

Business on the Frontlines VIII, 2016

Expanding agriculture market linkages with World Vision in Timor-Leste

What was the problem?

Timor-Leste finally emerged as an independent nation after many years of war only in 2000. Its most basic national infrastructure, including health services, education, land distribution, transportation and legal system have yet to be developed. The booming oil and gas industry has generated funds for the national government to begin to invest in infrastructure, yet it has also made it one of the most oil-dependent countries in the world; further, its oil reserves are expected to be depleted by 2030.

Currently, even though 80% of the population works as farmers, most is at the subsistence levels, with crop yields well below those achieved by similar countries in Southeast Asia. With limited economic diversification and few business and professional opportunities for an overwhelmingly young population, many Timor-Leste political and civic leaders worry about the risks their country will face once the oil revenues dry up.

Transportation challenges and skilled labor shortages severely limit development in the agricultural sector. The capital of Dili dominates the national economy across sectors, with agriculture being no different. Dili continues to grow a pace, with increased urbanization rates above 10%. Nevertheless, farmers struggle to bring their produce to the centralized markets from more remote, rural farms due to the country's lack of roads. The high cost of land transportation prevents the private sector - both smaller shops and retail supermarkets - from sourcing their products locally, resulting in urban consumers purchasing a majority of imported goods. Further, businessmen complain that the lack of farmer education and training raises concerns over quality and consistency of locally produced food. Furthermore, many farming areas are becoming nearly depopulated as younger generations move to Dili to pursue better educational and economic alternatives. As a consequence, most rural families face extreme poverty.

World Vision has built extensive relationships within Timor-Leste through many years of child-focused programming. The challenge that World Vision posed for the BOTFL team was to identify sustainable possibilities that would improve farmer livelihoods.



Photos by J.Copo

What did we do?

The team conducted extensive research prior to their time in country to begin to understand the challenges and opportunities within the agricultural sectors, including subsistence and cash crops, their value chains, logistics, and best practices. Upon arrival in Timor-Leste, the team interviewed farmers in the provinces of Dili, Aileu, Bobonaro and Baucau, governmental authorities, development agencies, local business leaders, academics, and non-governmental organizations.

The BOTFL team focused on developing scalable solutions that expand existing agricultural market linkages between farmers and retailers and enable transition from subsistence farming to competitive productive farming. The team's analyses pointed to the fact that, throughout the

value chain, each additional step adds incrementally more economic value, yet Timorese farmers were currently capturing very little of that incremental value. And thus, the question became how to organize farmers to gain the scale that they need to take on more steps in the value chain, such as storage, transportation, processing, thereby creating and capturing more wealth for themselves.

What was the turning point?

The team went food shopping in Dili, in the open markets and in one of the biggest local supermarkets. The retailer's shelves were completely bare. When the team interviewed the owner, he described his strong desire to source products within Timor-Leste rather than import goods. Nevertheless, despite this strategic goal, due to high infrastructure costs and inconsistent product quality, the supermarket owner could only obtain around 30% of fresh produce locally, mainly from individual farmers in one of the closest districts to the capital.

World Vision, our local partner, had already organized farmer groups and cooperatives within three different districts close to the capital. These farmer groups more produce than was needed to cover supermarket needs, yet this mutually beneficial connection between the private sector investor and NGO had not been made. Once the introduction had been made, the team still had to develop a plan to overcome the logistical challenges such as centralized collection points, quality controls, and transportation across relatively short distances but with underdeveloped roads.

What was the recommendation?

The BOTFL team proposed three different projects to World Vision to begin to be able to bridge these challenges between rural farming communities and potential purchasers in Dili:

First, the team suggested that World Vision, in partnership with a local retailer, apply for a specific international aid grant to purchase refrigerated trucks and mobile cold-storage facilities. Cold storage at centralized points between farms in the outlying districts and transport routes into Dili would reduce produce spoilage after harvest, while also enabling retailer more efficient pick-up and distribution routes to further increase supplies and decrease cost.

Second, the BOTFL team suggested a pilot project in the province of Baucau to invest in more steps in the value chain. More specifically, the processing and packaging of the produce could enable farmers to increase their prices to the retailers. The pilot project may also create an organic brand to further improve pricing. This project would unify current processing centers to capture economies of scale to meet market demands more profitably.

Finally, concerned with the migration from the rural villages to Dili, the team proposed a curriculum around agribusiness for the national university. The combination of increased opportunities in selling directly to retailers combined with additional training may encourage younger Timorese to consider livelihoods earned through agriculture. Professionalizing the agriculture sector through supply chain improvements and processing businesses could further increase farmer livelihoods.

What actually happened?

The BOTFL team made World Vision much more aware of opportunities in partnering with the private sector, particularly in creating stronger supply chains for local agricultural products. Through the production processing facility project, World Vision should be able to measure current and future profitability for the plant and for farmers. Nevertheless, these are currently but pilots. Depending on their results, World Vision will then make a determination whether to scale them beyond the original three districts.

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