



Feed the Future Country Fact Sheet

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Contract Farming Creates Commercial Opportunities in Horticulture



USAID/Timor Leste

Support from private sector partners has helped farmers in Timor-Leste significantly improve their incomes and market opportunities.

The U.S. Agency for International Development has worked with Timor-Leste since the country's independence in 2002 to address issues – such as widespread reliance on subsistence farming techniques, the lack of non-farm employment and poor access to markets – that contribute to high rates of extreme poverty, food insecurity and chronically poor nutrition across the country. About a third of Timor-Leste's people live in extreme poverty, earning less than \$1.25 a day. Outside of the capital city of Dili, most rely on subsistence agriculture.

USAID's Dezenvolve Agricultura Comunitária project in Timor-Leste focuses on addressing the commercial viability of the horticulture value chain to increase incomes and improve food security for rural farmers. The project uses a contract farming model where private sector partners provide inputs (such as seeds, organic fertilizer and plastic sheeting) to farmers and guarantee purchase of their produce. In partnership with Kmanek Supermarket, Dilimart, W4 Supermarket and FarmPro Input Supply, the project introduced modern farming techniques to poor communities to boost their horticultural production and linked farmers to high-demand and high-value markets in Dili.

On average, farmers participating in the project have doubled their incomes, though some farmers have even quadrupled their incomes. Farmers use their additional income to invest in their farms (by buying equipment or additional seed to increase productivity), send their children to better schools, and build brick houses to replace ones made with wood and thatch.

Farmers have also been able to secure credit, using the receivables guaranteed by their contracts as collateral, thereby enabling them to achieve even greater increases in production. Participating private sector partners have increased sales due to the high demand for fresh vegetables in Dili, and some have identified new business opportunities and expanded or launched new ventures.

Instead of supporting the project through cash funds, private sector partners have played a number of different functions in supporting participating farmers, such as providing input supply, transport, packaging, wholesale and retail services. The project has estimated that in-kind support provided by the partners has exceeded \$100,000 over the four years of the project. This is particularly striking given that agriculture is a low-margin business in Timor-Leste and companies there operate in a high-cost environment. That these private sector partners have been able to provide such considerable financing to assist farmers in increasing high-quality vegetable production speaks volumes about the companies' commitment to

development in their country.

Due to the success of the partnership, the project has expanded its contract farming model beyond the four initial target districts.

[Read more about this project in Frontlines.](#)