Access to Market and Outcomes: Experience of the Extreme Poor

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1. Background

There is growing evidence that poor producers benefit from market-led income generating intervention (Magingxa and Kamara 2003). For this reason, the role of market-led income generating activities in combating poverty has attracted significant interest both from international development organizations and poor communities themselves. Theoretically at least, it is claimed that market engagement has the potential to broaden income opportunities and to improve livelihoods (IFAD, 2003) . However, in many developing countries like Bangladesh, those who live in poverty and extreme poverty are unable to participate in market activities because basic supporting institutions are missing (Mair and Marti 2007) and because the wider political economy conditions do not favour the poorest. It is therefore important to step away from abstract assumptions and look in detail at how improved access to markets can actually lead to poverty reduction. This is the driving focus of this paper.

In the absence of significant improvements in market access for poor people in rural Bangladesh, sustainable development cannot be achieved and extreme poverty cannot be reduced. Those who are concerned with supporting the development of the extreme poor have realized the importance of improving their access to markets. The main objective is to find a profitable outlet for the products of rural workers. The question of market access can be looked at in three dimensions: physical access to markets (distances, costs, etc.), the structure of the markets (relations between producers, market intermediaries and consumers), and producers’ skills, information and organization (i.e. their understanding of markets, prices, trading and so forth) (Magingxa et al, 2009).

Access to markets is one of the most important determinants of emerging producers’ success. Without effective marketing for their products and inputs, producers have no incentive to increase or expand production. The process of supporting poor producers should thus not be viewed in a narrow sense of only providing skill training and grants, but in a broader sense that includes engaging with the wider political economy context of markets (Magingxa et al, 2009).

Extreme poor rural producers are involved largely in agriculture, fishing, poultry, livestock, forestry, and small-scale production. It is important in the context of talking about markets to distinguish between poor and extreme poor as the conditions of the latter and the terms under which they can engage with the market are qualitatively different. In his book The End of Poverty, Jeremy Sachs explains:
"As a matter of definition, it is useful to distinguish between three degrees of poverty: extreme (or absolute) poverty, moderate poverty, and relative poverty. Extreme poverty means that households cannot meet basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities of safe drinking water and sanitation, cannot afford education for some or all of the children, and perhaps lack rudimentary shelter—a roof to keep the rain out of the hut, a chimney to remove the smoke from the cook stove—and basic articles of clothing, such as shoes. Unlike moderate and relative poverty, extreme poverty occurs only in developing countries”.

The objective of the present study is to investigate factors that influence market access for extreme poor producers in Bangladesh. The paper is intended to contribute to the body of knowledge about extreme poor producers and fill in knowledge gaps that may exist to inform policy decisions. The study was conducted across SHIREE intervention areas in four northern districts of Bangladesh i.e. Rangpur, Gaibandha, Nilphamari and Lalmonirhat. This paper provides a detailed account of output market access in the interventions studied and complements previous studies on market access.

The literature on market access emphasizes the pervasive imperfection of markets in the developing world (Janvry et al. 1991). The opportunity for extreme poor producers to increase their incomes depends on their ability to compete in the market; yet there are many failures and obstacles in rural markets that make it difficult for them to achieve upward mobility. Extreme poor producers often lack market information, price and technology skills; have few connections to established market actors: struggle to meet buyers’ quality control requirements: and are seldom able to provide standardized products on a regular basis (Markelova, 2009). In addition, distortions or absence of input and output markets, and credit constraints often make it difficult for extreme poor producers to benefit from market opportunities (ibid). Most smallholders in the plain land of Bangladesh for example now enjoy reasonably good physical access to markets because of significantly improved infrastructural developments. However they face many other barriers related to institutional factors which impact upon their access to markets.

It is widely recognized that donors, local and international NGOs and governments play important roles in stimulating the emergence and development of economically viable and self-sustaining producer groups (Shiferaw et al, 2011). As in other developing countries, in Bangladesh there are many international and local NGOs such as Katalyst, Char Livelihood Projects, International Development Enterprise, Practical Action, Care Bangladesh, Save the Children, Oxfam GB, BRAC, and others who support initiatives with the explicit aim of ensuring markets work for the poorest. The typical modality of support is to help producers respond to new market challenges and opportunities.

At one level, extreme poverty is an immense political and economic failure, as it effectively ignores the potential of millions of people (von Braun, 2010). Investing in market led livelihood intervention that include the extreme poor and marginalized should thus not be considered a charitable activity, but an investment that can produce high returns in financial and humanitarian terms (Heike Baumüller, 2011).
2. Methodology

Primary and secondary data was used for this study. First, we conducted a literature review to assess the issues that smallholder farmers in Bangladesh face in accessing markets. We conducted a thematic assessment of the issues, beginning with the production for market through to the actual market engagement. Secondly, primary data was collected in northern Bangladesh from rural smallholder farmers who are beneficiaries of programmes facilitated by EEP Shiree and implemented by different NGOs. We employed qualitative tools to collect data such as focus group discussions, key informant interviews, participant observation, life histories and Reflection on Intervention (ROI) from two international NGOs operating in the North West of the country1. Four focus group discussions were held with a total of 28 participants between October and November 2014. The data was then analysed using coding techniques and in light of findings from the literature review. The comparison showed that most of the key issues raised in this study were similar to those identified in the literature review.

3. Results

3.1: Key Production and marketing constraints faced by these smallholders

In this study, we attempt to shed some light on the diverse factors that affect access to local markets for small-scale producers where they procure inputs and farm services or sell their products.

We found farmers, collectors, local and regional traders and regional retailers were the main market agents operating in the areas of our research. The role of farmers is largely restricted to production. Collectors, traders and retailers, to different degrees, were engaged in sorting, grading, storage and transportation of products. We observed that at the producer level, poor roads and market infrastructure as well as inefficient and ineffective market management, meant that many producers were not interested in selling their products at the market. They were far more comfortable selling their products (especially unpreserved products) at their doorstep, and they claimed that this involved much less bargaining and negotiation with traders. One of the beneficiaries told us during the FGD:

'We do not produce much and we cannot supply our goods to big cities. We do not have our own truck to carry products to city markets. Some middlemen come to us and buy our goods. If the goods are unsold, we sell them to our neighbour or at the roadside small market.' (Shahjahan, age 37, Nilphamari district)

Ironically by coming to the doorsteps of extreme poor producers, the ‘middlemen’ also provided important marketing services and knowledge to the extreme poor producers. Interviews with the project staff and discussion with beneficiaries revealed that the extreme poor producers sometimes failed to meet some of their supply obligations and

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1 Life Histories and Reflections on Interventions are two data collecting tools devised by the Shiree team under its Change Monitoring System. For more details see www.shiree.org
this meant they built a reputation for not being reliable. This was also mentioned by the producers who indicated that the demand for their goods from both the formal and the informal markets was so high that they were not always able to meet demand for certain types of goods. Some of the reasons cited for failing to deliver are related to production, i.e. the producers were not able to produce the quantities needed because they were not able to access raw materials from input markets or because they lacked cash capital. One small poultry producer stated in a FGD:

‘In our village you’ll not find any big poultry firm. But during wedding seasons or busy seasons for ceremonies, demand for poultry is much higher. The buyers come to us but small producers like us can not meet their demand. The consequence of this is that in the future, buyers will not come to us at all. Although this is not common scenario in all seasons, it impacts negatively on our business.’ (Mahbub, age 28, Lalmonirhat district)

From the group discussions and ROIs, we found that a lack of market information was another key barrier for smallholders seeking to access markets. The lack of information on what the market wants, and the lack of the means to produce the desired products prevents extreme poor producers from taking advantage of opportunities. One female producer mentioned in her FGD:

‘I produce vegetables in my courtyard and also collect vegetables from neighbours, then I sell them at the local market. As I don’t use pesticide or chemical fertilizers, my products don’t look good. Buyers think my vegetables are not of good quality and they don’t want to pay me enough.’ (Ismat, age 26, Rangpur district)

It is not easy for the extreme poor to access information pertaining to existing prices and the type and quality of goods demanded by the market. For instance farmers frequently produced products at peak harvest times and were therefore only able to get low prices as supply was so high. On the other hand, extreme poor farmers cannot afford not to sell their products – their livelihoods depend on the sale. Perhaps then they need to learn to grow the right kind of products, the right quality and at the right time. This however requires knowledge of wider market dynamics. The lack of access to credit to buy inputs also delays planting and means extreme poor farmers miss the opportunity to get high prices for an early harvest. Again this reflects a lack of knowledge about where to secure the right kind of credit. Obtaining information was seen by most of our respondents to be a barrier as many of them could not afford a mobile phone, or had time to visit local agriculture offices or other service providers. Even if they had the time, respondents claimed that no-one would give them any attention. During the FGDs it became clear that the lack of information on the market in rural areas was a barrier for small farmers to sell their vegetables and other agricultural products. As one of the FGD participants said:

‘Look, we live in village and we don’t know much about the city market. We heard that in city market our products are sold at higher prices but we cannot
demand these prices because we don’t have the information or cannot bargain. We fear if our products are not sold then we may end up with no income. So we sell at a low price.’ (Nihal Thakur, age 53, Rangpur district)

From the ROIs and group discussions we found that extreme poor farmers faced problems in accessing credit and financial services for a number of reasons including illiteracy, lack of collateral, lack of intermediation and so forth. Interestingly in our FGDs, the issue of accessing credit was only brought up by the women when they reflected on recommendations about how the NGO project might be improved. They noted that before the NGO project, they could not obtain credit and therefore could not expand production. One of our respondents explained

‘We could not get credit or small loans from any source, neither the banks not the NGOs. We had nothing. Some of us were also afraid of repaying loans with high interest. We did not have regular income, so how could we dare to take such a loan?’ (Gulshan, age 31, poultry and homestead gardening, Gaibandha district)

The issue of transport was raised in the literature as a barrier to small farmers because of cost and the lack of suitable services in rural locations. The beneficiaries in Shiree intervention areas reported facing similar challenges in terms of transportation costs. The NGO intervention could not change transport costs, which still remain prohibitively high and constitute a real barrier to market participation. Even when beneficiaries can afford transport, the provision of transport in rural areas is very poor. Delays in arriving at market centres are almost inevitable. If the delay is too long, the opportunity to sell products are severely restricted.

When women are economically and socially empowered, they can become a driving force for positive change. Some of SHIREE’s female beneficiaries faced issues with social and cultural constraints that impacted on their ability to be mobile and to take certain kinds of decisions. This had consequences for their active participation in market activities. In the SHIREE intervention areas, extreme poor women played an important role running households and being involved in income generating activities. Although the inequalities that exist between women and men made it difficult for women to reach their full potential, from our life histories and FGDs it is clear that many female SHIREE beneficiaries managed to overcome some important social barriers.

Women in SHIREE intervention areas faced specific barriers in trying to access service markets that included agricultural or farm production of lower value products, on smaller tracts of land, and with more limited access to capital, labor and fertilizer inputs. As many women are engaged in homestead agro-farming, the impression is that this does not require much capital or other institutional support. This restricts women from entering formal production markets, especially farming or labour work implemented by local government or NGOs.
3.2: Enabling Factors to Access Markets

Some of the NGOs pursued an entitlements approach concentrating on direct inputs such as credit, storage, and transport. Others focused on a community capabilities approach, increasing small producer’s ability to enter markets, negotiating with buyers and sellers, and positioning beneficiaries higher up the value chain (Gammage, 2005). Ensuring access to markets without paying attention to enabling conditions along the value chain and in local markets is not likely to achieve desired outcomes. Development interventions that provide capabilities and entitlements may therefore be more successful when nested within programs and sector wide activities that address structural exclusions and barriers. Trying to facilitate more enabling environments may require timely and focused delivery of services to small producers. For example, one NGO supported by Shiree found that programs that promoted extreme poor’s access to land were particularly effective in terms of enhancing wider enabling conditions for the extreme rural poor.

In other cases, the challenges of creating an enabling environment requires extensive interventions such as region wide information campaigns, advocacy efforts, and mobilization of producer and consumer groups. The Char Livelihoods Programs (CLP) provides a very good example of this. It purposively worked to ensure appropriate enabling conditions for SMEs to enter and maintain market access. Another effective example is Care Bangladesh’s work to directly link poor communities with sources of external funding and potential markets. Examples of such links included Far East Group/garments, G4 Security Service Group, and the Government Training Institute. Other NGOs like ADD, HelpAge, and Save the Children explicitly work to ensure that discriminated groups such the disabled, the elderly, adolescents and women have access to markets.

From FGDs and key informant interview, we found that competitive markets have developed rapidly in the north Bengal region over recent years. Following the construction of the Jamuna Bridge, the Northern region now enjoys good infrastructure and roads, improved irrigation and an adequate production of fertilizer and other inputs. All of this has opened up new small opportunities for extreme poor producers. The acquisition of new skills by beneficiaries of the Shiree supported interventions helps promote better quality products, and the adoption of new and low cost technology. This seems to have increased beneficiary confidence and market participation. One of our respondents told us:

‘I tried many things to come out of poverty. I worked as a rickshaw puller, and as a truck driver-assistant. I tried for regular job in government office and later worked in the garments industry. Then I received training on veterinary care from Care Bangladesh under the Shiree project. Now I am working as Para-vet and this is my main source of income.’ (Shahinoor, age 27, Gaibandha district)

Some success has emerged when credit has been given to start businesses that are not too dependent on agriculture and will not be affected by changes in weather. For example, rearing poultry at home does not require much capital and rural households in general
rear poultry as alternative sources of protein or to earn money by selling eggs or chicken to neighbours. But when they want to start this on a large scale, they require a good amount of capital and often need credit support. The beneficiaries said that they previously did not have anywhere to borrow money and that their normal sources for borrowing money (usually relatives) could not provide the amount of credit required. Involvement in the NGO project has changed this. Now they can access credit and they now contribute some money each month to a common pot from which members can borrow money at reasonable interest rates.

The SHIREE intervention has brought many changes in the area of women empowerment. Participation of women in the projects has increased their negotiating power because they now make valuable and ‘visible’ contributions to the household. The beneficiaries in the FGDs noted that when they started to earn income from selling their products in the market, male family members started to consult them about decisions on the male earned income. Information sharing by the project staff which encouraged consultation within families, enhanced women’s knowledge of products, market situation, product demand, price and other business related issues. This has all made a notable difference to women’s ability to negotiate in the market. Increased female ownership of assets enables women to be seen as economic players in their households and communities, and increases their decision making ability. This appears to be especially true with respect to livestock and cattle. Female ownership of such assets was said to increase the understanding between male and female partners and allowed men to be more supportive of wives accessing new market opportunities. One beneficiary mentioned in the FGD:

‘A few years ago we were among the poorest families of our village. When I received seven thousand taka financial support from SETU-Care (under the Shiree EEP project), I consulted with my husband, added some more taka and purchased a cow. I took care of that cow, and later the number of cows increased. We decided jointly to sell milk to the ‘Milkvita Company’. My husband carries the milk to the company. We are making profit from selling the milk and this gives us solvency.’ (Roksana, age 34, Rangpur district)

4. Discussion

The discussion detailed above serves to highlight factors that hinder extreme poor producers’ access to markets and their ability to exploit market opportunities. It is clear from our research and from interactions with extreme poor beneficiaries that improving market access leads to improvement in income and food security.

For extreme poor producers, access to the market however remains a challenge. The barriers include a lack of capital, limited communication and transportation facilities, high prices, competitive markets, reliable market sources, lack of market information, quality of products. They face difficulties in marketing products even if they may be integrated within local or regional markets. Extreme poor producers need to consider the
costs associated with production and transportation, profits, trusting middlemen, and familiarity with the market. Merely connecting extreme poor producers with rural and urban markets is not adequate. Extreme poor producers have weak financial and social capital and limited access to legal options, implying that it is difficult for them to change negative market factors on their own. As such the real solution lies in a blended approach that includes direct support for extreme poor producers but also appropriate action by local and national governments, private sector operators and credit giving institutions.

Bibliography