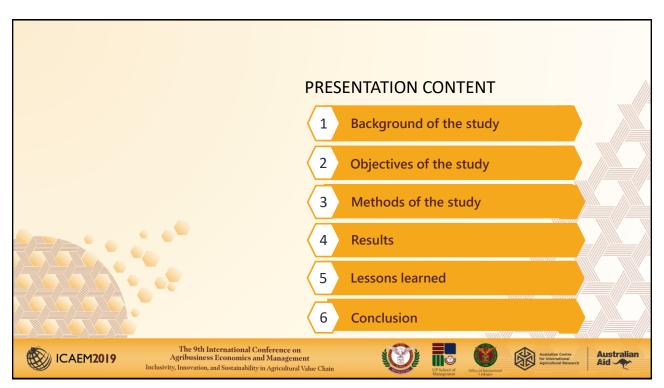
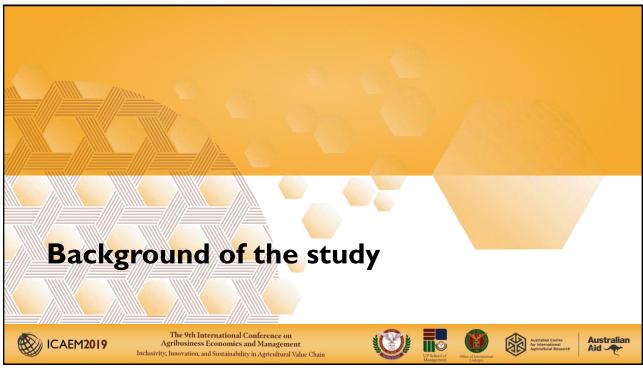
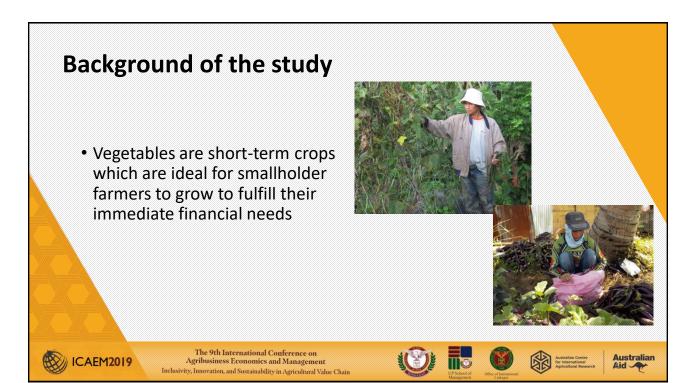


Inclusivity, Innovation, and Sustainability in Agricultural Value Chain

ICAEM2019









## Background of the study

 Many studies have reported that access to credit plays an important role in agricultural development and rural development





The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











7

## Background of the study

- Following the success of microcredit to poor provided by Grameen Bank in Bangladesh, microfinance is replicated and widely promoted in developing countries to reduce poverty incidence
- Microfinance services range from loans, deposits, and insurances which are catered and tailored to low-income individuals or groups















## Objectives of the study

- To describe the financing scheme adopted by smallholder farmers in vegetable production in Barangay Marilog, Davao City
- To document the outcomes and issues from accessing microfinance credit by a group of smallholder vegetable farmers and draw lessons from their experiences to help improve delivery of microfinance services to farming communities



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain



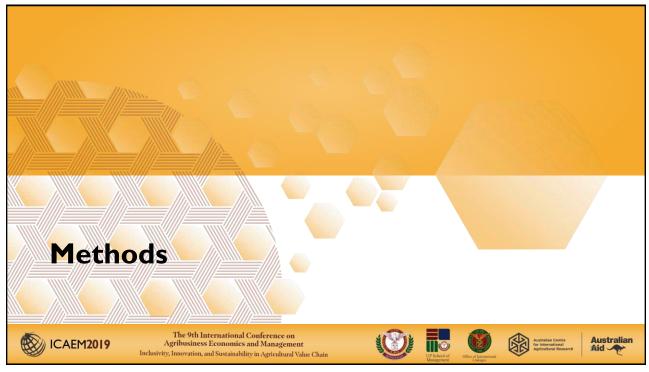








Q





- Barangay Marilog is one of the main production areas of vegetable in Davao City
- Barangay Marilog has 46 sitios
- A vegetable farmer group named Sabang Association of Farmer Entrepreneurs is located in Sitio Upper New Sabang



ICAEM2019

The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











11

# **Data analysis**

 A case study approach was employed in documenting the experiences of smallholder farmers with information collected from household survey, farming systems survey, focus group discussions, trip reports, and field visits



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain

















- Sabang Association of Farmer Entrepreneurs (SAFE) is composed of 24 vegetable farmers (12 females, 12 males)
- Vegetables commonly grown are cucumber, pechay, string beans, Kentucky beans
- Most (67%) of the farmers rely on rainfall for farm irrigation







The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











# Profile of Farmer Association

- Farmers have an average of one hectare of land of which only 0.055 ha (550 sq.m.) are planted to vegetables and rely mostly on family labour
- Most of the farmers (65%) own the land that they till
- · Average age of farmers is 40 years old
- · Average years of education is 8 years
- With limited assets and resources to perform activities to improve their vegetable production







The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











15

#### Informal sources of credit

**Trader-financier** appeared to be an important source of credit of the vegetable farmers

- The local traders finance the farm inputs which are given to the farmers in-kind
- The local traders also provide cash to farmers who need immediate cash provided that they have established a good track record
- Farmers are required to sell all their produce to the trader-financier which the latter buys all-in













#### Informal sources of credit

- Sosyohay
  - money pooled through contributions from residents of the Sitio to be utilized for fiesta celebration
  - the contributions are pooled and are made available for loan at a an interest rate of 10%, compounded monthly
- Other sources include relatives, friends, neighbors, and moneylenders



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











17

### Linkage with a Microfinance Institution

- -offers a range of financial services such as business loan, agricultural loan, micro-insurance, and savings
- -the loan size of SAFE members in the first three cycles ranges from PhP8,000 to PhP14,000
- -almost all members of the association (95.8%) availed credit and other microfinance services
- -loan repayment term: within six-month period at an interest rate of 2% per month







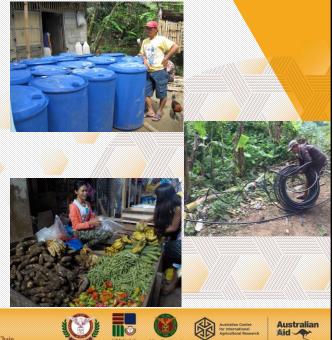








Through their loan, farmers were able to acquire drums, hoses, tapped spring water for farm irrigation, and access market retail space for direct marketing of vegetables and other agricultural produce



ICAEM2019

The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain









19

#### Linkage with a Microfinance Institution

-in the first three loan cycles, the farmers were able to pay their loan within the repayment period

-due to good repayment performance of the farmers, the MFI increased the loanable amount

-in the succeeding loan cycle of farmers, amount of loan ranges from PhP30,000 to PhP50,000





The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain



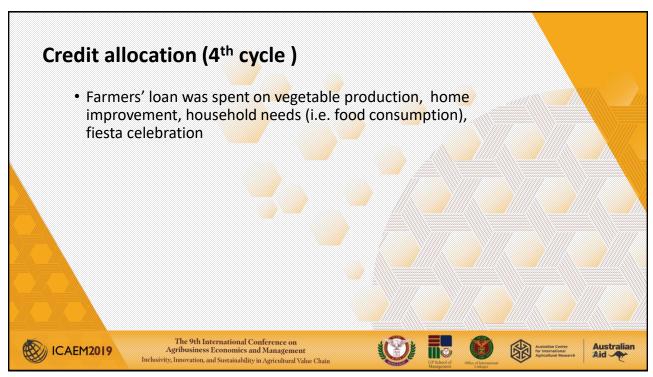


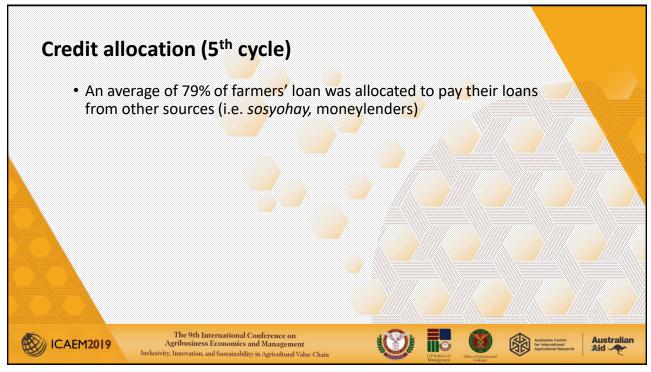


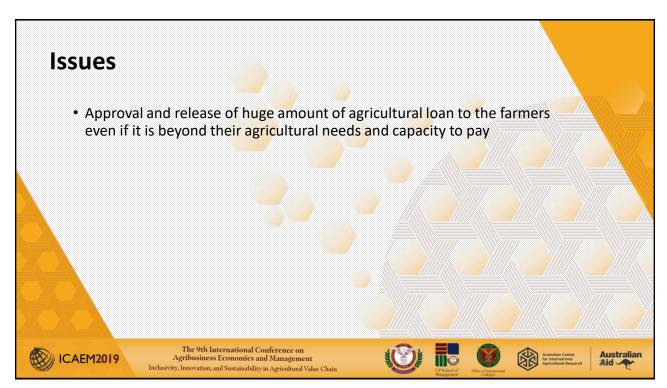


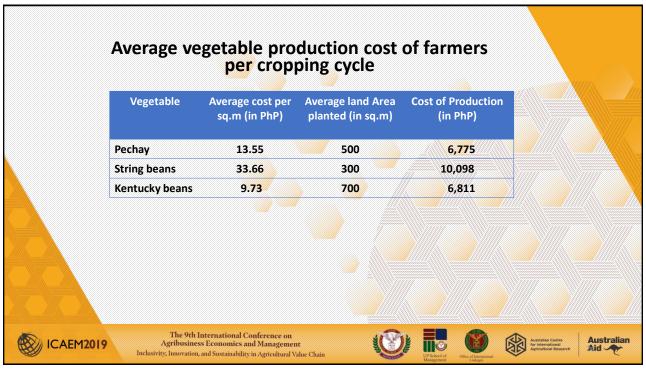














- Approval and release of huge amount of agricultural loan to the families even if it is beyond their agricultural needs and capacity to pay
- Absence of credit investigation and lack of regular monitoring to farmers
- Vegetable production comes along with higher risk due to climatic conditions and volatile markets



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain









Australian

25

## **Outcome**

- Farmers had experienced difficulty in repaying their debts
  - -a loan extension was granted by the microfinance institution allowing debt repayment period to be extended



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











Australian

#### **Lessons learned**

- There is a need to understand the various aspect including farm activities, agricultural crop cycle, pattern of risks and risk-coping mechanisms used by farmers
- Credit services should be tailored according to the need of the farming communities and to deal with complexities (e.g. repayment term —case of MFI Y which requires its borrowers to pay loan amortization starting one week after the loan is released)
- The optimal loanable amount for agricultural loan must be within the needs and capacity of farmers. A simple and realistic business farm plan as one of the requirements in loan application would be essential to assess the borrowing needs of the farmers and their repayment ability



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











27

### Lessons learned

- Credit investigation, regular monitoring, financial literacy to borrowers are pre-requisites in order to have an effective delivery of credit services to farming communities
- Repayment capacity assessment should be done at each loan cycle with cross checking and validation of farm business plan
- Credit policy and agreements should be translated to local dialect













#### **Conclusion**

- Based on the credit allocation of farmers it can be deduced that they borrow beyond the amount of capital they need in their vegetable farms
- Access to credit is not enough to achieve agricultural productivity, thus it must be
  coupled with social preparation through financial literacy and community
  meetings and consultations to bring to fore and validate their issues and needs
  and to design credit scheme tailored to the
  farming community



The 9th International Conference on Agribusiness Economics and Management Inclusivity, Innovation, and Sustainability in Agricultural Value Chain











29

