Case Study

1 Creating Impact for Farmers

International Labour Organization

In this case study, we will explain the impact of the Decent Work for Food Security and Sustainable Rural Development (DW4FS) on the farmers and other community members that we have been working with in NTT. The information below is gathered from reports and discussions with farmers, local partners and local ILO staff. The project has been running for under two years so successes and challenges are still being identified and addressed.

The Business of Agriculture

Agriculture in this part of Indonesia is a traditional practice and not a career choice; concepts of enterprise development, decent work and productivity are uncommon. The ILO project brought a new perspective to farmers on managing a farm like an enterprise, or understanding it as a business. If farmers understand the market and how to improve their income by responding to market information and active financial management, they are more likely to make changes resulting in higher productivity.

Farmers have had access in the past to technical training on better farming practices and have received farm inputs from government programs and international organizations. The results for farmers have been better quality products being sold for the same prices to the same buyers, or at the same local market. With the ILO, farmers are learning to calculate their inputs and the cost of transportation to determine a minimum price, and they are being exposed to market

Decent Work for Food Security and Sustainable Rural Development Nusa Tenggara Timur, Indonesia

Over **4.5 million** (80% rural) — POPULATION

22.58% of the population lives below the national poverty line (as of Sept 2015) — POVERTY

30% — UNEMPLOYMENT

Objective: Promote food security and sustainable poverty reduction of rural communities in the most vulnerable and disadvantaged districts of Indonesia's NTT province.

Roughly 1.4 million people in NTT do not have regular access to employment and income, and the majority of those considered 'employed' are small-scale, subsistence farmers working in the informal economy with low productivity. These people live in poverty and risk falling deeper into poverty in the case of shocks (low yields, drought, fire, economic shock, etc.), resulting in unstable access to food and basic services. Farmers lack the skills, financial literacy and market connections they need to upgrade their farms into market-oriented operations and increase their earning.

The ILO conducted a baseline survey on households in the target district and villages in NTT. The survey found that most farmers believe that they receive a fair price on their products from buyers, but do not know what are the minimum market prices. 77 per cent of them only have verbal agreement with buyers, but there is a great deal of trust in the relationship. Two thirds of the farmers interviewed reported that they run out of money before their next income, and only 21 per cent have savings. Only 6 per cent of the interviewees keep a record of their spending.

The ILO is working in NTT to improve the livelihoods of farmers using an enterprise development and farm management approach to complement improved farming practices. Targeting three value chains – maize, livestock and seaweed – in one district, the ILO is promoting improved productivity, enhanced decent employment and entrepreneurship, and stronger market linkages. The ILO is also developing the capacity of local NGOs, Business Development Service Providers (BDSPs), microfinance institutions and others to ensure long-term suitability of project outcomes in NTT.

players and information, which is allowing them to understand what fair prices look like, demand conditions, and where they can sell their products for a better income.

The ILO has been using the Gender and Entrepreneurship Together Ahead (GET Ahead) training module to teach about entrepreneurship, basic financial literacy and the value of group formation and bulking. This is combined with technical training on improving farming practices, improving product quality and in some cases, processing techniques.

This has sparked a business-oriented mentality in some farmers, particularly in one livestock-farming village, Oebesi, where farmers saw an opportunity with their vegetables. After attending training where they were exposed market information including average price and quality demands, a group of farmers began to treat their products better and use higher quality inputs. They were able to calculate a fair price based on the cost of inputs and fair market rates, and after a market linkage was facilitated, they began to sell their products in Kupang where they earn significantly more. For example, they used to sell chilies in the local market for 5000 Rupiah per kilo, and the same quantity now earns them 15,000 Rupiah in Kupang. They determined that transportation was roughly 5000 Rupiah per kilo, so it was still hugely beneficial, doubling their income. There are 10 members of the group, three of whom are women.

Financial Inclusion

Farmers need small loans from time to time, especially if they want to expand their activities, but there are two main barriers: (1) They don't know how to get it, and (2) they don't know if they can pay it back. Many farmers will have a couple of cows or more for their household, but these are considered an asset in NTT. If they need money, they will sell a cow. They don't see it as a long-term investment or as productive potential. Right now because many farmers cannot access bank loans or are unwilling to take the risk, they will take small loans from people within the village. The result does not change though – if they cannot pay back the loan, they will sell a cow.

The ILO is working with the local NGOs to upgrade them to BDSPs, and is also working with local financial institutions to determine what loan packages are available to smallholder farmers, and how packages can be improved to accommodate the needs of the recipients, including value chain financing. For now, at the community level saving and loans groups are being promoted where there is interest, and capacity development activities are available to guide the groups. Through improved organization and income, the goal is that farmers will begin saving and will be in a better position to borrow should the need arise.

For example, in Oefeto, a maize farming village, a groups of 28-40 women (numbers to be determined) decided to start a self-help group on savings and loans after attending GET Ahead and financial literacy training. They developed a structure and a plan with support from the local BDSP and it is in the early phases. These same women want to develop a cassava chip business to supplement their income.

Group Organization

Getting farmers to a point where they are ready to work as a group is a challenge. The process of group organization,

improved financial management will allow farmers to access quality inputs like fertilizers to improve their crop.

ranging from bulking products to cooperative development, is long. A lot of facilitation and activities are required to get people to understand the benefit. In seaweed farming villages in Semau Selatan sub-district, two groups formed after attending training in order to bulk buy inputs and sell products. Both groups reported income increases, and one group has already increased from 30 ropes of seaweed to 50.

A few good signs have emerged from these villages.

Two groups were formed in Kairane village, Immanuel 1 and Immanuel 2. They attended ILO training and were inspired to organize themselves to bulk their products and be in a better bargaining position. They mostly sell peanuts and mung bean through this operation. Immanuel 1 has 10 members, 8 of whom are women, and Immanuel 2 has 11 members, and 8 women. They are still improving their management and functioning with after-training support.

Finance and Poor Yields

There are many reasons why farmers have poor yields in a given year. The ILO baseline survey found that the number one reason for poor crops are pests and weeds, and next is family illness. Climate conditions play a major role, particularly around the months of June-July when drought is an issue in NTT. Many fields dry up and crops die. Another top reason was farmers running out of money before they can purchase seeds and begin production, resulting in late planting. Also worth noting is that only about 30 per cent of the farmers use fertilizers.

A number of the above issues can be address through financial management practices. Better financial planning and small savings can help alleviate income pressure. The results have already been positive in the target villages, with small savings and loans groups in their early stages. This ensures farmers have access to income when they really need it, and poor yields will not result in food insecurity and other negative consequences. Additionally,

The Early Days of a Cattle Cooperative

A small cattle-farming cooperative in Amarasi Timur village emerged after an ILO training. Led by Dedi Feni, a 26 year old farmer with the spirit of an entrepreneur, 25 farmers developed a cooperative for cattle fattening as part of a government program to improve the quality of cattle coming from NTT. Dedi and other farmers attended the ILO's GET Ahead training as well as financial education training. Group formation and market information were presented, and Dedi understood the potential. He says that they had already discussed forming a cooperative but they did not know the steps. They started the cooperative with after-training support, which included some cooperative development training and capacity building. He says, "The ILO taught us to organize ourselves."

Once the cooperative was formed, they worked with local animal husbandry extension workers to apply for the government cattle program run in Kupang district through BRI bank. They were granted a loan and used it to purchase 50 bulls to fatten over their first year. The cows are now held in a basic pen that is unsustainable for an entire year, but Dedi walked us to a different area where the members are building an advanced covered pen. The loan also covers the cost of feed, vaccinations and other needs. He is proud of this effort and of his community.

The cooperative began in January of 2015 so is still in its infancy. It remains to be seen what will happen in their first year of operation, but with strong leadership and commitment from the farmers, this so far appears to be a solid organization. At the end of the year, they will repay their loan and use their earnings to buy more cows for fattening. They are also discussing breeding, but it has not come into practice.

Transformation and the Future

Even in this early stage of the project, the ILO has seen a mentality shift among farmers who now know they can earn more by treating their farm as a business. This concept appeals to them; they learn to calculate production costs and fair prices based on market rates, they learn how to work together as a group to benefit each member more, they learn how to respond to demand conditions and times, and they generally learn how to manage their own income better for the benefit of themselves and their families.

In the long term, this will lead to secure livelihoods for farmers and reduce their risk of food insecurity due to poor yields or other unexpected challenges. They will be better insulated from risk and can respond to market demands. As the farmers improve their production, the value chain will become stronger and more developed, and additional employment and entrepreneurial opportunities will present themselves in services between markets and farmers. The quality and quantity of food available in NTT for non-farmers will also increase with time and better functioning local value chains.

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http://www.ilo.org/jakarta/whatwedo/projects/WCMS_308006/lang--en/index.htm

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