



P4P Purchase for Progress Central America

Talk of the Month: Grain Commercialization

Commercialization of staple grains has significant potential to increase the income of smallholder farmers, improving the living standards in rural areas, strengthening household food security and contributing to overall agricultural development. WFP's experience, through the Purchase for Progress (P4P) initiative, has shown that farmers have been able to increase their profits by joining forces and market their grain collectively. This process requires, however, improvements in various fields such as farming techniques, technological innovation, access to credit as well as strong organizational capacity.

In Central America, rigid market structures, low productivity and logistic limitations are some of the challenges that prevent smallholders' farmers from accessing profitable markets to commercialize their grain. They have limited access to adequate infrastructure, such as warehouses, transport, equipment for bagging and storage of commodities. Most farmers are not used to dealing with high quality requirements, and they lack the skills that could help them to identify and negotiate with promising markets, and satisfy market demands. In addition, the need for cash to pay expenses derived from production and harvest often compels smallholders to sell their surpluses soon after harvest, almost exclusively to first-level aggregators and transporters who pay low prices and largely control market access at this level. On the other hand farmers' organizations lack working capital to purchase and transport grain from members. They also have limited storage capacity to aggregate large volumes of product for commercialization.

P4P works with partners to boost smallholders' productivity through better farming techniques and improved access to technological innovations. It also strengthens farmers' organizations (FO) capacities to become sustainable businesses providing their members with the required post-harvest services, aggregating surplus production and helping them overcome market constraints. P4P is able to bring together a wide range of expertise to provide tailored assistance to farmers and their associations along the entire value chain to help them commercialize collectively their maize and beans.

WFP's experience in commercialization of basic grain was recently presented at a Central American joint initiative by the Inter-American Institute for Cooperation on Agriculture (IICA), the Regional Unit for Technical Assistance (RUTA) and the Executive Secretary of the Central American Agriculture Council (SE- CAC), on connecting farmers to markets. Two P4P organizations - ASODINA from **Guatemala** and ARSAGRO from **Honduras** – shared their experiences in strengthening their productive and commercial processes to sell to the private sector.

In this month's bulletin, we will focus on:

- 1 How strengthening **FOs capacity to aggregate** supports commercialization of staple grains
- 2 **P4P's catalyst role** to link FOs with a variety of actors in the market.



Our Countries

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P4P Voices

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FOCUS ON LEARNING

P4P is at its middle point as a five-year pilot project focused on learning how best to use local procurement to help connect small-scale farmers to markets. Defining the learning priorities of the initiative in each country and the adjustments required for the final stage of the project was the theme of a P4P Regional Coordinators three-day meeting held in Panama.

The event brought together P4P Coordinators, M&E and field staff from **El Salvador, Guatemala, Honduras and Nicaragua**, as well as P4P finance staff from Rome.



Fostering FOs capacities to aggregate for grain marketing

WFP considers that group marketing through FOs offers better opportunities to overcome market constraints, mostly related to aggregation and transaction costs as well as quantity and quality issues. To help farmers trust in the FO and its management is, however, at the heart of this process. They need to believe they are able to offer adequate post-harvest services and to defend their interests when it comes to commercialization and sharing of profits.

In Central America, P4P has been working with FOs' to strengthen their financial, administrative and management capacities. In **Guatemala**, partner NGOs provide basic training in organizational structure, administration, finance and fiscal responsibility, in the local languages. In **El Salvador**, P4P, in partnership with the Chamber of Commerce and UNDP's Supplier Development Programme, helped FOs formulating business plans and provided the required administration and financial management training required. Currently the project is also developing the legal capacity of FOs. In **Nicaragua**, the P4P team designed, in close collaboration with FOs commercialization units, a comprehensive information tool for calculation of costs and trained the leadership of all FOs in business administration. This is part of an effort in all four P4P countries in Central America to help FOs become more professional and business-minded.

P4P and partners also support the acquisition and use of equipment for grain processing and storage. This enables FOs to provide farmers with post-harvest services and to aggregate the surplus production of their members. The FOs can then enter the market with larger quantities of grain of better quality, increasing their negotiation power. In **Honduras**, P4P supported the establishment of the first grain processing center financed by the European Union Food Facility. In **El Salvador and Guatemala**, exchange tours are regularly organized, enabling some FOs to visit the post-harvest and storage facilities of other FOs to learn about commercialization strategies.

FOs need to better understand how markets function to be able to engage in those markets. This process, being implemented in all four countries, helps FOs adopt a stronger business focus. In the case of **Guatemala**, the P4P team works jointly with WFP's Vulnerability and Mapping Analysis team, MFEWS and the Ministry of Agriculture providing FOs basic market analysis training. This helps them understand market and price fluctuations, and adjust their commercialization strategies accordingly. In **Honduras**, P4P is partnering with IICA and DICTA to train FOs on Agrobusiness as well as on Market and Negotiation Strategies.

Finally, access to formal market also depends on access to credit for commercialization. It gives FOs liquidity to pay smallholders immediately when they deliver their crops to the association, thus responding to their need for cash. This is an incentive for smallholders to commercialize their grain through the FO while building its capacity to aggregate and enter the market with larger quantities of grain when the market prices are favorable. P4P facilitates the contact between FOs and credit providers. Nonetheless, access to credit remains a challenge: many FOs still do not fulfill all the requirements demanded by financial institutions to obtain credits. In **Nicaragua**, there are ongoing efforts by five FOs to negotiate credit from a range of public and private institutions, including the Bank of Production (*Banco de la Producción*), *Banco Produzcamos* and LAFISE Bank. In **Guatemala**, conversations with BANRURAL have resulted in commercialization credit for several FOs. In **El Salvador**, an agreement was reached with the MAG-PRODEMOR Central Rural Development and Modernization Project for the Central and Paracentral regions: it will coordinate technical and financial efforts in the implementation of the business initiative on Basic grains Production and Commercialization.

P4P: a catalyst to Access markets Sharing experiences

By using its own demand for staple grains, WFP, through P4P, encourages smallholders to produce high quality grain. At the same time, it is training FOs' leaders on how to commercialize through formal contracts - calculate costs, negotiate prices and respond adequately to the contract specifications. In **El Salvador**, WFP has been buying grains from smallholders for the emergency response following Tropical Depression 12 E. In **Honduras**, an agreement between the Government and WFP uses P4P to procure commodities for the school feeding programme. While providing participating FOs with a sustained and reliable market, P4P has also strengthened their capacities to meet specific requirements, thus facilitating their engagement in other markets. In 2011, more than 7,800 MT has been purchased from small-scale farmers for the school feeding programme.



More importantly, P4P seeks to engage FOs with formal markets beyond WFP, linking farmers to the private sector, including processors, millers, CSB producers, supermarkets and agro-dealers. In **Nicaragua**, FOs participate regularly in trade fairs and negotiation rounds to meet potential international and national buyers. Through these events, they can meet potential buyers and show product samples. In **Guatemala**, contacts with supermarkets and retailers have been quite dynamic: P4P smallholders sold more than some 3,250 MT to a variety of buyers: supermarkets, retailers, processors.

FOs' SALES TO FORMAL MARKETS IN THE PRIVATE SECTOR (IN METRIC TONS)

GUATEMALA	3,425.79
EL SALVADOR	275.87
HONDURAS	6,195.91
NICARAGUA	1,947.93
TOTAL	11,845.50

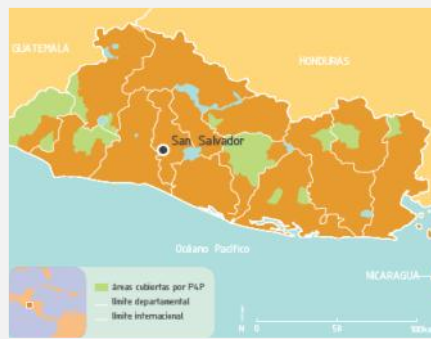
Finally, P4P is also establishing links with institutional social protection programmes. In **Nicaragua**, smallholders have sold, through the government programme CRISOL, 1,933 MT of basic grains to a state company ENABAS to preposition food supplies in case of any emergency affecting the country.



Efforts for a sustainable commercialization to the private and public sector continue. This requires a change in approach: the farmers must change their own perception from being only smallholder low-income producers to becoming active participants in production processes and constructing commercial businesses.

EL SALVADOR

FOs	18
PRODUCERS	4,706
% WOMEN	40
CONTRACTED (MT)	3,743
TOTAL VALUE (\$)	1.6 mil
TRAININGS	953
PARTICIPANTS	9,692
PARTNERSHIPS	17

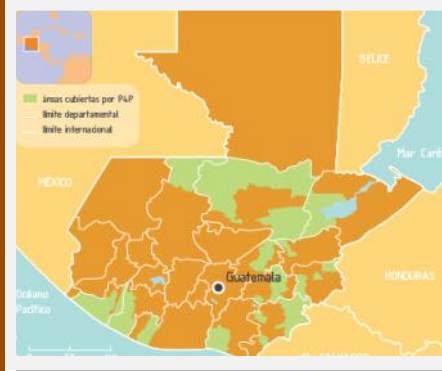


- ◆ Agreement with the Director of the Agricultural Associations Department, Ministry of Agriculture and Livestock (MAG), to strengthen cooperative work in the P4P FOs.
- ◆ 163 members (118 men and 45 women) from 12 FOs received trainings on: Internal Controls, development of production plans and WFP procurement process.
- ◆ Meeting with the new director of CENTA to present the P4P Initiative and continue the partnerships

Key Partners: Howard G. Buffett Foundation, DISAGRO & FERTICA, El Salvador Chamber of Commerce, FAO, Ministry of Agriculture and Livestock, the National Center for Agriculture and Forestry Technology (CENTA), PROMODER & PRODEMORO (IFAD-financed rural development programs), CARITAS Foundation, UNDP, World Vision.

GUATEMALA

FOs	68
PRODUCERS	9,952
% WOMEN	53
CONTRACTED (MT)	17,023
TOTAL VALUE (\$)	7,7 mil
TRAININGS	501
PARTICIPANTS	29,032
PARTNERSHIPS	44

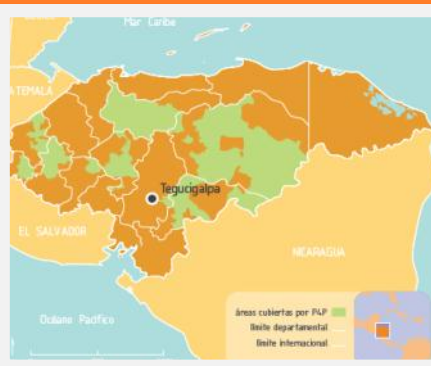


- ◆ Field visit by Canadian Ambassador to Project (Jan 31-1 Feb)
- ◆ Participative gender diagnosis in seven organizations (in project areas funded by Canada and by HGBF)
- ◆ Delivery of plastic silos in northern Guatemala; metal silos ordered (HGBF)
- ◆ Support for farmers' participation in Rural Development Fair organized by the commercial bank, BANRURAL in Jutiapa (Canada).
- ◆ Strategy for Triangle of Dignity Project for Small Holder Farmers presented in response to Ministry of Agriculture request for advice from the P4P team

Key Partners: Howard G. Buffett Foundation, Canadian International Development Agency (CIDA), BANRURAL, Catholic Relief Services (CRS), DISAGRO, FAO, Inter-American Institute for Agricultural Cooperation (IICA), International Maize & Wheat Improvement Center (CIMMYT), Ministry of Agriculture (MAGA), National Institute for Agricultural Commercialization (INDECA), Institute for Agricultural Science and Technology (ICTA).

HONDURAS

FOs	23
PRODUCERS	11,365
% WOMEN	23
CONTRACTED (MT)	17,552
TOTAL VALUE (\$)	11.1 mil
TRAININGS	711
PARTICIPANTS	29,415
PARTNERSHIPS	28



- ◆ Inauguration of the first of five EU-funded WFP/P4P grain processing center in Honduras (Dept. of Olancho)
- ◆ Meeting with BANADESA (National Agriculture Development Bank) principals, to negotiate the funding of the FOs for buying the staple grain to the farmers and another investments.

Key Partners: EUFF, Howard G. Buffett Foundation, CHOOPACYL Credit & Savings Cooperative, CRS, FAO, Government of Honduras, IICA, IFAD/PROMECON, INA, Ministry of Agriculture, National Agricultural Development Bank (BANADESA), DICTA, National Institute for Professional Formation, Prolancho Foundation, SAN Coalition Network, UN Women, FAO, SAN Red Coalición.

NICARAGUA

FOs	11
PRODUCERS	2,100
% WOMEN	30
CONTRACTED (MT)	2,407
TOTAL VALUE (\$)	920.000
TRAININGS	784
PARTICIPANTS	13,050
PARTNERSHIPS	12



- ◆ Training to 50 FOs technicians and promoters on sampling and quality control conducted by the Food Laboratory LABAL
- ◆ First session out of seven sessions on business plans conducted by the Nicaragua Center for Exports and Investment (CEI)
- ◆ Facilitate the process of business alliance between the FO's, to commercialize grain to LAFISE Group
- ◆ Meeting with representatives of the Institute of Applied Research and Local Development (NITLAPAN) of the central American University to coordinate M&E activities.

Key Partners: Howard G. Buffett Foundation, FAO, Food Technology Laboratory (LABAL), IICA, International Regional Organization for Animal and Plant Health (OIRSA), Ministry of Agriculture, Nicaraguan Institute for Agricultural Technology (INTA), UCA.

CARNEL, a farmers' organization operating in the northern part of Honduras with 360 members, joined P4P in 2010. One year later, CARNEL had managed to sell 5,435 metric tons (MT) of basic grains to formal buyers, of which approximately 1,125 to WFP. Before P4P, CARNEL was used to sell its production to first-level aggregators, who would in turn, sell it to the agro-industry. Thanks to P4P, the organization is now dealing directly with the private sector. Alex Hernandez, vice-president of the organization, explained the real advantages farmers find in accessing formal markets.

Who are your main buyers?

We mostly work with the agro-industry: processing firms and concentrates. A small part of the production is sold directly on the local market, and another part to WFP.

How selling formally is different from selling informally?

Selling to the formal market implies that farmers change their view of agriculture and professionalize their work. Now, they produce to obtain surpluses and access interesting sales. Commercializing formally ensures them to sell the totality of their production, while on the informal market, sales are insecure and do not exceed one quarter of their yields.

What are the benefits to sell on a formal market? Who benefits and how?

Farmers are the first to benefit: with strengthened capacities, they increase their productivity and are able to sell all their production. On the formal market, they are paid a better price for their crops. CARNEL also supports in obtaining a better price, because in our negotiation with the private sector we use, as a reference, prices of maize and beans fixed by the commodity exchange. The formal market is more secure and enables farmers to improve their lives in a sustainable way.

How P4P supported CARNEL access formal markets?

P4P supported us all along the value chain with the provision of trainings on good agricultural practices, post-harvest management, sorting, marketing and logistics. With that, we were able to reach a higher stage in our commercialization process and to extend our presence on the market. P4P taught us how to build a more profitable business. It acted as a catalyst to develop our relationship with industry and created space for us to present our products. Meetings organized with P4P, our organization and agro-industry helped us establish better communication with the private sector.

What are the main problems you've faced?

We have some problems in the post-harvest period: grain is sold but it takes some time for farmers to receive the payment. Normally, farmers need cash immediately to cover their needs and the production costs. We are also facing some problems related to infrastructure: we have reached such high levels of production for commercialization that now our drying equipment is insufficient. Finally, we've learned how to monitor price fluctuations and, to avoid any problem we use as a reference the prices of the industry.

What are your selling perspectives for the future? Did you manage to establish sustainable relationship with buyers?

We are expecting to commercialize approximately the same quantity of grain as in 2011. Our relationship with agro-industry is well established.



Gabriela Abufele
Regional manager at
IMSA, Honduras

Gabriela Abufele is a Regional Manager at the Honduran miller company, IMSA that makes, among other products, maize, wheat and fortified flour. IMSA has been working with smallholders since 2008 and with P4P farmers since 2010. Also, WFP buys IMSA fortified flour for its food assistance programmes, such as school feeding. Gabriela shared with us her vision of the work with small-scale agriculture in Honduras.

How did you start buying from smallholders? What has been P4P role?

IMSA is part of an agreement with the Ministry of Agriculture and Livestock encouraging the industry to buy national grain. Also, as a company, we are socially responsible and we think that buying locally will have a more positive impact on the population and on the farmers. And, national grain is better accepted by local consumers. This is why we decided to purchase from smallholders. The fact that farmers were trained through the P4P Initiative is a label of quality: we know that we are ensuring quality of our flour.

How has the experience been so far?

Excellent!! We are fully satisfied because thousands of smallholders' farmers have been trained and have improved their life; the national agriculture has been developed. I think that P4P is really a sustainable mechanism to link farmers to mass consumption. It is a strategic programme that brings a lot of benefits and that warrants excellent quality of grain.

Did the FO meet the IMSA's requirements?

Yes, absolutely. They have been adapting very well.

Are you working with smallholders on a regular basis? Are future sales already established?

Yes, we have a sustainable relationship all along the harvest process. At the beginning of the harvest we contact the farmers to have a better idea of the quantity of grain available to commercialize. Now, we will also be buying during the second harvest. IMSA focus its work on farmers who are registered by the Ministry of Agriculture and Livestock and seeks to benefit them: for example, we are paying them within eight days, after they delivered the crops, because we know that they need this money to subsist. This also gives us the guarantee that they will come back to us with high quality grain to sell. It is a win-win relationship.

Any suggestion on how to improve the relationship?

Maybe a comment: we would like to deepen the communication we have with farmers and not only be in touch with them during the harvest period. This would help us know the production forecasts to improve our purchases planning and, buy more from them.

How can more farmers sell to you?

Smallholders usually distrust agro-industry because they doubt that it will value their crops. I think they we should communicate more on the benefits they can have if they sell their grain to IMSA, including the 8-day payment and fair prices, determined by international prices. We, as IMSA, depend on national production: we want to foment it and to provide an incentive to farmers, so they continue sowing.

P4P CENTRAL AMERICA	
BENEFICIARIES	
FARMERS' ORGANIZATIONS	120
PARTICIPATING PRODUCERS	28,123
% WOMEN	37
P4P PURCHASES	
TOTAL CONTRACTED (MT)	40,725
TOTAL VALUE (US\$)	21.3 mil
% OF TOTAL PURCHASES	29.7
TOTAL COST SAVINGS FOR WFP	2,318,310
CAPACITY DEVELOPMENT	
PRODUCTION TECHNIQUES & INPUTS	1,106
POST-HARVEST MANAGEMENT	718
COMMERCIALIZATION	114
FINANCIAL MANAGEMENT	274
FO ADMINISTRATION	549
GENDER	78
OTHER	110
TOTAL	2,949
TOTAL PARTICIPANTS	81,189
PARTNERS	
GOVERNMENT INSTITUTIONS	41
UN AGENCIES	6
PRIVATE SECTOR	8
NGOS	36
OTHER	10
TOTAL	101

Month Ahead

Start of **P4P Regional Meetings** to develop a roadmap for the latter half of the pilot, with specific focus put on (i) shaping the learning agenda and, (ii) adjusting implementation strategies.

- ◆ **Rwanda:** Regional Meeting for East & Southern Africa, beginning March 5th 2012
- ◆ **Ghana:** Regional Meeting for West Africa and Afghanistan, beginning march 19th 2012

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