

El Salvador

P4P Country Programme Profile

P4P Strategy

El Salvador's smallholder farmers face a familiar set of barriers to market access: few options for marketing their produce, limited financial capacity to invest in productivity-enhancing inputs, and a lack of technical knowledge regarding the use of inputs. Furthermore, smallholder farmers' organizations generally lack the financial, infrastructure, or management capacity to effectively help members aggregate commodities, add value, and access markets. El Salvador's P4P programme identified access to credit as the principle constraint to improving farmers' productivity and the capacity of farmers' organizations to aggregate and market members' commodities. Access to production credit, combined with technical assistance, will help farmers obtain and effectively utilize inputs. Access to investment and marketing credit will help farmers' organizations invest in processing and storage infrastructure and buy commodities from members. The programme supports access to credit directly by establishing organization-managed revolving funds and indirectly by advocating for increased government and private sector involvement in agricultural financing. To improve prospects for sustainability, the programme aims to link participating farmers' organizations to institutional markets (e.g., schools, hospitals, etc.).

The following sections summarize salient elements of El Salvador's strategy as they apply to the four key activity areas of P4P – productivity, group marketing, market development, and policy environment. Table 1 concisely summarizes key points of the strategy and extends it into areas of specific procurement strategies, gender, targets for farmers and procurement, alignment with the national agenda, and risks.

Smallholder Productivity

El Salvador's Country Implementation Plan identifies limited and inappropriate use of inputs as a key factor constraining smallholder productivity, limited access to credit as the primary barrier to accessing inputs, and ineffective extension services as a cause of inappropriate input use. To address these constraints El Salvador's P4P programme works with its partners to develop crop- and region-specific input packages (seed, fertilizer, pesticides, and technical assistance), improve the capacity of the extension service to train farmers in the appropriate use of the packages, and facilitate access to credit to finance purchase of the packages.

Group Marketing (Farmer Organizations)

Farmer organizations in El Salvador generally have weak marketing skills because they historically focused on input provision rather than marketing. Consequently, many lack the infrastructure for cleaning or storing commodities. Limited access to credit to finance the purchase of commodities from members or for capital investments constrains organizations' ability to address these issues. El Salvador's P4P programme works with a number of partners to improve the capacities of farmer organizations to effectively aggregate and market members' commodities. Activities include training to improve organizations' management and business

skills, investments and training to improve smallholders' processing (e.g., cleaning, sorting, polishing, shelling) and storage infrastructure and post harvest handling practices, training organizations to improve quality control and procurement skills, and facilitating organizations' access to credit for working capital and investment.

Market Development

El Salvador's rigid market structure limits market access for smallholders and farmer organizations. Individual farmers, as well as many organizations, sell almost exclusively to first-level aggregators/transporters that largely control market access at this level. Farmer organizations that have developed some capacity to produce and market quality commodities have sold directly to retail outlets (e.g., vegetables and fruit to HortiFruti) but have, so far, failed to establish many substantial market opportunities outside of WFP for staple foods. For its part, WFP is the buyer of supplies for the National School Feeding Program (SNF) and is using P4P farmer organizations to provide these commodities. It also looks to link farmer organizations to other institutional markets (e.g., hospitals, army, and other government institutions).

Policy Environment

El Salvador's Agricultural Development Bank (ADB) provides credit to farmers to purchase inputs. However, the term of the credit is not sufficient to bridge the gap between planting and harvest. WFP is working with ADB to develop credit products more appropriate to the agricultural production cycle.

Table 1. Strategy Summary

	Smallholder productivity	Profitable market access		
		Group marketing	Market development	Policy environment
<p>1. Describe the current situation in your country with regard to each of the following.</p>	<p>Low productivity due to:</p> <ul style="list-style-type: none"> • limited knowledge of production practices, • limited use of inputs, • limited access to credit, • small landholdings limit economies of scale and increase cost of production, and • low prices provide little incentive to invest in production. 	<p>FOs have limited capacity for marketing due to:</p> <ul style="list-style-type: none"> • limited organizational management skills and education/literacy of FO officers, • perception of corruption due to past poor management, • limited access to working capital, and • limited storage and processing capacity. 	<ul style="list-style-type: none"> • FOs lack skills & infrastructure to achieve quality and understanding of market demands for quality. • Few large buyers (agro-industrial oligopsony). • Trading channels controlled by a limited number of merchants. • High cost and low quality of transportation limit access to markets. • Need for cash to pay input debt restricts farmers to sellers who can pay cash or offer credit. 	<ul style="list-style-type: none"> • Five year plan prioritizes smallholder profitability and production of staple grains with focus on access to inputs, technical assistance, and credit. • Little coordination among donors and institutions working in agriculture. • Lending policies of the Agriculture Development Bank (ADB) do not meet the needs of smallholder farmers.
<p>2. What is required to improve the current situation?</p>	<ul style="list-style-type: none"> • Increase smallholder production. • Improve smallholders' access to credit to improve access to inputs. 	<ul style="list-style-type: none"> • Improve FOs' organizational management and business skills. • Develop relationships with other organizations to obtain lower cost credit. • Improve storage and processing capacity. 	<ul style="list-style-type: none"> • Develop contacts with other FOs to aggregate larger quantities and thus access more markets. • Provide TA to improve FO processing and storage practices. • Improve access to processing and storage infrastructure. 	<ul style="list-style-type: none"> • Increase coordination among institutions and donors working on staple grain production and marketing chains. • Develop credit products (ADB) more appropriate to smallholder farmers' situation and needs.
<p>3. What is your P4P programme doing to address these issues, which partners are you working with on each issue, and what impact do you expect from these activities?</p>	<ul style="list-style-type: none"> • Develop more appropriate credit products for smallholders (ADB, input suppliers) • Increase capacity of extension workers and support more direct engagement with FOs (CENTA). 	<ul style="list-style-type: none"> • Assess FO training needs and find partners to address needs. • Improve FOs' management and business skills (Chamber of Commerce of El Salvador. • Provide training in quality control and procurement (CENPOSCO). 	<ul style="list-style-type: none"> • Improve access to working capital for processing and storage facilities (financial institutions/organizations). • Co-invest in storage facilities and processing capacity (World Vision, Caritas). • Provide TA on post harvest handling ((CENPOSCO). 	<ul style="list-style-type: none"> • Improve coordination between institutions and donors working in agriculture (MAG, CENTA, (MINED, MIINEC, NGOs and UN System).

4. Who will you buy from and why have you chosen to buy from them?	Focus on primary producer associations because assessment identified production as the weakest link in the production-marketing chain and this level provides the greatest opportunity to strengthen production. Will begin to work with second tier associations as we develop mechanisms to strengthen them and create a link to first tier capacity building.
5. How will you buy (i.e., modalities) and why have you chosen to buy in this way?	Engage first with direct contracts to build capacity to aggregate, increase quality, set prices, and compete in tenders. Move to soft tenders in second and third year and competitive tenders in fourth year of engagement.
6. How does your programme address the specific needs of female smallholder farmers?	<ul style="list-style-type: none"> • Strengthening the organizations so they can increase their female membership and can change their procedures to ensure gender equity in training and in adopting new technology. • Developing FO needs assessment and a plan specifically focused on improving gender equity. • Identifying and recruiting female-headed households to become new members.
7. What are your targets for farmer and tonnage? <ul style="list-style-type: none"> • How many farmers do you expect to have increase incomes? • What quantity of crops do you expect to purchase? • Are these figures consistent with income targets and providing incentives for increased production? 	<ul style="list-style-type: none"> • 8,000 small producers in 20 associations. • 8,000 MT of beans and maize in a 4 year period. • This implies purchasing one-quarter MT per household per year, a quantity consistent with providing an incentive to invest in production.
8. What is your programme's strategy for promoting smallholder agricultural development through markets and how does your approach to procurement and partnerships contribute to sustainable and profitable smallholder engagement in markets beyond P4P?	El Salvador's smallholder farmers face a familiar set of barriers to market access: few options for marketing their produce, limited financial capacity to invest in productivity-enhancing inputs, and a lack of technical knowledge regarding the use of inputs. Furthermore, smallholder farmers' organizations generally lack the financial, infrastructure, or management capacity to effectively help members aggregate commodities, add value, and access markets. El Salvador's P4P programme identified access to credit as the principle constraint to improving farmers' productivity and the capacity of farmers' organizations to aggregate and market members' commodities. Access to production credit, combined with technical assistance, will help farmers obtain and effectively utilize inputs. Access to investment and marketing credit will help farmers' organizations invest in processing and storage infrastructure and buy commodities from members. The programme supports access to credit directly by establishing organization-managed revolving funds and indirectly by advocating for increased government and private sector involvement in agricultural financing. To improve prospects for sustainability, the programme aims to link participating farmers' organizations to institutional markets (e.g., schools, hospitals, etc.).
9. How is your strategy aligned with the national agenda?	The new five year government plan includes a strategy for productive development that aims to strengthening the chain of production particularly the connection to markets, and to involve the different institutional stakeholders in the effort. Thus P4P is being considered as a model to apply in their Productive Development Program.
10. What are the main risks and challenges your programme faces in achieving its objectives and how do you expect to address them?	<ul style="list-style-type: none"> • Not achieving the changes in cultural attitudes in farmers required to adopt new practices. • Input prices increase while market prices remain stable. • The School Feeding Trust Fund continues to be managed by WFP in order to continue purchasing.

Baseline Data Collection and Impact Assessment Strategy

In the first (pilot) year of its programme El Salvador collected baseline data from all of the 13 farmer organizations that were participating in P4P. It also identified 15 non-participating organizations to serve as a comparison group and collected data from a sample of 7 that agreed to participate in the baseline. Table 2 summarizes the approach to selecting samples of P4P and non-P4P (i.e., comparison group) farmer organizations and farmer members.

Table 2. Sampling Approach

	P4P organizations	Non-P4P organizations
Number of organizations in sampling frame	13	15
Sampling frame selection	Legally registered, focused on production of maize and beans, willing to work with P4P	Legally registered, focused on production of maize and beans, geographic proximity to P4P organizations, agro-ecological conditions similar to P4P areas.
Location	Located in 7 departments	Located in 5 departments (4 of which contain P4P organizations)
Number of organizations in sample	13	7
Organization sample selection	Did not sample participating organizations – collected data from all	The sample consists of the 7 out of 15 organizations in the sampling frame that agreed to participate in the survey.
Total number of members (smallholder sampling frame)	2,365 - (65% men, 35% women)	722 - (62% men, 38% women)
Size of member sample	350 - (67% men, 33% women)	308 - (60% men, 40% women)
Farmer sample selection	Randomly selected from organization membership lists	Randomly selected from organization membership lists

Characteristics of Farmer Organizations

Farmer organizations participating in P4P focus more on marketing and less on providing inputs than do non-P4P organizations. Only one of each type of organization reported selling commodities in the baseline year which makes it impossible to say with any degree of precision whether the organizations are different in marketing activity. P4P organizations were also able to aggregate larger quantities of staple commodities from their members and sell to different types of buyers although these results are also affected by the limited number of observations. In summary:

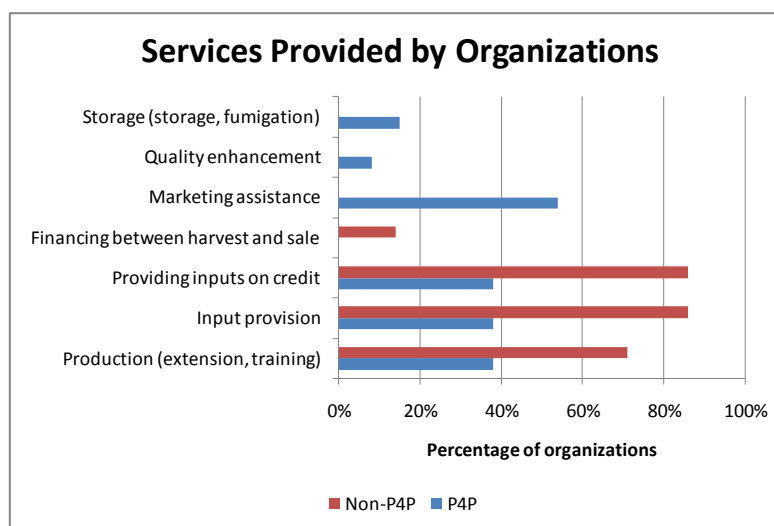
- P4P organizations are significantly larger and less mature (fewer years since they were established) than the non-P4P organizations. Their larger size may mean that the P4P groups have a greater capacity to aggregate marketable quantities of commodities. The greater maturity of the non-P4P groups may explain their greater access to conventional (i.e., cash) credit and their greater ability to provide inputs on credit (Figure 1).

Table 3. Characteristics of Farmer Organizations

	P4P organizations (N=13)		Non-P4P organizations (N=7)	
General Characteristics				
Mean and median number of organization members	182 / 150		103 / 83	
Mean and median age of organization (years since established)	5.3 / 3		15.3 / 9	
Capacity				
Percentage with access to credit (applied for and received a cash loan)	31%		43%	
Percentage with staff trained in organizational management	92%		100%	
Percentage with members trained in production practices	92%		86%	
Percentage with production and/or marketing plans	38%		14%	
Percentage with access to storage facilities	15%		0%	
Mean and median maximum single sale size (mt) ^b	68/68		15/15	
Marketing				
Number and percentage of organizations that directly market their members' staple commodities	1/8%		1/14%	
Number and percentage of organizations with sales in past two years	1/8%		1/14%	
Mean and median (over organizations that market) quantity (mt) collected and sold	N	Value	N	Value
Maize	1/8%	114/114	1/14%	7/7
Sorghum	1/8%	18/18	1/14%	5/5
Average percentage of total sales (quantity) by buyer ^b				
Traders/warehouse operators/food suppliers	1/8%	100%	0/0%	0%
Households/ individuals	0/0%	0%	1/14% ^a	0%
Retail stores	0/0%	0%	1/14% ^a	0%
a. One non-P4P organization reported selling maize to households and sorghum, cassava, beans, and sesame to a retail store but did not report quantities because they are not WFP food basket items (except for beans).				
b. Excludes one sale of maize to WFP that occurred under P4P but before baseline data collection.				

- Both types of organizations are weak in marketing with only one of each directly marketing its members' commodities. They have similar percentages of staff and members, respectively, trained in organizational management (i.e., record keeping, financial management, group management, setting prices, or business planning) and agricultural production practices (i.e., post harvest handling, conservation farming, or productivity-enhancing agricultural practices).
- P4P organizations are more likely to engage in planning for production and marketing (a key indicator of organizational capacity).
- The one P4P organization that aggregated and sold members' commodities aggregated a substantially greater quantity of maize, beans, and sorghum than did the one non-P4P organization that marketed commodities. This result excludes the one large sale of maize to WFP that occurred before the baseline data collection.¹
- The two types of organizations also have different markets. The P4P organization that markets commodities sold exclusively to traders, warehouse operators, or food suppliers while the non-P4P organization sold to individuals (maize) and to retail stores (sorghum, cassava, beans, sesame).
- P4P organizations are less likely than non-participating organizations to offer production services and inputs and more likely to offer marketing, quality enhancement, and storage services (Figure 1). However, at the time of the baseline, few of either type of organization offered quality enhancement or storage services to their members.

Figure 1. Services Provided by Organizations



¹ The one non-P4P organization that sold commodities reported selling maize, sorghum, cassava, beans, and sesame but did not report quantities.

Characteristics of Farmers

Participating and non-participating farmers are fairly similar in terms of agricultural practices – they cultivate close to the same amount of land and grow the same crops. However, P4P farmers produce more and seem more focused on beans (a cash crop) than do non-P4P farmers. Table 4 summarizes some characteristics of both strata.

- P4P farmers cultivate a bit more land than non-P4P farmers on average.
- P4P farmers produce substantially more maize and beans than do non-P4P farmers. They also sell a substantially larger percentage of the beans they produce.
- About the same proportion of P4P and non-P4P farmers produce and sell maize and sorghum. However, P4P farmers are almost twice as likely as non-P4P farmers to produce and sell beans (Figure 2).
- Neither P4P nor non-P4P farmers sell a large proportion of what they do sell through their farmer organization. However, P4P farmers sell a somewhat larger share through their organization than do non-P4P farmers. And, while both types of farmer sell about half of their surpluses within four weeks of harvest, P4P farmers are somewhat more likely to sell any of the major staples at a later date (Figure 3).

Table 4. Characteristics of Farmers

Characteristic	P4P (N=350)		Non-P4P (N=308)	
	N	Value	N	Value
Agricultural Production and Sales				
Mean and median area cultivated (ha)	2.13/1.05		1.95/0.96	
Average production of crops (mt)				
Maize	345 / 98%	3.05	305 / 99%	2.44
Beans	290 / 83%	0.60	135 / 44%	0.34
Sorghum	78 / 22%	0.91	78 / 25%	0.94
Average percentage of harvested quantity sold ^a				
Maize	345 / 98%	33%	304 / 99%	39%
Beans	291 / 82%	32%	139 / 43%	18%
Sorghum	76 / 22%	26%	75 / 24%	31%
Household Characteristics				
Mean and median family size	5.9/6		5.4/5	
Average age of household head	50		50	
Sex of household head	85% male, 15% female		85% male, 15% female	
Average annual expenditure	2,860 dollars		2,362 dollars	
Average per capita annual expenditure	485 dollars		437 dollars	
Median educational attainment of household head	Did not complete primary school		Did not complete primary school	
Median educational attainment of spouse of household head	Did not complete primary school		No education	
a. Results reflect only those respondents who reported selling some of the crop.				

- P4P farmers seem somewhat better off than non-P4P farmers (a result consistent with a greater focus on cash crops). P4P farmers have slightly larger families, spend somewhat more (even on a per capita basis) and the spouse of the household head is more educated than non-P4P farmers.

Figure 2. Household Production and Sales

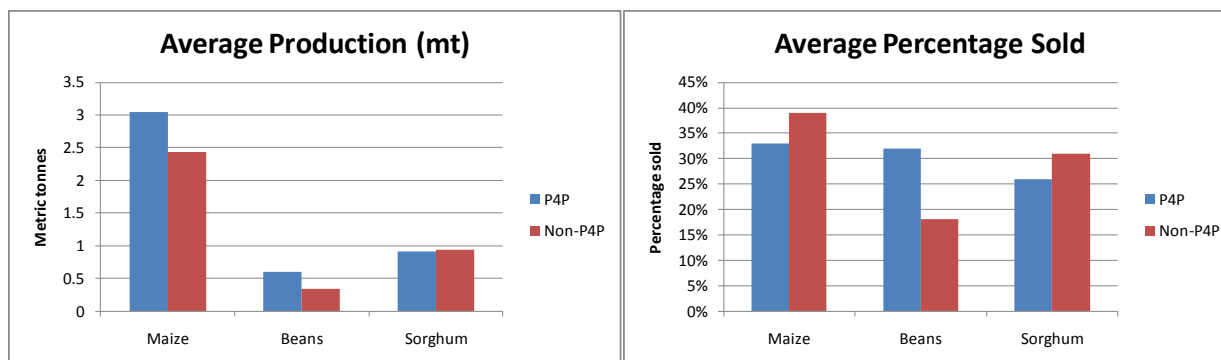
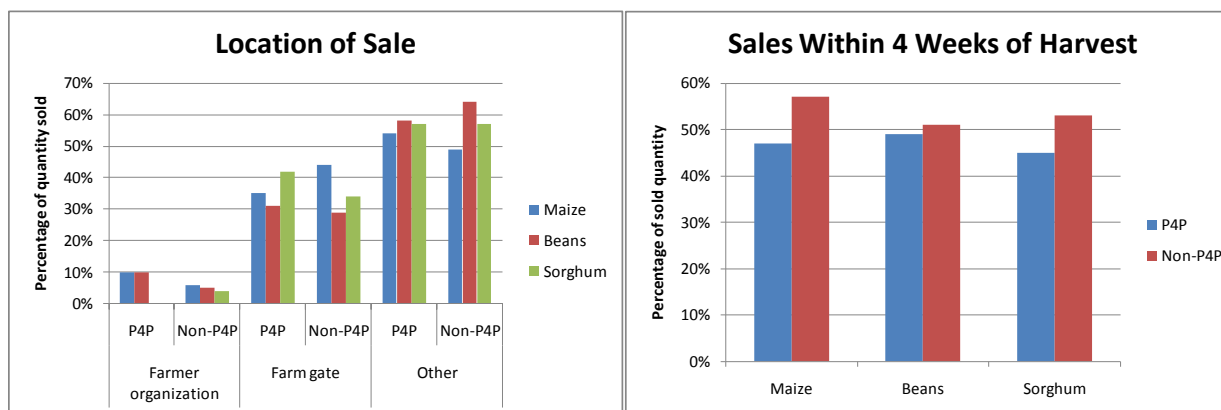


Figure 3. Location and Timing of Sales of Commodities



Data Collection Notes

To improve respondents' recall of critical agricultural production and income data, country offices should administer the surveys as soon as possible after the end of the main harvest and marketing season. Therefore, El Salvador should have collected baseline data in April of 2009 for the season ending in February. However, it did not begin collecting data until October, 2009. The surveys administered to smallholder farmers asked about the correct season (i.e., the harvest season ending in February, 2009) but with a long recall period. Data from farmer organizations (e.g., training and sales), however, may reflect some engagement with P4P.