

HOW CAN GOVERNMENT POLICIES AND REGULATIONS CONTRIBUTE TO THE COMMERCIAL TRANSFORMATION OF SMALLHOLDER FARMERS?

The views of ASFG staff working with smallholder farmers in Africa July 2013

This briefing summarises the results of a survey completed by 31 ASFG member or partner organisation professional staff who work directly with smallholder farmers in Burkina Faso, Burundi, Mali, Zambia, Kenya, Zimbabwe, Sudan, and South Africa. It summarises their answers to a number of open questions about the challenges faced by smallholder farmers in their countries or districts and the government actions, policies and regulations that would contribute to their successful participation in formal markets.

Farmer profiles

Those filling in the survey were asked to state the average area farmed by the farmers with whom they work. The majority dealt with smallholder farmers who farm between 1 and 5 acres of land, although a very small minority farm up to 15 or even 20 acres, or use larger areas for grazing. They produce mostly food crops, and some raise livestock, mostly goats and chickens, in rain-fed systems, and often on dryland. They do not own the freehold of the land they use for growing crops and raising livestock (with the exception of some communities in Kenya); they have rights to use communal or government land allocated to them based on customary/traditional or hereditary principles. With the exception of South Africa, women do not have land use rights unless they are allocated land by family or are widowed.

Most are primarily subsistence farmers whose first priority is food security. They may sell or exchange food on local markets if they happen to grow a surplus, to earn income for purchases of essential goods and services. In some areas only about a fifth of staple foods are traded informally on local markets. About a third of survey respondents work with farmers who, in addition to growing food for home consumption, also produce (or are in transition to producing) in response to market demand. Of these, only a very small proportion have signed formal buyer contracts – the rest rely on local fish, fruit and vegetable markets, often informal. Those who farm cash crops such as sesame, groundnuts or sunflowers, have organised into groups to share marketing and other costs.

According to all respondents, farming is the best or often only opportunity available to make a living in the communities where they work. But two-thirds of respondents believe that formal market participation is essential to transform small-scale farming into a more viable secure and resilient livelihood.

Key challenges

At present, most smallholder farmers who want to participate in formal markets lack:

- Sufficient market information
- Access to affordable certified quality seeds
- Access to affordable credit
- Infrastructure for transport, storage and processing
- Access to good quality extension services
- Sufficient land for grazing or cropping
- The ability to self-organise into commercial groups

As a result, they are unaware of market opportunities and are unable to meet the quality and quantity of produce required by formal markets (especially in the face of degrading soil quality and climate change), deliver their produce to these markets, or produce in a cost-effective manner.

These obstacles have led one respondent to remark that in many rural areas farming is seen as 'too hard' a means of making a living, which is discouraging especially young people from further investing their labour and assets in this livelihood.

Factors that would contribute to successful market participation

According to respondents, the following factors will determine whether or not smallholder farmers can enter and sustain their participation in markets:

- Access to improved production technologies, including through the availability of quality demand-driven extension services
- The stability of market demand and prices
- Access to and secure land use rights
- Access to high quality affordable seeds
- Access to affordable credit
- Improved soil quality
- Access to technologies, practices and knowledge that allow them to adapt to climate change
- Achieving economies of scale, for buying and selling, through the formation of farmer organisations
- Ability to store and also process surplus produce on-farm
- Access to transport links, especially rural feeder roads
- Access to secure water sources, including small-scale irrigation systems

How does scale impact on commercial transformation?

All respondents stated that smaller landholdings put family farmers at a disadvantage in many ways. They cannot take financial risks, buy inputs, irrigation infrastructure, credit or machinery, in the way that larger scale farmers are able to. If operating as individual units, it is very difficult to produce the quantities required by buyers and inputs and transport costs are more expensive. Buyers generally do not offer advice and extension services (often under contract farming schemes) unless farmers are organised into groups.

Further, their particular interest and needs are not represented in decision-making to the same extent as those of well-organised larger scale farmers. Small livestock, which are predominantly raised by smallholders, are not as well regulated as large livestock. The land they use for crop production and livestock rearing is generally more marginal (geographically and in terms of soil quality) than larger scale farmers. They have a far lower capacity to withstand price or climate shocks than larger scale farmers.

Do gender norms disadvantage women farmers?

There was not a unanimous view among respondents that gender norms always disadvantage women smallholder farmers more than men in relation to the above challenges. However, all respondents listed some gender norms and behaviours that impact on the ability of women to enter and sustain their participation in markets on an equal footing with men. Those who raised the issue focused on the following gender norms that undermined the ability of women farmers to commercialise:

- They have competing household duties and can therefore not put in the required labour

- Their household duties and lower status in decision-making (in the community and household) prevent them from participating in farmer groups, or benefiting from the proceeds
- They have no or limited land user rights (see above) and can therefore not access credit from formal institutions because they cannot present collateral such as land or other physical assets
- In some areas or countries, men take control at the higher end of the production chain
- Traditional norms in some countries or regions dictate that women take charge of food crops and men of cash crops
- Women's movements are often restricted by cultural norms, which means they cannot physically transport produce or go buy inputs, or access group trainings.
- It is difficult for women farmers to relate to male extension workers

What have governments done well to enable successful market participation?

Only two interventions were mentioned by respondents, both relating to input support: fertiliser subsidies have increased rice production, and in another country, government facilitated access to early maturing legume seeds.

Are farmers self-organising?

In many countries, some basic form of farmer cooperation exists at community level. In some West African countries such as Burkina Faso, small scale farmers are well represented by formal organisations, and are given opportunities to influence government policies and monitor implementation of decisions through devolved government structures.

In southern and eastern Africa, resource poor small-scale farmers often do not have sufficient information to allow them to participate in decision-making. In this region, formal farmer associations or federations do not necessarily represent their needs and interests; they tend to represent the interests of better-off farmers who are already participating in market chains. As a result, small-scale farmers are generally not consulted by governments, especially not at national level.

Some respondents mentioned that decentralisation, where it involves devolved decision-making structures, presents smallholder farmers with potential opportunities to influence local development decision and policies.

What should governments do?

As well as identifying the challenges that smallholder farmers face, respondents drew on their direct experiences and knowledge of the current business environment to identify key government actions, policies, laws and regulations that would better enable smallholder farmers to enter and sustain their participation in formal markets. They suggest that governments:

- Provide incentives for small, medium and large scale enterprises to invest in agro-processing
- Lift import taxes on inputs such as agricultural equipment and small irrigation equipment
- Increase budget allocations to rural feeder roads
- Ensure food aid does not lead to market distortions
- Lower interest rates to lower the price of credit for small-scale farmers
- Increase budget allocated overall to the agricultural sector
- Develop competition policies to reduce buyer or supplier cartels

- Improve fertiliser subsidy accountability, transparency and targeting
- Increase reach and quality of extension services, including support to enable farmers to meet quality standards of buyers
- Provide support for extension and certification of organic produce
- Use smart subsidies to facilitate access to credit, seed and fertiliser
- Provide support for on-farm post-harvest handling and storage
- Facilitate access to market information
- Support farmer organisations through appropriate regulation (see the ASFG framework for suggestions on what these could include).
- Regulate seed market to improve quality seeds and fertilisers
- Reform the land tenure system to secure land use rights
- Address corruption, especially in fertiliser subsidies and livestock clearance and movement

Contributions to a framework for successful participation in formal markets

The respondents' recommendations for action support those identified in the framework developed by the ASFG. This framework identifies a range of possible indicators for assessing whether governments have in place the right enabling environment to facilitate smallholders' greater participation in markets. The framework arranges the indicators into:

- a) *Foundations*: the necessary but not sufficient conditions for smallholders to increase production and access markets, which are equally important to other parts of the rural economy;
- b) *Pillars*: which specifically support smallholder farmers; and
- c) *Cross-cutting issues*: which have wider relevance beyond.

Of the recommended actions, policies, laws and regulations that our respondents identified, most support and enrich the 'Pillars' category of the ASFG framework. This is significant as it shows **a demand for policy targeted at smallholder farmers specifically**, including support for on-farm production, rather than policy that is targeted more broadly at the commercialisation and modernisation (through inputs alone) of the rural economy.

That said, there are clearly obstacles and challenges that smallholder farmers share with other business sectors. Their experiences of poor infrastructure, public services and challenging gender norms for example, supports the ASFG finding that **smallholder specific policy must be joined up with policies that tackle 'foundational' and 'cross cutting' issues more broadly**.

Whilst the sample group targeted by the survey is limited to the employees of the ASFG and partner organisations, their responses are important because of the insight they offer into the experiences of an oft under represented group and from a diverse range of countries. Smallholder farmers typically have little opportunity to influence policy making and for this reason the indicators suggested by those who work directly with them are valuable.

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