding in of potential contractors. The key constraint faced by existing and potential contractors was access to finance. Katalyst hence undertook two-fold strategy for strengthening the contract farming system- **(1)** promoting appropriate loan products for the contractors, and **(2)** establishing sub-contracting model through large feed mills and financially capable contractors.



Katalyst works through Winrock International (co-facilitator) in the maize sector and major activities in this intervention entailed building capacity of the ‘contractors’ in terms of **a)** providing technical know-how on cultivation and usage of quality inputs for contract farmers, **b)** overall management of the business and **c)** strengthening links with banks, sources of quality inputs and feed mills (the ultimate buyers of the maize). In addition, Katalyst supported the contractors to demonstrate and promote best cultivation practices to wider

group of maize farmers for future expansion. To strengthen the system further, Katalyst at present is supporting interested banks (such as Agrani Bank) to design a ‘dedicated credit line’ that would enable banks to lend contractors at a lower risk than lending directly to farmers. At the same time, Katalyst supports expansion of contractors through the ‘sub-contracting’ model and by linking them to the large feed mills. Katalyst recently signed an MOU with Charoen Pokphand Group (CP) of Thailand in Bangladesh to develop its sub-contracting system in the CHT.

Synergy

As there are potentials to promote contract farming among female farmers, the maize team in Katalyst is working closely with the Gender and ESRB unit to realize this. Furthermore, synergies exist with the fertilizer and irrigation cross sector strategy to reduce excess usage of water and fertilizers in maize.

Key achievements

Till date Katalyst has benefited around 2000 farmers under maize contract farming system mainly in the chars. So far, 30 women (4 of whom worked as labour before) started maize cultivation with the support from one contractor. Due to contract farming, maize yield has been reported to increase from 5.5 MT to 7.5 MT per hectare. Average income has risen from BDT 15,500 to BDT 23,500 per acre for char farmers as well as an increase in area coverage by 15% (approximately). To trigger more potential contractors to adopt the system and based on inputs from Katalyst, the Bangladesh Bank recently recognized maize as one of the key sectors for future investment and introduces “contract farming” as a means of “agricultural loan disbursement” for the financial institutions in its new “Agricultural /Rural Credit Policy and Program for the FY 2010-11”.

Katalyst expects that by 2013 around 10,000 farmers will be benefited directly from the contract farming system in maize sector in Bangladesh.

Way forward

To ensure crowding in of contractors, Katalyst has started working with two financial institutions, Agrani Bank Ltd. and National Bank Ltd to develop and promote ‘dedicated credit line’ for the maize contractors and simultaneously support the development of sub-contracting model through large feed mill, CP feed Ltd, as well. Furthermore, it plans to explore and realize the opportunities to unlock the transformation of women wage labourers to maize producers through the contract farming system.

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