



## Increasing Exports through Contract Farming

In Egypt, an IFAD-sponsored project helps farmers and their associations enter into contractual arrangements with private-sector companies, which enables them to increase their export of food crops.

During the 1990s, Egypt was a major importer of food, importing between US\$2 and 4 billion of food each year. In order to assist the country in adjusting its food balance of trade and enhancing its food security, IFAD – spurred by the Rome Millennium Initiative – launched the West Noubaria Rural Development Project. A particularly successful element of this project was the Marketing Operations Support component, which aimed to exploit marketing opportunities in neighbouring and European countries by helping farmers to link with private-sector exporters and agro-processors in relevant marketing chains. Project assistance consisted of conducting applied research, offering training on market-oriented approaches to farming, facilitating access to market information, establishing Farmers Marketing Associations (FMAs), drafting contractual farming arrangements and providing demand-driven credit to purchase trucks and rent market outlets.

**Country:**  
Egypt

**Direct Beneficiaries:**  
Small farmers, small and medium enterprises

**Results:**

- A number of contracts have been signed between producers/FMAs and export and processing companies to sell potatoes, artichokes, tomatoes, peppers, beans, peaches, apricots, grapes and peanuts.
- With respect to organic potatoes, since 2003 a cumulative total of 25,222 tons produced on 3,123 feddans (1,312 hectares) by 931 farmers has been exported; in 2008, the Agro Food export company signed a contract for organic potatoes produced on 1,325 feddans (556 hectares) by 323 farmers.

**Main Lessons:**

- Field staff, farmers and agro-processors alike should understand how a free market functions, the characteristics of agricultural marketing and their implications for farming-related investment decisions, and how producers can take responsibility for marketing decisions.
- The smallholders who have benefited from supplying the global value chains of high-value horticulture produce are those that are vertically integrated with agri-businesses or are organized into FMAs for collective strength.



**BASIC INFO**

**Sources:**

*West Noubaria Rural Development Project – Appraisal Report (IFAD, 2002) and Mid Term Review Report (IFAD, 2007)*  
*Egypt: Smallholder contract farming for high-value and organic agricultural exports (IFAD, 2008)*

**Project Name:**

West Noubaria Rural Development Project

**Project Starting Date:**

2003

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**WEB PAGES**

**IFAD operations in NENA and CEN:**

<http://www.ifad.org/operations/projects/regions/pn/index.htm>

**IFAD learning notes:**

<http://www.ifad.org/rural/learningnotes/index.htm>

**IFAD case studies:**

<http://rpr.ifad.org/node/244> (username and password: "guest")

### The Rome Millennium Initiative

In late 1998, the Mayor of the City of Rome indicated to the heads of the three Rome-based UN food and agriculture agencies (FAO, IFAD, and WFP) that the city wished, as part of Rome's celebration of the Jubilee, to involve the agencies and the Italian government in a joint programme that would benefit poor families in developing countries. Subsequently, an inter-agency working group under the leadership of IFAD was created, and a series of meetings between the group and the Italian Ministry of Foreign Affairs took place.

The outcome has been a decision by the Italian government to consider cancelling all or part of its debt in a number of middle-income indebted countries. In return, the local equivalent of the cancelled debt would be used to support initiatives aimed at reducing rural poverty and improving food security through projects designed and implemented with the involvement of the Rome-based agencies. When the President of Egypt made an official visit to Rome in February 2001, he signed the agreement.

Following discussions between the government of Egypt and IFAD, FAO and WFP, the West Noubaria Rural Development Project was identified as one of the projects to benefit from the Debt Swap arrangement.

### Lens on Marketing Operations Support

The project, approved in April 2002, comprised five components: Community Organization and Development; Technical Operations; Marketing Operations Support; Credit Facilitation & Enterprise Development; and Project Management.

The Marketing Operations Support component was designed to help farmers link with private-sector partners in relevant marketing chains by:

- 1) increasing their awareness of and access to market information among the

- 2) improving the monitoring and use of market information;
- 3) training field staff and farmers in the importance of responding to market requirements in order to maximize benefits from their production activities; and
- 4) setting up FMAs.

Marketing information services have been supported to ensure that up-to-date market price information is available, properly analysed and disseminated so that farmers can use the information to refine their planting, production and marketing decisions. Funds have also been made available to commission marketing strategy studies and market research geared toward identifying niche and new markets.

Training on subjects such as marketing was first focused on field staff in order to orient them towards a more market-oriented approach to farming. Field staff then passed their knowledge on to extension workers and the farming community.

### Power in Numbers: Farmers Marketing Associations

A key element of the project is the assistance it has provided to farmers in forming and strengthening FMAs. The project has helped establish six FMAs in Bangar Al Sokar, El-Bustan, El-Hamam, Entelak, Tiba and West Noubaria. Total membership in the six associations is 12,438 people. Members of the FMAs have received training on such subjects as negotiations for marketing agricultural produce and the benefits of producing organic crops.

FMAs have enhanced the farmers' ability to benefit from economies of scale and better bargaining power with traders. They are also the focal point for establishing business relationships and developing contracts with export and processing companies.

### Signed Contracts: the Farmer-Private Sector Link

The project has been particularly successful in creating direct linkages

between poor rural farmers and the private sector, as demonstrated by the list of contracts signed so far:

- Kenana Company – for export to Italy of sweet peppers and sun-dried tomatoes, 30 feddans for 15 farmers (seeds/seedlings provided by Kenana).
- Kenana and Sekam Companies – for the purchase of all artichokes produced in Bangar Al Sokar, Hammam, Tiba and West Noubaria, covering an area of 1,872 feddans (the Bangar Al Sokar Zone Marketing Association was the sole mediator between the companies and the farmers).
- Heinz Company – for sun-dried tomatoes of 300 farmers from 1,200 feddans (tomato seedlings provided by Heinz).
- El Maghraby Company – for export to Europe of 80 tons of table grapes, Superior and Thomson varieties.
- Almaghrabi Export Company – for export to Europe of raisins produced by three farmers with 8 feddans.
- Hero and Cairo Food Companies – for the processing of 157 tons of apricots and 54 tons of peaches, respectively.
- Radwan Brothers Company – for export to Syria of 300 tons of green beans.
- Arnaut Company – for export to Switzerland of peanuts of 80 farmers from 300 feddans.
- Agro Food, Alex Jet, El-Almia, Elshimaa, Agroland and AgroAlex Companies – for export of organic potatoes produced by 323 farmers on 1,325 feddans.

### NOTES

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