

IMPROVING ACCESS TO AGRICULTURAL INPUTS FOR FAMILY FARMERS IN MOZAMBIQUE

About 80% of Mozambique's population depends on agriculture as their main source of income. However, agriculture (including livestock, forestry and fisheries) is the sector that contributes less to the country's GDP, indicating that the productivity of the agricultural sector is very low compared to other sectors of the economy.

The gap between demand and supply of financing for family farmers in Mozambique is very large and affects the majority of farmers in the country. With about 3.8 million family farmers producing approximately 95% of national agricultural production and cultivating an average of 1.5 hectares/family, family farming in Mozambique is responsible for ensuring good part of the food and nutritional security of the country, and is responsible for employing about 86% of labour force at national level.

In many cases, farmers are unable to buy inputs at the right time and in the right amounts. The lack of seasonal credit lines often forces farmers to sell to middlemen at a low price. Moreover, farmers who are already highly exposed to natural disasters go into debt with few prospects to break free of this burden.

The Government of Mozambique and FAO agree that "smart subsidies" programmes through the use of vouchers, can be a powerful tool to facilitate access to seeds, fertilizers and other inputs needed for production.

Rural extension, when practiced effectively, can help solve many of the constraints related to access to finance and therefore support the expansion of the use of agricultural inputs by family farmers.

A combination of financial and extension services can help financial institutions overcome limitations in designing and distributing financial products suitable for family farmers. For example, the agricultural extension service could assist farmers in obtaining and using credits through value chain development programs; this would result in an institutional strengthening of the public sector and the creation of a favourable environment for the entry of financial institutions.








When combined with financial instruments (e.g. vouchers, credit lines, crop insurance, etc.) agricultural extension services can play an important role in mitigating risk and increasing the confidence of farmers in financial institutions.

It also requires a better coordination between rural extension services (public and private) and development partners along the supply and demand process in order to help to share perspectives, disclose financial instruments and provide technical assistance that simultaneously addresses the various constraints of the value chains.

In short, there is a great opportunity to boost the development of local economies through specific policies (e.g. increased productivity, promotion of mechanization for small-scale farmers, access to credit and markets, agribusiness, etc.) in support to family farming.

We know however that there are a number of barriers that must be removed in order to use the most of the farmer's productive potential. In Mozambique, the percentage of farmers with access to credit has declined steadily over the past 10 years and inefficiencies in the production and distribution chain reduced the competitiveness of domestic products. The limited development of small and medium-scale agro-industry further reduces market opportunities for family farmers. With no market prospects and no support for hedging, it is

difficult for farmers, especially small farmers, to have access to the capital needed to invest and expand their farms.

Low productivity		<i>Family farmers have little knowledge of modern agriculture; extension services are underperforming; there is limited access to high-quality seeds, particularly adapted for each agro-ecological condition and specific consumer demand</i>
Poor quality		<i>Production practices, soil preparation, processing and storage handling lag behind the standards in many countries. Consumers therefore often prefer imported products</i>
Weak business linkages		<i>Input supply network is informal and poorly organized. Producers have difficulty in accessing quality inputs and distributors are often reluctant to provide credit due to the high default rate</i>
Labour force		<i>Shortage of labour is the main reason for less efficient planting methods. Shortage of machinery makes it difficult for farmers to increase planting areas and productivity</i>
Access to credit		<i>Family farmers are often unable to purchase inputs at the right time and in the right amounts. Lack of seasonal credit forces farmers to sell to middlemen at a low price. Family farmers face high exposure to uninsured risks (weather, natural disasters)</i>
Post-harvest practices		<i>Post-harvest produce handling knowledge and physical installations are poor and logistics to reach retailers directly are insufficient, resulting in very high post-harvest losses</i>
Soil and water management		<i>Low quantities of organic matter are used resulting in low fertility levels. Improper water management often causes important production problems related to salinity</i>

Bearing in mind the above-mentioned barriers, FAO launched at the beginning of the agricultural season 2015/2016, an electronic voucher scheme in order to improve market access for agricultural inputs (mainly seeds and fertilizers) and the distribution of quality agricultural inputs through the involvement of various agro-dealers.

The electronic voucher system is a financial inclusion and a flexible market development tool that allows farmers to buy certain quantities and types of inputs from providers (agro-dealers) that accept the vouchers as payment. The agro-dealers redeem vouchers with a profit margin previously agreed.

In other words, the electronic voucher is a credit to enable farmers to access and use improved inputs to increase their yields. It is simply a discount for the purchase of inputs, co-financed by the beneficiary farmer.

A significant advantage of the electronic voucher system is that farmers will have more freedom to decide what, where and when to buy their inputs, thus ensuring that they are the main decision makers in the process.

The electronic voucher scheme, the first of its kind in Mozambique, has been tested in Manica Province and is gradually replacing the "paper voucher" which has been used by FAO in Manica, Zambezia, Nampula and Sofala provinces since 2013.

The electronic voucher should ensure (i) increased access to and use of improved inputs to increase production, know-how, food security and income of family farmers; (ii) the development of the marketing and distribution sectors of seeds and fertilizers. It is expected that the voucher system could also help in the management of other inputs and services provided to farmers by state institutions and cooperation partners, and in the long term, help in the development of an efficient private sector input distribution sector. The program targets two groups of beneficiaries; (i) small emerging farmers and (ii) subsistence farmers. Special attention is given to rural women and women heads of families.

HOW THE E-VOUCHER WORKS IN MOZAMBIQUE?

The electronic voucher is an alternative to the paper voucher using an electronic technology. Recipients receive an electronic card that contains a subsidy and is activated upon payment of the beneficiary's contribution. The programme is implemented in 11 districts of four provinces in Mozambique:

- Manica: Barue, Gondola, Manica and Sussundenga
- Sofala: Buzi, Gorongosa, Maringue and Nhamatanda
- Zambezia: Alto Molocue and Gurué
- Nampula: Ribaue

Types of Packages

Package A: Subsistence Farmers

Approximately **35 USD** for the purchase of OPV seeds of maize and beans and post-harvest insecticide.

Farmer's contribution = **30% of the value of the package**

Package B: Emerging Farmers

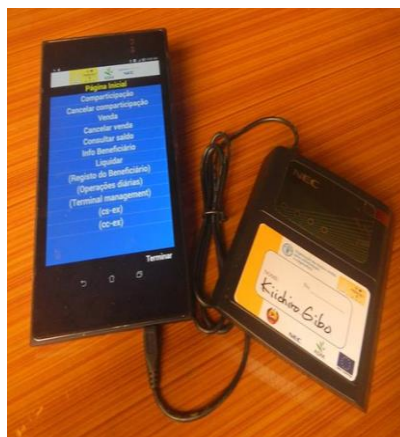
Approximately **130 USD** for the purchase of seeds of maize (hybrid or OPV), beans, oleaginous, fertilizers, etc.

Farmer's contribution = **50% of the value of the package**

Equipment Required



Solar Panel (for shops without electricity)

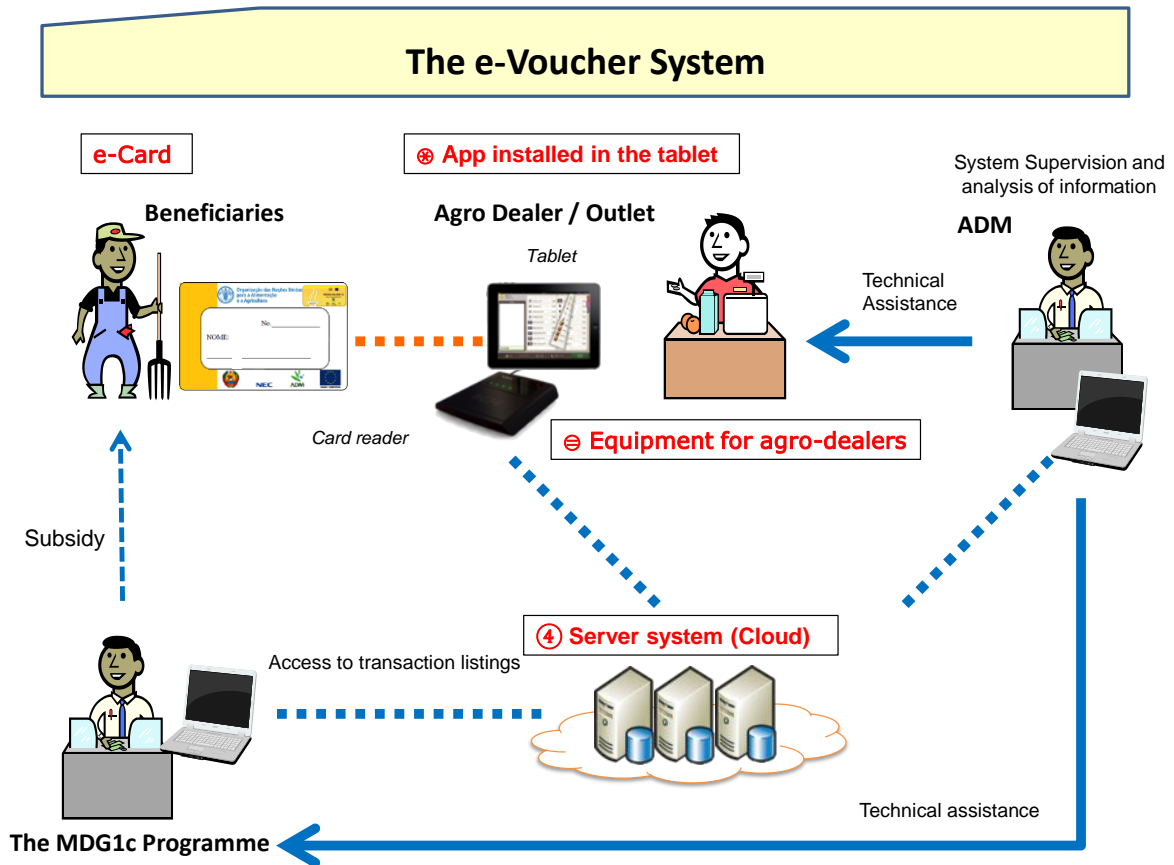


Tablet and card reader

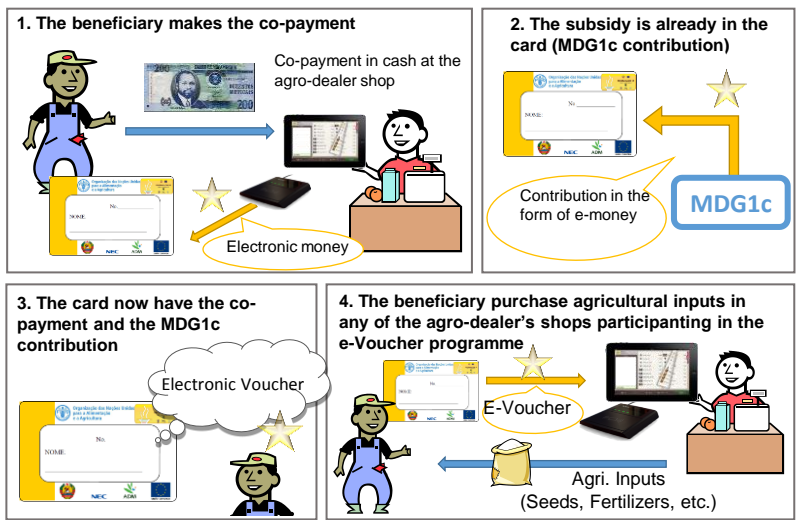


Plastic card (e-Voucher)

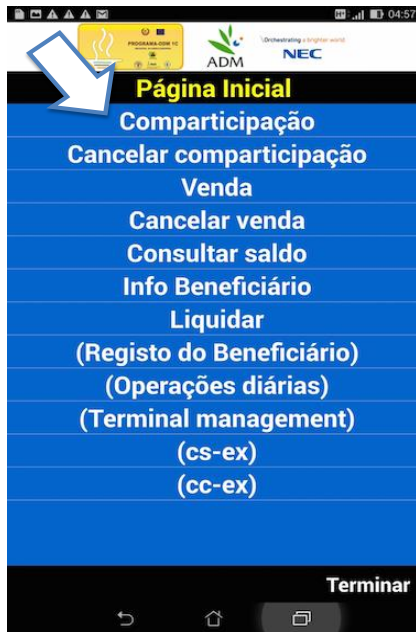
The e-Voucher System



How the e-Voucher Works?



The "Menu" in the Tablet



All started in 2013 with the Paper Voucher...

...in November 2015 the e-Voucher was officially launched



The agro-dealers were trained to implement the pilot e-Voucher



Farmers registering as beneficiaries...



...and purchasing inputs using the e-Voucher



SUCCESS STORIES – TALKING TO THE FARMERS

Eduardo Lino, a local farmer attending the launch of the electronic voucher in Sussundenga, Manica Province in November 2015, is excited about the new scheme. Already a beneficiary of the paper voucher, he understands the structure in which the beneficiary pays part of the total worth of the voucher, while FAO puts forward the rest. Once his electronic voucher has been activated, Lino has access to a wide range of inputs from any of the agro-dealers involved in the scheme. FAO carefully monitors the quality of the seeds available for purchase within this scheme, which Lino remarks is a significant advantage for him. “I had a much better crop yield after using inputs bought with the paper voucher last year”, he comments, and is hopeful that “the increase in input choices with the electronic voucher will again improve my production this season”.

Another beneficiary of the paper voucher scheme preparing to transfer to the electronic scheme, Augusto Janota, attended a workshop on the electronic voucher FAO held in his home district of Manica, Manica Province. “I have discovered that there is a much greater chance of my crops growing when I use the treated seeds of the FAO voucher programme, as well as the pesticides that come with the package,” he noted during the workshop. “I like this because outside the scheme I sometimes pay more money for really poor quality seeds”.

The launch of the electronic voucher is a step further in the implementation of the Millennium Development Goal 1c Sub-Programme (MDG 1c), one aspect of which aims to increase family farmers’ access to the market and to improved agricultural inputs by providing them with temporary subsidies in the form of this voucher scheme. It will run until 2018, at which point the Government of Mozambique will take over the helm. Marcelo Chaquisse, speaking on behalf of The Ministry of Agriculture and Food Security, commented that the Ministry is “very positive about the electronic voucher scheme. It is in line with the strategic plan of the Ministry, which is dedicated to increasing the productivity and production of our farmers.”

The overall goal of the MDG1c, funded by the European Commission and Government of Mozambique, is to speed up progress towards achieving the first Millennium Development Goal to reduce hunger and to improve food security and nutrition in Mozambique.

