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ACCESO

SNAPSHOT

Financing Food Security

With project support, a group of vegetable producers forms a savings bank, accessing credit that helped them double yields and negotiate formal buying contracts.



Photo by Fintrac Inc.

Members of the *Planting the Future* savings bank receive technical advice on cabbage production from a project specialist.

“I had never received any type of credit, now we have the right to work better, and more organized.”

Ignacio Dominguez, smallholder farmer

Access to credit and inputs can be a major obstacle for smallholder farmers trying to move into commercial agriculture. To improve both incomes and food security, USAID-ACCESO focuses on improving agricultural practices and expanding access to credit and supplies for the rural poor.

In the community of Las Vegas, the project helped a group of 12 vegetable producers to better organize their plots, space their plantings for optimum growth, and use appropriate levels of fertilizer. Genaro Hernandez, a smallholder producer, more than doubled his sales of beets and carrots – from \$300 to \$673 – in just a few months.

Unfortunately, even with the improved practices, purchasing the inputs necessary for continued expansion and sustained levels of production remained a challenge for the group. Perceived high risks and transaction costs make commercial banks unwilling to lend to smallholders, and many microfinance organizations do not offer loan products customized for agriculture. “Even if we had the money for the seed, we could not afford the fertilizer,” explained Hernandez.

To increase their bargaining power, the group formed a rural savings bank – *Planting the Future* – that is registered with the Honduran government. As an officially recognized savings bank, members are able to access the credit they need to continue improving quality and yields. Once formalized, they successfully obtained up to \$6,000 in input credits and negotiated a 2 percent interest rate, significantly lower than the rates usually offered to rural farmers.

They invested the loan in agricultural inputs, including seed, fertilizers, insecticides, and fungicides, that when coupled with good agricultural practices helped the producers double their yields. As a result of their increased productivity, the group began supplying vegetable distributor EBENCER under a contract for weekly deliveries of 5,000 pounds of cabbage, 1,000 pounds of carrots, 600 pounds of beets, and 500 pounds of coriander, generating \$1,000 in weekly sales.

The producers are now negotiating contracts with other national and international buyers, including the Central American distributor for Wal-Mart. They plan to expand membership and continue increasing their total area of production to keep up with growing demand.

“I had never received any type of credit,” said Ignacio Dominguez, a savings bank member who specializes in coriander and broccoli. “Now we have the right to work better, and more organized.”

To date, USAID-ACCESO has helped 1,895 clients access credit, benefitting more than 9,400 rural residents in the six target departments in western Honduras.