

# Contract Farming for Potato in the Northern Districts of Bangladesh

*Intervention brief: Potato*



## Background

The soil and climate conditions of Northern districts of Bangladesh (mainly Dinajpur, Thakurgaon, Bogra, Joypurhat and Nilphamari) are very favourable for potato production. Potato is considered as a high value crop with huge potential for both domestic and international markets. But taking advantage of the opportunities has been limited due to some major challenges like unavailability of quality inputs (seeds, fertilizer and pesticide), lack of knowledge on proper cultivation techniques and input usage and finally low investment capacity.



To overcome the above mentioned challenges highly profitable cash crops like potato with proper cultivation techniques and quality inputs will help the farmers to improve their socio-economic conditions. Contract farming is one of the ways to address those hindrances that allows farmers to get quality seed potatoes, cash loan support for maintaining other operational costs, improve knowledge on cultivation practices and a buy-back guarantee (offering an ensured market linkage for farmers) through the lead firm. The lead firm, at the same time, benefits by getting the quality and quantity of potato necessary for processing, export or other needs.

## Major activities

Action for Enterprise (AFE), with funding from Katalyst, has been working with NAICOL (Northern Agricultural Industrial Company Limited) to build the latter's capacity to establish and manage a contract farming system which will ensure a continuous supply of the required amount of potatoes for their processing factory and potato trading business. The capacity building activities include:

- Technical assistance to the lead firm in formulating and bundling the appropriate services,
- Supporting staff to carry out various aspects of its contract farming operations including conducting farmers meetings, coaching sessions, making field visits, demonstrations, sprouting tests and soil test.
- Improving its staff's knowledge on proper cultivation techniques and contract farming management (through training of trainers and exposure visits).

## Key achievements

1. NAICOL worked directly with 149 farmers in one potato season. Additionally, 120 farmers indirectly benefited through the process and about 20 day labourer (full-time, year-round employment) for each acre were created (of which 70% labour are female).

- Participation in contract farming operations has changed the farmers' attitudes to adopt a modern potato cultivation practice which has increased their yield from 5.0-5.5 MT to 7.5-



10 MT per acre on average. That caused an additional income of about BDT 15,000-20,000 per acre of land compared to the previous year without contract farming.

- Potato contract farmers are happy with this farming arrangement with NAICOL because through this process they received quality seeds, credit, technical support, better yield and buy-back guarantee.

### Way forward

After getting the benefit from seed potato selling and potato trading<sup>1</sup> and increased interest of non contract farmers NAICOL is planning to expand its operations in the forthcoming season. With the help of AFE, NAICOL is negotiating with the private bank and already received a substantial amount of BDT 45 million for ongoing contract farming operations. NAICOL is also planning to establish a potato processing unit for potato chips which will create even greater demand for processing potatoes. NAICOL thus has to expand its contract farming operations to sufficiently meet these larger requirements. This expansion will directly include about 550 acres of land and approximately 350 contract farmers in the next season (2009-2010). AFE is assisting NAICOL to further train their new staff on managing the increased area and farmers. AFE will continue to support the expanded number of demonstration plots and coaching sessions. Additionally, AFE is supporting NAICOL to prepare for the establishment of the chips processing unit which will provide greater market access for the typically marginalized farmers in the long run.

Implemented by



Funded by



<sup>1</sup> For illustration, NAICOL made an additional profit of BDT 7.5 million in one season due to the trading of quality potatoes from their contract farming operations and selling of seed potatoes.