***Agri-Value Chain for Low-Income Farmers in Bahawalpur***

Pakistan Poverty Alleviation Fund (PPAF) is the lead apex institution for community-driven development in the country. As the sector developer and lead apex institution, Pakistan Poverty Alleviation Fund (PPAF) has been promoting value chain development since 2009 in partnership with The World Bank and International Fund for Agricultural Development (IFAD) under the Microfinance Innovation and Outreach Programme (MIOP) and the Programme for Increasing Sustainable Microfinance (PRISM). In order to promote low income households, PPAF along with its partner organizations provides strategic inputs and expertise that facilitate the growth of inclusive, niche and customized pro-poor value chain models for the marginalized and vulnerable. These value chains are aimed at institutional development, business development services, technical assistance, creating backward and forward linkages of communities, market access and increased gains for clients and communities. PPAF has implemented various pro-poor value chains related to poultry, dairy, livestock, agriculture, stitching, embroidery and enterprise.

​Agriculture constitutes the largest sector of Pakistan’s economy and contributes about 24 percent of Gross Domestic Product (GDP). There is dire need of providing small farmers with timely access to financial resources, provision of agri extension services and creation of linkages with various line departments, fertilizers, seed providers and food processing units to optimize their agri produce. The aim should be to emancipate small farmers from the clutches of “arthi” and increase farm productivity to improve their socio-economic status in life.

PPAF in lieu of its role as a sector developer has always aspired to transform the lives of poor farmers residing in rural communities across Pakistan, through a profusion of different agricultural initiatives. In order to lend its hand to the country’s economy, PPAF, in collaboration with NRSP-Bank, designed a comprehensive multi-dimensional Agricultural Value Chain (AVC) for 10,000 wheat farmers in district Bahawalpur. Bahawalpur is located in Punjab province of Pakistan, and constitutes a large agricultural land and farming community. The economy of the district is essentially agrarian and wheat, cotton, rice, sugarcane, gram, pulses and dates are the major crops grown in the canal fed district.

This multi-dimensional agri-value chain was designed by PPAF with a vision to cover each and every aspect of crop life cycle, so as to reduce the dependence of the subsistence farmer on the middleman. The 10,000 farmers selected for the intervention were small farmers, having less than 5 acres of landholding. This multi-dimensional value chain consists of the following components:

* **Baseline Study**: A comprehensive baseline study was conducted by a third party consultant to inculcate necessary activities in the agri-value chain so that each and every aspect is covered in the initiative.
* **Financial Product:** Aimed to meet the needs and requirements of the farmers, NRSP-Bank offered larger loans of upto PKR 80,000, based on per acre agricultural input cost.
* **Social Mobilization:** Participant farmers of the value chain have been organized into Farmer Enterprise Groups (FEGs) through social mobilization, where 10,000 farmers have been organized into 864 FEGs. Moreover, an apex body of the farmers has been formed to enable the farmers to engage in collective bargaining and negotiation of improved rates for their output.
* **Capacity Building:** In order to overcome the lack of awareness and education about best farming practices, productivity experts have been hired to conduct trainings for the target farmers on crop management, farming best practices and financial literacy.
* **Improved Nutrition for farmers and communities:** Bahawalpur is one of the most deficient areas in Pakistan in terms of zinc presence in soil, hence zinc foliar spray has been deployed for 1 acre of land for each farmer with an aim to help fulfil the zinc deficiency of each of the 10,000 subsistence farmer households (1 x 7 family members). Partnership with Harvestplus, a public sector nutrition research institute, and a corporate entity Fauji Fertilizer Company (FFC) was formulated wherein FFC provided raw material for the zinc foliar spray at competitive prices and aided in provision of trainings to the Agri-Value Chain NRSP-Bank staff as well as Farmer Enterprise Groups-FEG leaders/ apex body heads, who further trained other farmers, about the Zinc Foliar Spray.
* **Linkages:** Backward and forward linkages have been created to facilitate on-farm technical assistance, soil testing and preparation, water testing, provision of quality seeds and fertilizers. In this regard various, public and private, institutions were engaged for provision of aforementioned agri inputs and advisory services. Forward linkages have also been created with government departments for timely uptake of harvested yield from farmers directly at government support price for wheat. Government provided bags and transportation cost (*bardana)* to the farmers. Moreover linkages were also created with FFC & Onfarm Water Management Department of Punjab for laser levelling and soil testing of the farmers’ land, which has fostered decline in use of fertilizers, water conservation has been facilitated and there has also been a reduction in the use of diesel for tube wells.
* **Crop Yield Insurance:** In order to cover the risks of farmers, a comprehensive Crop Yield Insurance Product has been developed which provides insurance coverage in case of crop loss occurred due to natural calamities. Reference yield was calculated based on the crop yield data obtained from local markets, farmers knowledge and government department. Insurance coverage for 9,450 acres of 3,965 farmers has been completed. This initiative has aided to secure the assets of underserved marginalized farmers of District Bahawalpur against which claims amounting to PKR 0.72 Million have been distributed by the insurance companies to cover losses incurred by 14 farmers amid the adverse weather conditions. Further on, an additional 22,500 acres are to be insured as an upscale of this initiative for cotton crop. In this regard indices for deploying this mechanism are being designed in assistance from government departments, farmer knowledge and market firms.
* **Technology:** Debit cards are being designed for the farmers for which funds would be made available in a bank account in the farmer’s name accessible through a bank card. Agreements between NRSP-MFB and supplier shops supplying fertilizer, seeds and pesticides would lead to transactions being completed between farmers and the supplier shop without the exchange of physical cash. The farmer would be able to withdraw cash (if required) for purchase of labor or hiring other services through agents of a branchless banking operator or from an ATM machine of a bank.
* **Environment Safeguards:** PPAF has facilitated collaboration with CABI – the first agriculture pertinent research institute of Pakistan – for deployment of Natural Enemy Farm Reservoir (NEFR). In the second phase of the value chain, women cotton pickers will be provided training to build their capacity to avoid risks and hazards associated with pesticides as well as pests. Based on the needs of the women farmers in the area, a women centric insurance product is being designed providing insurance coverage from diseases/animal bites which women cotton pickers are prone to.
* **Good Agricultural Practices (GAP):** In order to build capacity of NRSP-Bank AVC staff for effective and refined execution of the project, CABI has also been engaged for imparting a comprehensive ToT program. The GAP trainings will include integrated water management, integrated soil management, Habitat conservation, Fiber quality preservation and decent work promotion. This training program will be carried out in the upscale phase of the project, focusing on cotton crop.
* **SMS Service:** In order to build awareness and ensure that farmers remain up-to date about the latest best farming techniques, a SMS service is being initiated for the farmers participating this value chain. The service would facilitate the farmers in deploying best agri practices in a timely manner.
* **Warehouse Receipts:** In order reduce possible delays in uptake of the agri-value chain farmers’ harvested yield, the world renowned warehouse receipts concept has also been introduced, whereby a limited number of farmers have been provided storage facility, so that they do not have to sell their crop at throwaway prices. Till date, one warehouse is operating through a specialized service delivery firm.

This value chain has played an imperative role in enhancing the farmers’ incomes through increased access to financial services, enhanced technical capacity of the farmers enabling them to increase productivity through adoption of modern and latest farming tools & techniques. Results from implementation of the value chain indicate that crop yield of the farmers has increased by up-to 20%, Crop yield insurance has mitigated the risk for the farmers as well as for NRSP- Bank. Moreover, due to the larger loan sizes, NRSP-Bank’s cost of delivery has also decreased. Direct links created with the government departments have enabled the farmers to gain maximum profits through sale on government support price, minimizing the dependence of the farmers on the middlemen (*arthi).* This value chain has resulted in a positive impact on the rural economy, improved nutrition, gender empowerment and fuelling a process of local as well as national agricultural growth. The value chain has also fostered adoption of productive farming patterns in the area, resulting in enhanced productivity and efficiency while bringing a positive impact on the social and economic status of the smallholder farmers.