

Investing in smallholder agriculture

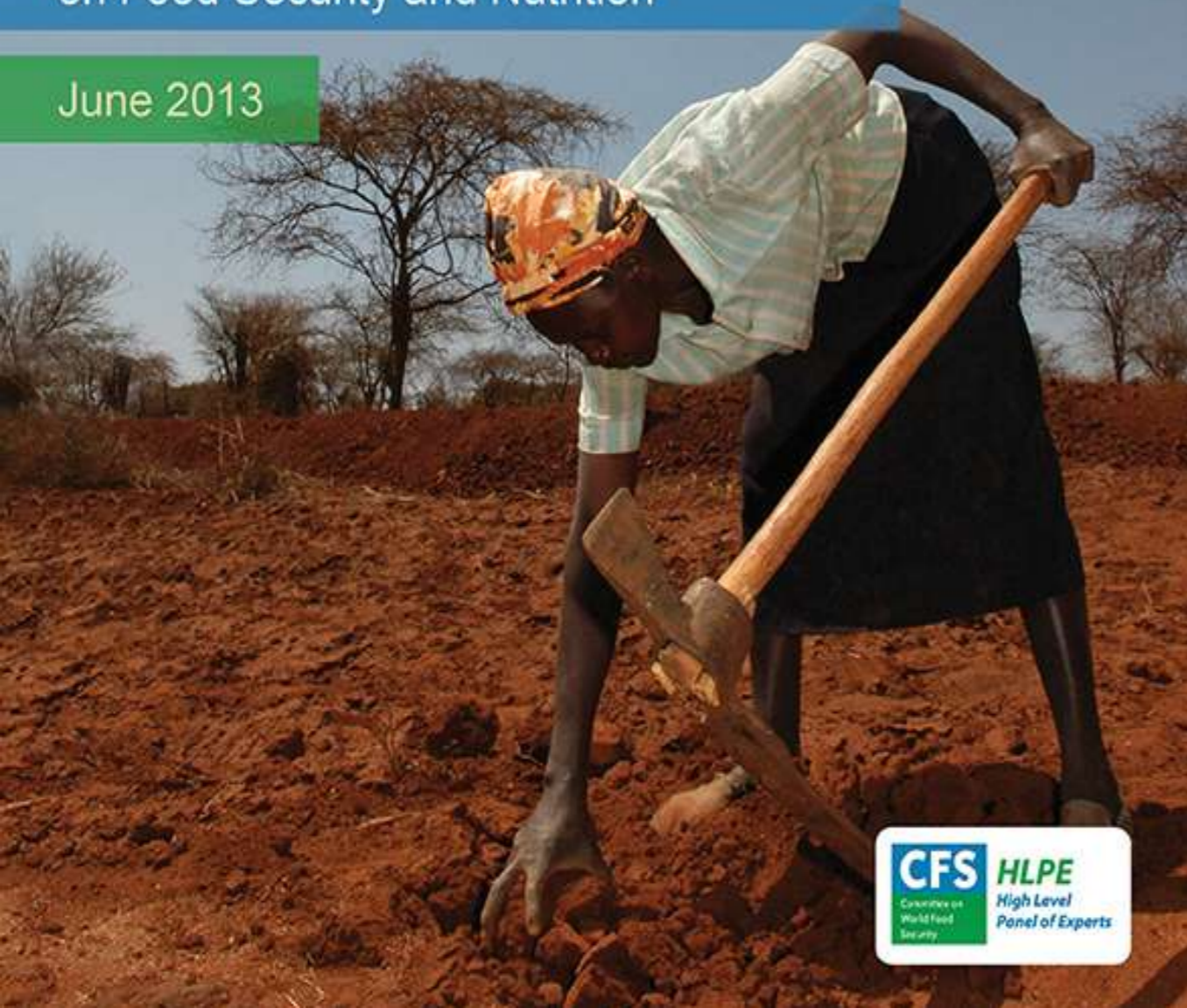
for food security

A report by

The High Level Panel of Experts

on Food Security and Nutrition

June 2013



Presentation of HLPE reports and discussion

Pierre-Marie Bosc
Project Team Leader
HLPE, Rome, June 26th, 2013

Constraints to investments in smallholder agriculture



Focus of the report:

“constraints to smallholder investment in agriculture in different contexts with policy options for addressing these constraints, taking into consideration the work done on this topic by IFAD, and by FAO in the context of COAG, and the work of other key partners. This should include a comparative assessment of strategies for linking smallholders to food value chains in national and regional markets and what can be learned from different experiences, as well as an assessment of the impacts on smallholders of public-private as well as farmer cooperative-private and private-private partnerships

How we framed the issue?

- **Definition of “smallholder agriculture” to frame a common understanding of the issue**
- **To define Investment and their meaning when referred to smallholder agriculture**
- **Going beyond farm level at holding level (family households) to cover related investments that could enhance SH investments**
- **To analyze the constraints that limit SH investment**
- **Design policy proposals and related instruments to overcome these constraints**

What is smallholder agriculture?

- A holding run by a **household [family]** that derives **total or part of its income from agriculture** and, relies on agriculture for at least part of the food consumed by the household [family].
- The family members may develop **activities other than farming**, locally or through migration. The holding relies on **family labor** with uneven access to hired labor.
- Smallholders are **fully part of different markets, monetary needs are widespread**, but **the conditions** in which they relate to markets **are too often unfair**

*“intertemporal consumption/savings decisions.
much attention is focused on **business investment** in physical capital, such as buildings, equipment and inventories
.But investment is also undertaken by **governments, non-profit institutions and households,**
and it includes **the acquisition of human and intangible capital** as well as physical capital.
....investment should also include **improvement of land or the development of natural resources,**
...the relevant measure of production **should include non-market output** as well as goods and services produced for sale.
There is a widespread mythology that investment is good and the more investment the better. But investment may be good or bad and there may be too much as well as too little.”*

Assets/capitals of a livelihood and what enables them

Assets

Natural

Physical

Human

Financial

Social

Social relations

Determined by gender, age, socio-economic status, customary ties

Institutions

Access to common pool resources, collective rules for land tenure, market regulations

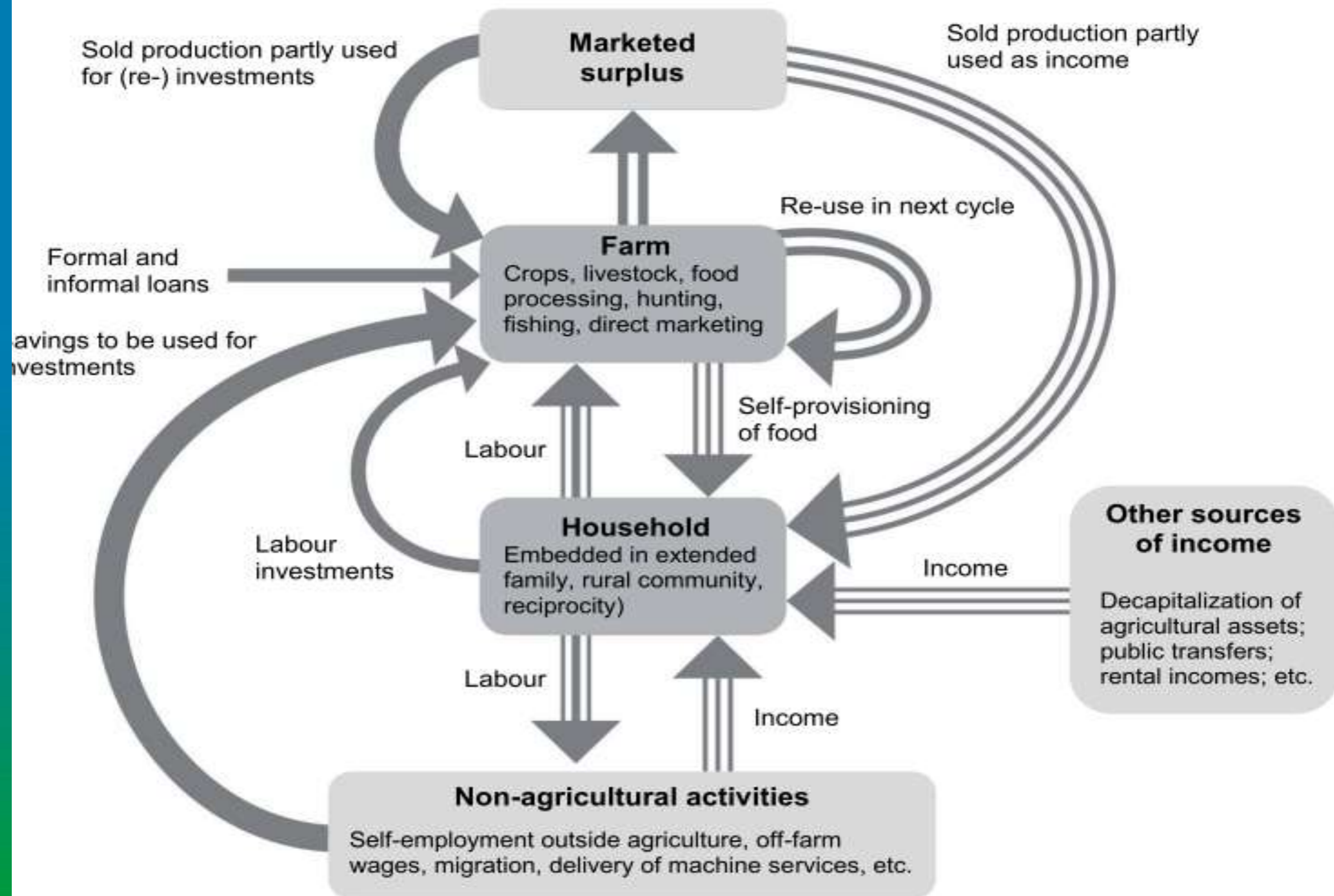
Organizations

Participation to social movements and policies, local associations, NGOs, local government, state agencies, value chains


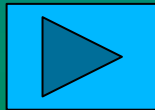


Assets are the result of past investments

Flows of income and sources of investments in an agricultural smallholding



Main features on investments in smallholder agriculture

1. Smallholders are **the main investors in agriculture** and they often do it through their own labor 
2. There is a strong **inter dependency** between the **domestic** and the **productive** sides, which is at the same time **a constraint to maintain investment** (an asset can be sold) or **a source of resilience** (the household income is “flexible”)
3. When **favourable “conditions”** are met they “invest” more than their labor, **they change practices, they innovate, they rise production and productivity** 



Philippines

Investing through labour to improve production conditions



Senegal

Indonesia



Guy Trébuil



Isabelle Wagner

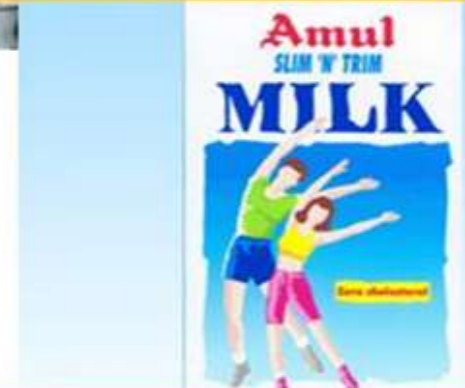
White revolution in India



Technical improvements



Collective action to achieve market power



To answer domestic needs



In quality



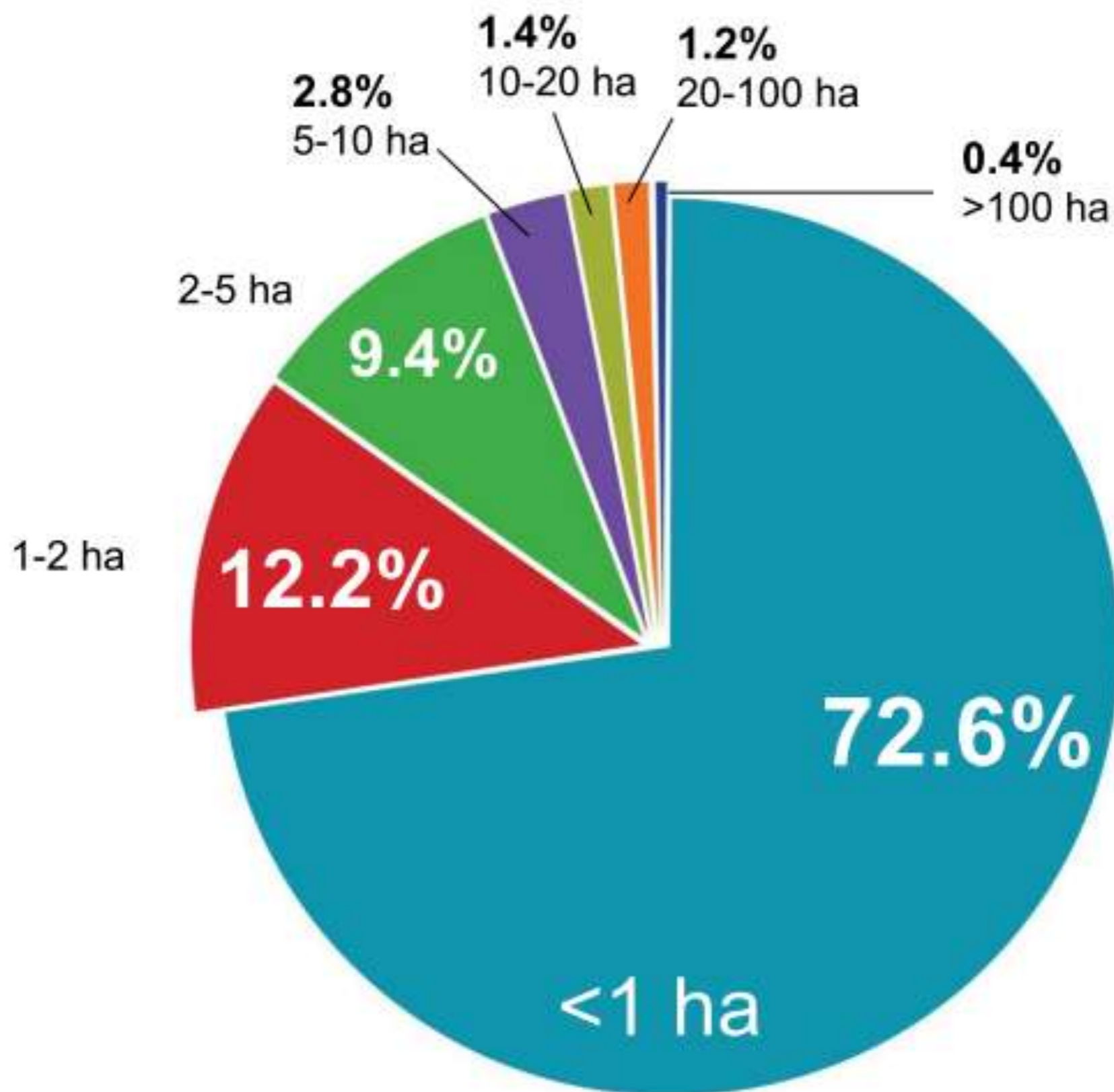
In production



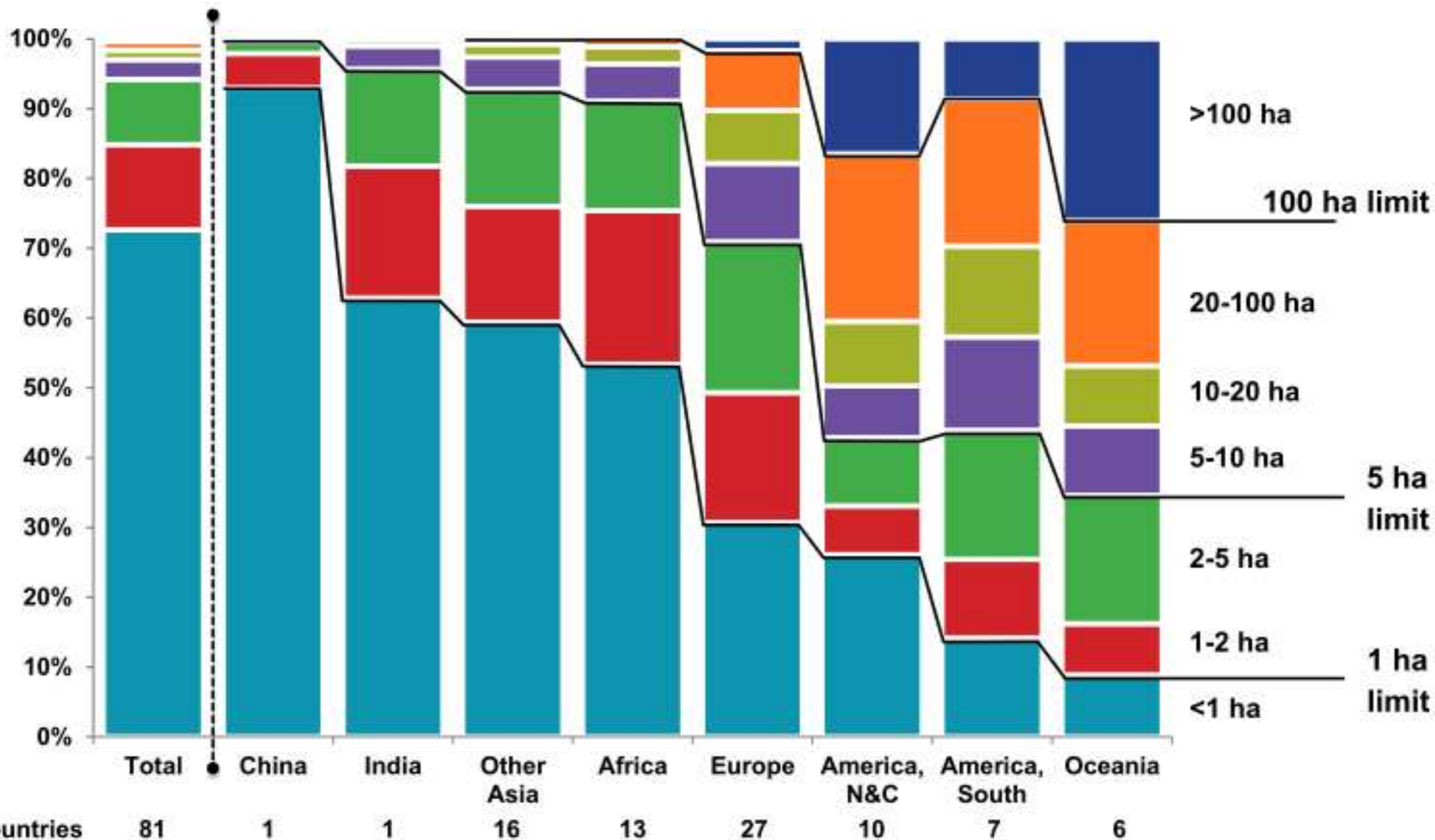
THE MILKMAN OF INDIA

Political will and policy support

Repartition of holdings by class area in the 81-country subset of FAO-WCA



Regional diversity of holding size patterns in the 81-country subset of FAO-WCA



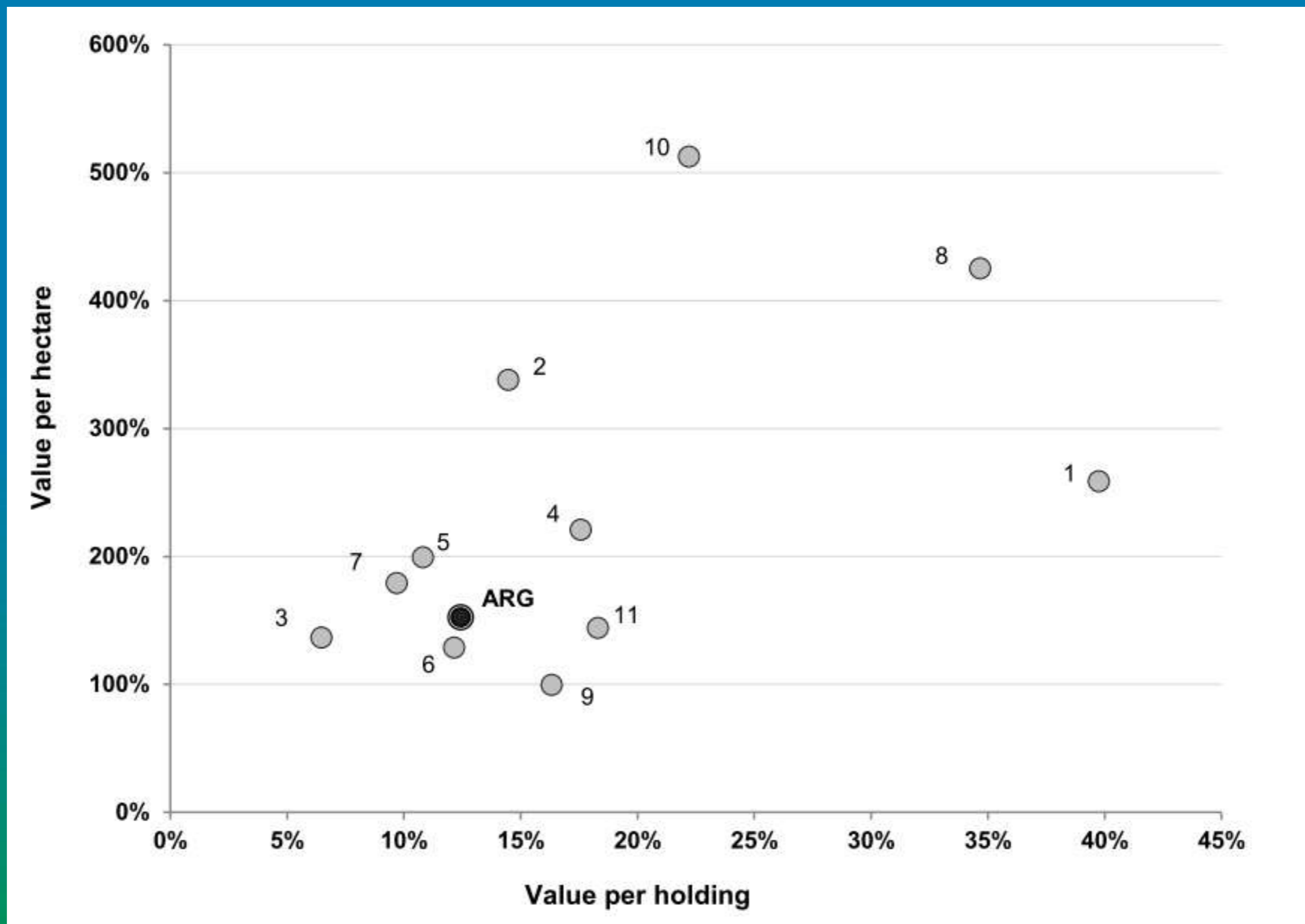
Definition of “smallholders” in Argentina

Smallholders are those producers running a farm under the following criteria:

1. the producer works directly on the farm;
2. the producer does not employ non-family permanent labour;
3. the producer may hire temporary non-family labour.
5. the farm is not registered as a joint stock company or other type of commercial company;
6. the total size of the farm depend of the region varying from 500 ha to more than 5 000 ha
7. the size of the cattle herd cannot be greater than 500 units of livestock in all the provinces of the country.

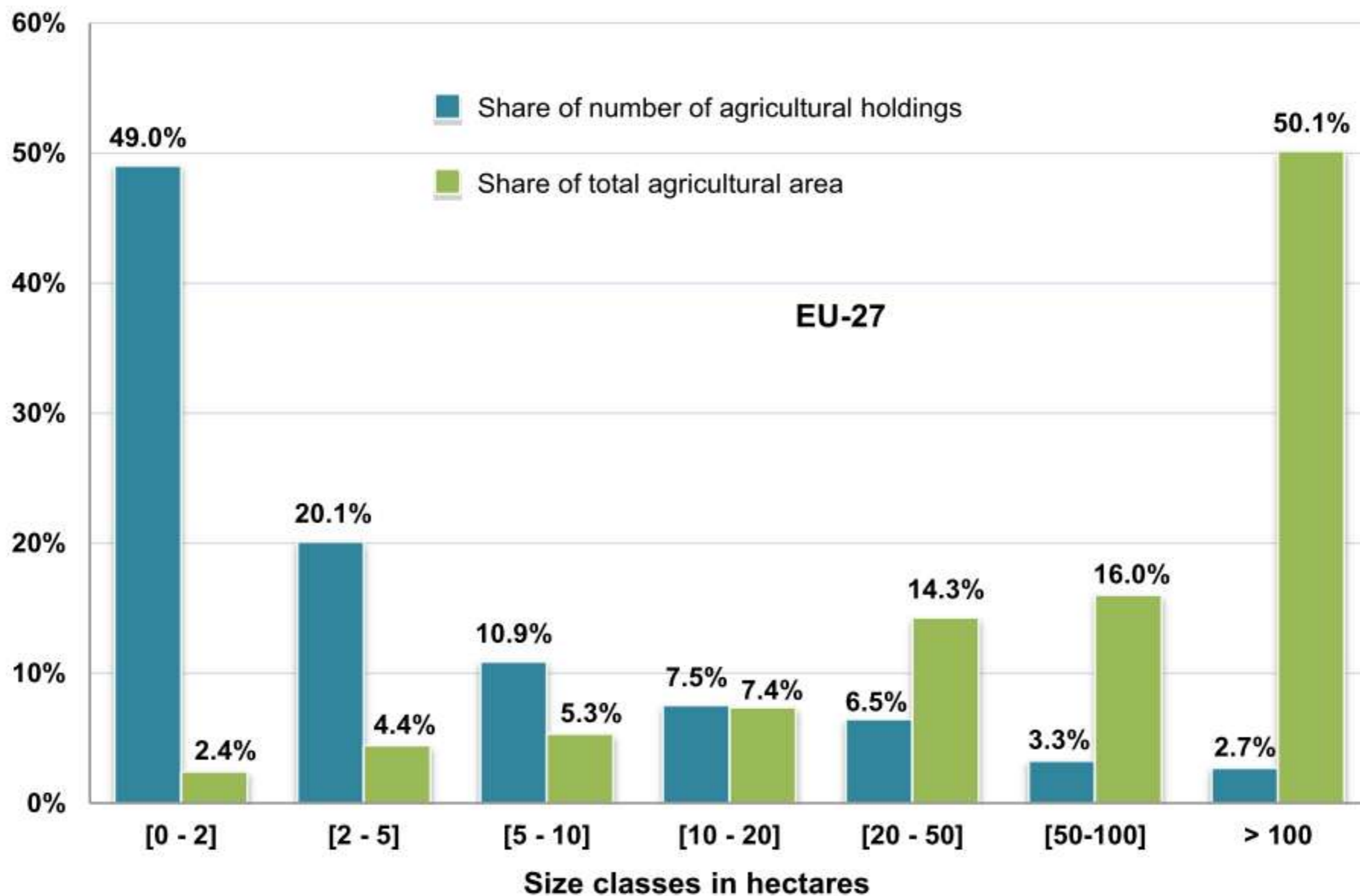
Smallholders are classified according to the “capital level”. This indicator is based on machinery assets, size of cattle herd, planted area with fruit trees and irrigated area. The levels for the indicator vary in the different regions of the country.

Per-hectare and per-holding value of smallholders' production, as compared to large-scale farming production, in different regions of Argentina



Regions (numbered dots): 1. Puna, 2. Valles del NOA, 3. Subtropical del NOA, 4. Chaco seco, 5. Monte Arido, 6. Chaco, Humedo, 7. Mesopotamia, 8. Patagonia, 9. Pampeana, 10. Oasis cuyanos, 11. Valles patagonicos, ARG. Argentina (total country). Source: Obtschako et al., 2009

Repartition of the agricultural holdings, and of total agricultural area, per class of holding size within the whole European Union (EU-27)

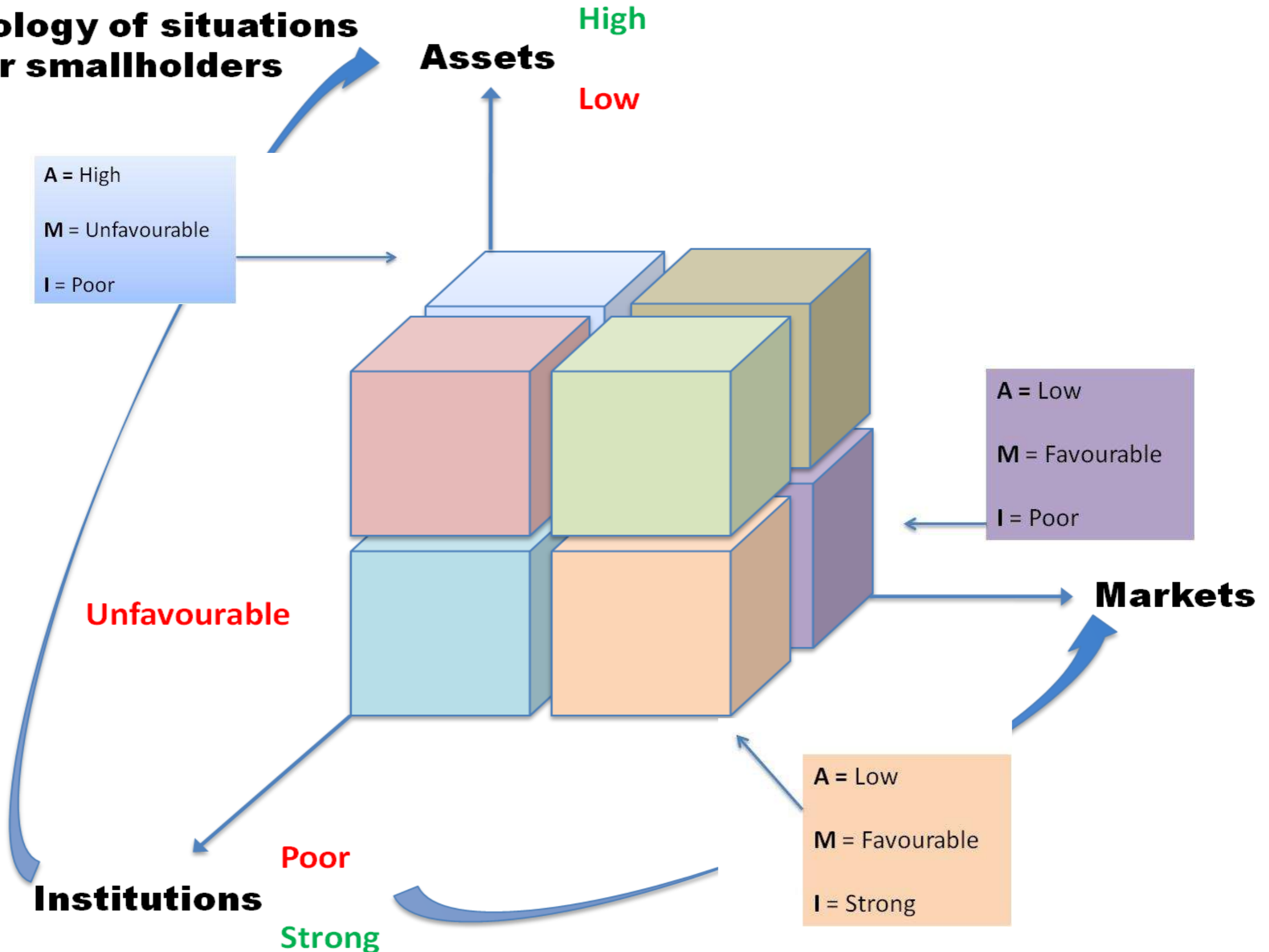


Beyond diversity, main constraints to investments

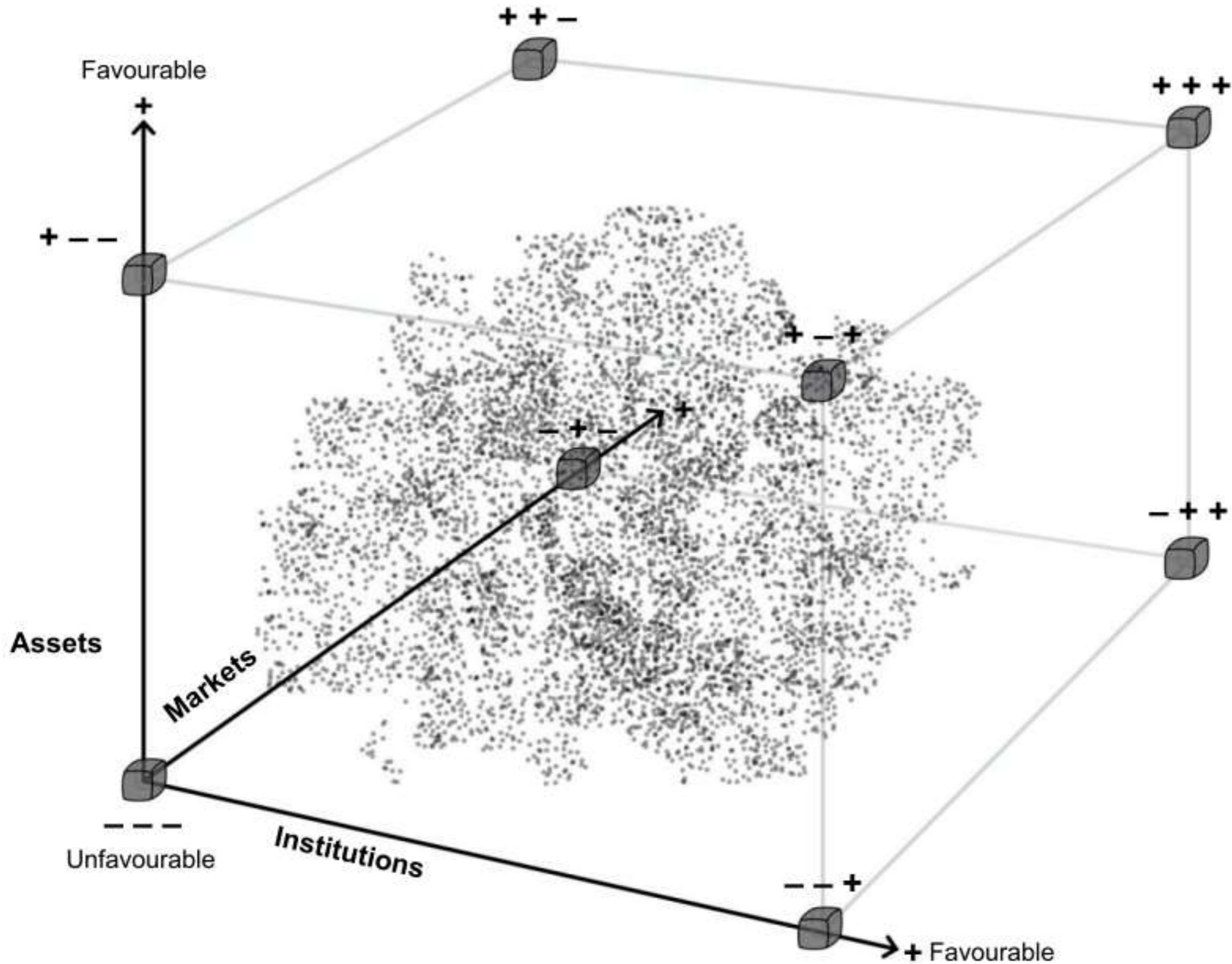
- **Poverty: limited resource to invest, but all smallholders do not live in poverty**
- **Combination of risks: social side (health, life cycle...), technical risk in production, markets failures and price volatility**
- **Institutional weaknesses**
- **Policy failures**

Facing an interrelated set of constraints

A typology of situations for smallholders



Diversity of smallholders' situations mapped against assets-, markets- and institutions-related constraints to investment



From the comprehensive framework to the recommendations



- As we adopted a comprehensive framework, we developed a set of coordinated recommendations
- These recommendations cover 5 broad domains
- In each of the domain there is a need of coordination within the domain and between each of them
- They are broader than usual agricultural policies
- These recommendations are to be embedded in national context and specifically at territorial level

A coordinated set of recommendations



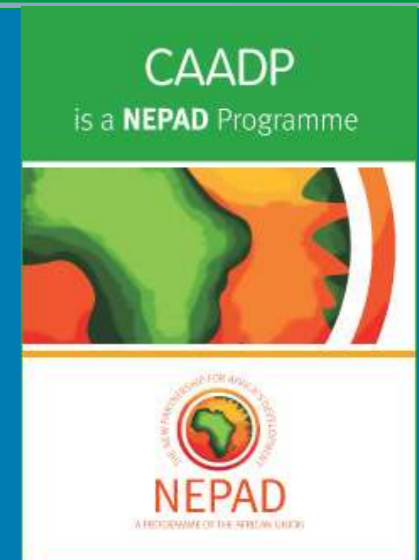
- 1. Developing a national strategy and mobilizing political will**
- 2. Gaining access to natural assets**
- 3. Providing a favorable investment climate**
- 4. Improving productivity and resilience through research and extension.**
- 5. Investing beyond the farm: rural non-farm economy and territorial development**

Developing a national strategy and mobilizing political will



National Smallholder Investment Strategies

- a) Medium-Long term - wider strategies – policies and budgets
- a) Role of smallholders' organizations



Citizenship and rights

- a) Individual and collective rights
- b) To organize to have a voice in policy debates



Achieving the right to food for smallholder farmers

- a) Recognizing the linkages between domestic and productive side of the holding
- b) Combining diverse policy instruments to achieve food security

Gaining access to natural assets

1. Securing tenure rights is a condition for investments to occur
2. Securing access to common property rights is an asset for vulnerable holdings
3. When necessary land reform is a tool to provide access to natural assets but it needs additional support
4. Natural assets require investments to be upgraded and increase productivity
5. But natural assets are only one among others assets that require investments

Coordination of these investments is strategic

1. Access to public goods

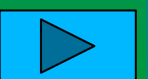
- a) **Investing in human assets**: health, access to water and sanitation, education
- b) Supporting the domestic side through **reducing women's workload** is key for productive investment

2. Access to markets

- a) **Combining “hard”** [market infrastructure] and **“soft”** [rules and regulations] **investments - public and private**
- b) Increasing **investments for market agents**

3. Access to financial services

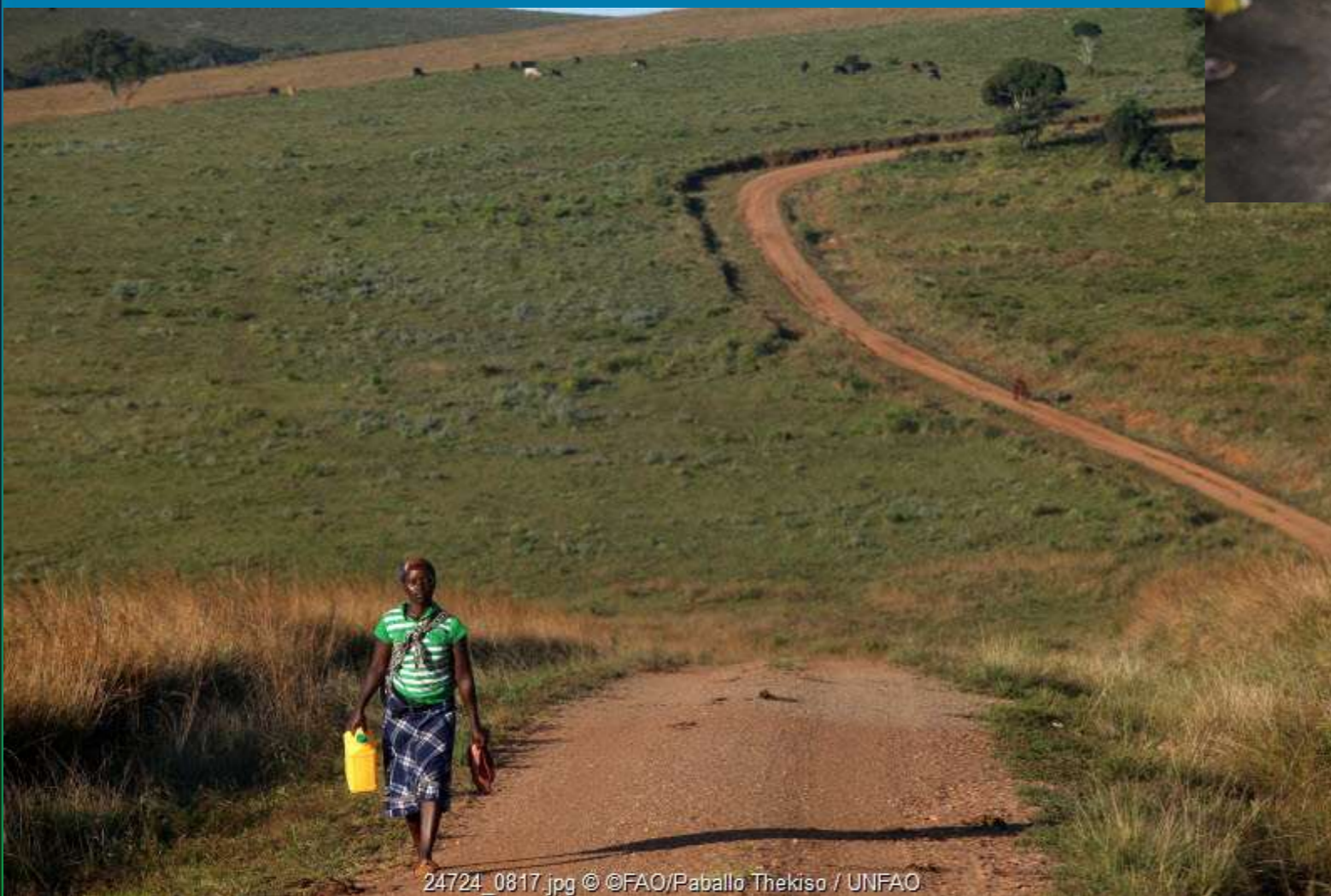
- a) **Bridging the gap** between smallholders and finance
- b) **Innovative mechanisms** adapted to the needs
- c) **Investments** to improve productivity and resilience should be **supported by fair subsidy**



Level playing field in access to basic public goods for rural areas



24752_2483.jpg © FAO/Riccardo Gangale / UNFAO



24724_0817.jpg © FAO/Paballo Thekiso / UNFAO



RURAL ELECTRIFICATION

In 1936 seventy-five percent of Pennsylvania farms had no electric service. During the next five years, with Federal support, 14 consumer-owned cooperatives were formed in this State. Southwest Central Rural Electric Cooperative Corporation, serving users in seven counties, was incorporated on March 4, 1937.

PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION

1987



Access to markets: means and physical infrastructure yes, but not enough...



Guy Trébuil

Rules and regulations matter

Investing to increase efficiency in domestic value chains



Women's cooperative for shallots in north Mali (Segou)



Producing locally natural inputs



Improving productivity through research and extension

Specific needs for smallholder agriculture

Increased productivity and value added (food processing) at holding and local level through adapted options 

Resilience through diversification (varieties free of rights) and increased investments (fruit-trees, short cycle animals...) 

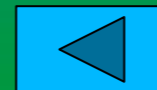
More research on agro ecology for fine tuning to local conditions and support for related investments 

Drudgery alleviation requires specific attention: appropriate equipment and investments 

Increasing productivity



Adding value on farms



Diversifying to strengthen resilience



Small stock



Staples



Trees



Varieties free of rights

Fruits



Vegetables







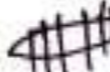
Fine tuning agro ecological techniques to the diversity of situations

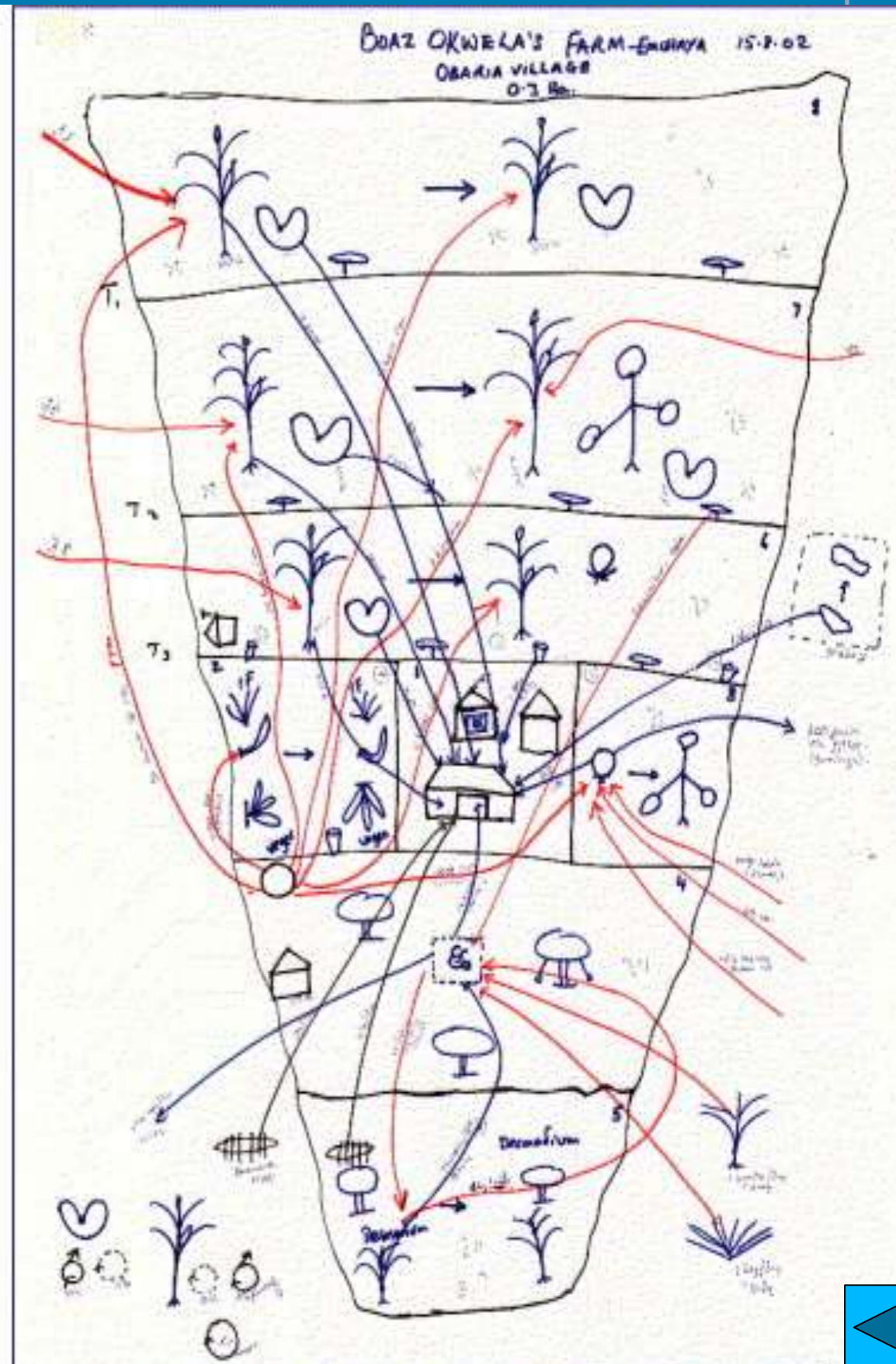


Claude Bancelle

- Forage crops (e.g. Napier grass)
- Vegetable crops (e.g. Kales)
- Cereal crops (e.g. Maize)
- Legume crops (e.g. Beans)
- Root crops (e.g. Cassava)
- Fruit crops (e.g. Banana)
- Trees and woodlots (e.g. Eucalyptus)



-  Buildings: houses, latrines, stalls, etc.
-  Grazing site: cattle are temporarily tethered (dotted line)
-  Crop rotation: Sweet potatoes in both rain seasons, on rented land
-  Residue management: burnt, incorporated or composted
-  Firewood: in this case purchased on the market



Reducing drudgery deserves highest attention in smallholder agriculture



Rural Non-Farm Economy and Territorial Development

Diversification of sources on income

Making synergies work between farm and non-farm
Territorial development as a platform to coordinate public and private investments

Governance for agriculture and rural development

Need to go beyond agricultural policies
Coordination of policy, programmes and instruments

Update information on smallholder agriculture

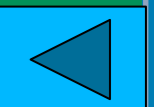
Need to better document the reality of smallholder agriculture to improve investment strategies 

Renewing governance in Rural Areas



In Central America

Territorios de cidadania - Brazil



Recommendations to the CFS

CFS should:

1. **Provide a platform** to consider broadly food security through self provision, exchanges of products and market transactions and promote awareness on the specific instruments, programmes, and policies needed to realize the right to food for smallholders
2. **Request funding agencies** (IFAD and WB ao) to finance pilots of National Strategies [design, implement and monitoring] based on these recommendations and report back to incorporate lessons into CFS policy making
3. **Take the lead** to set up a mechanism to produce empirically based guidelines for Contract farming and Public-Private Partnerships

More information

HLPE
REPORT **6**

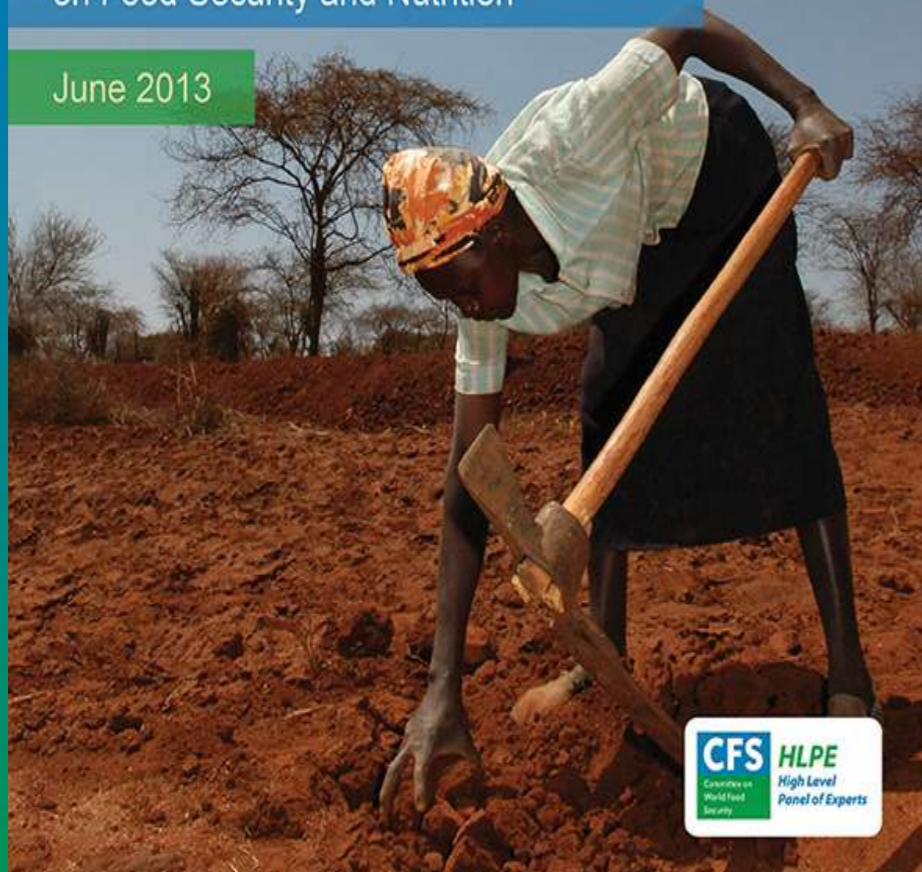
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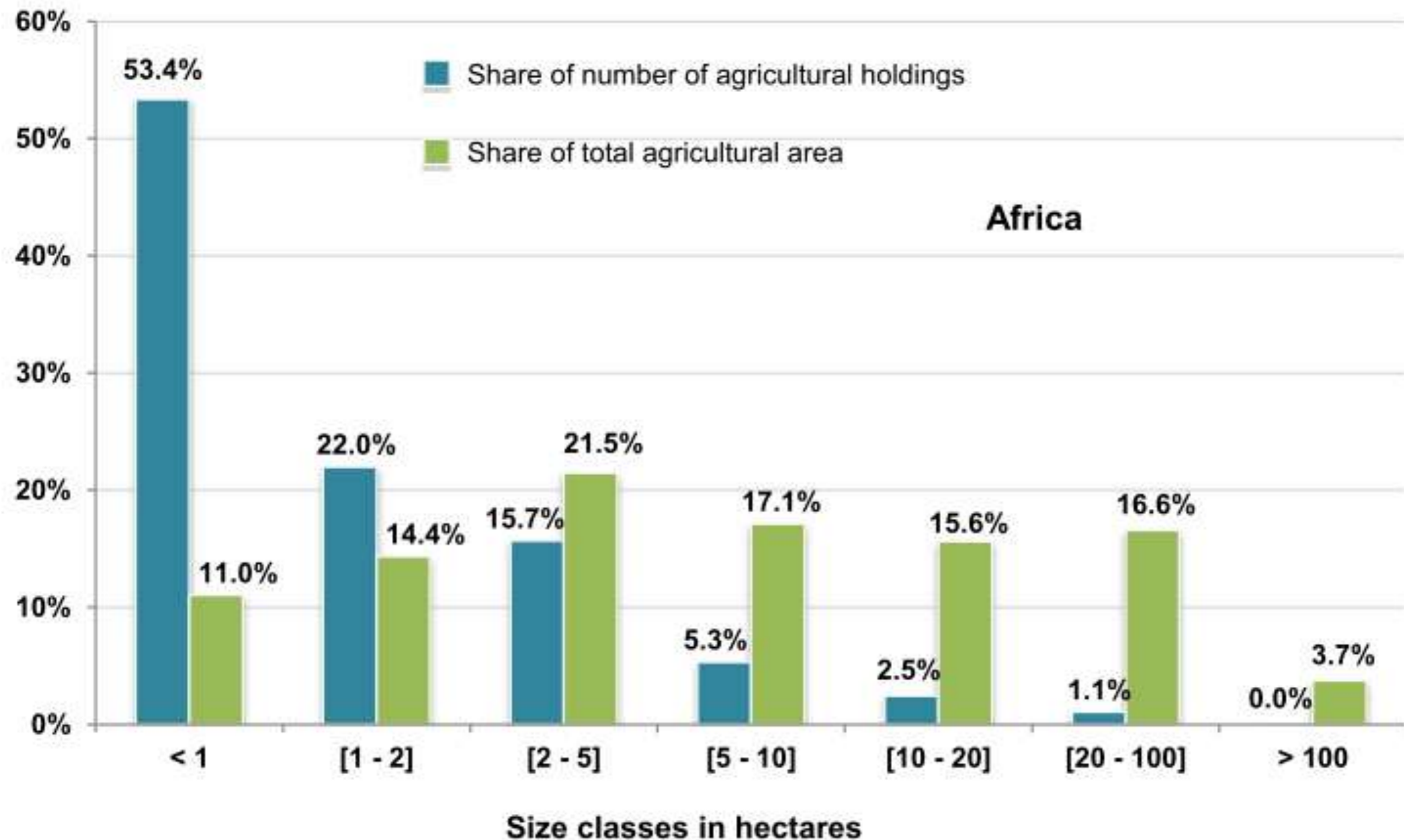


CFS **HLPE**
Committee on
World Food
Security High Level
Panel of Experts

www.fao.org/cfs/cfs-hlpe

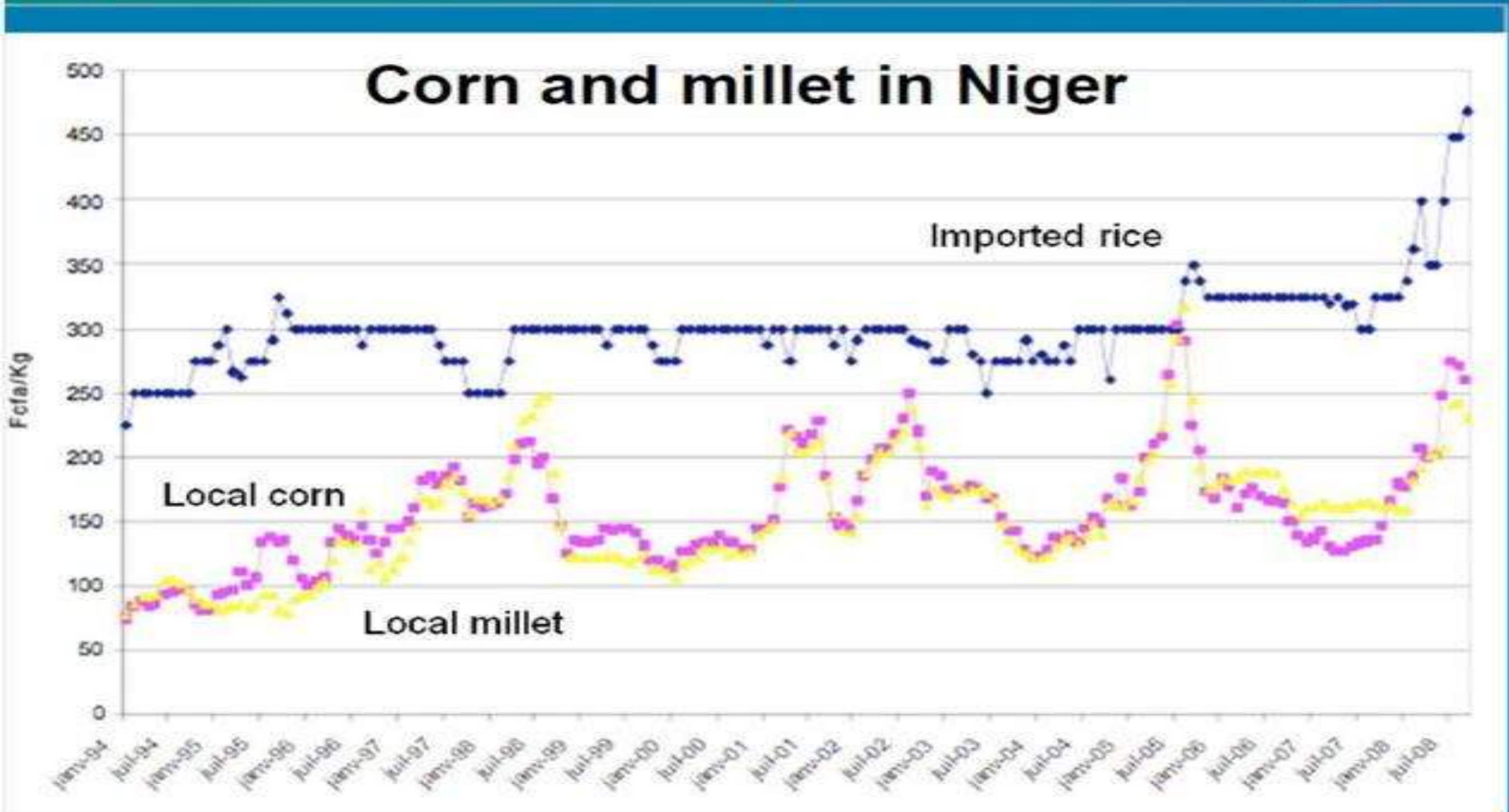
Repartition of the agricultural holdings, and of total agricultural area, per class of holding size

in Africa for the 14 countries of the WCA-FAO subset of Africa

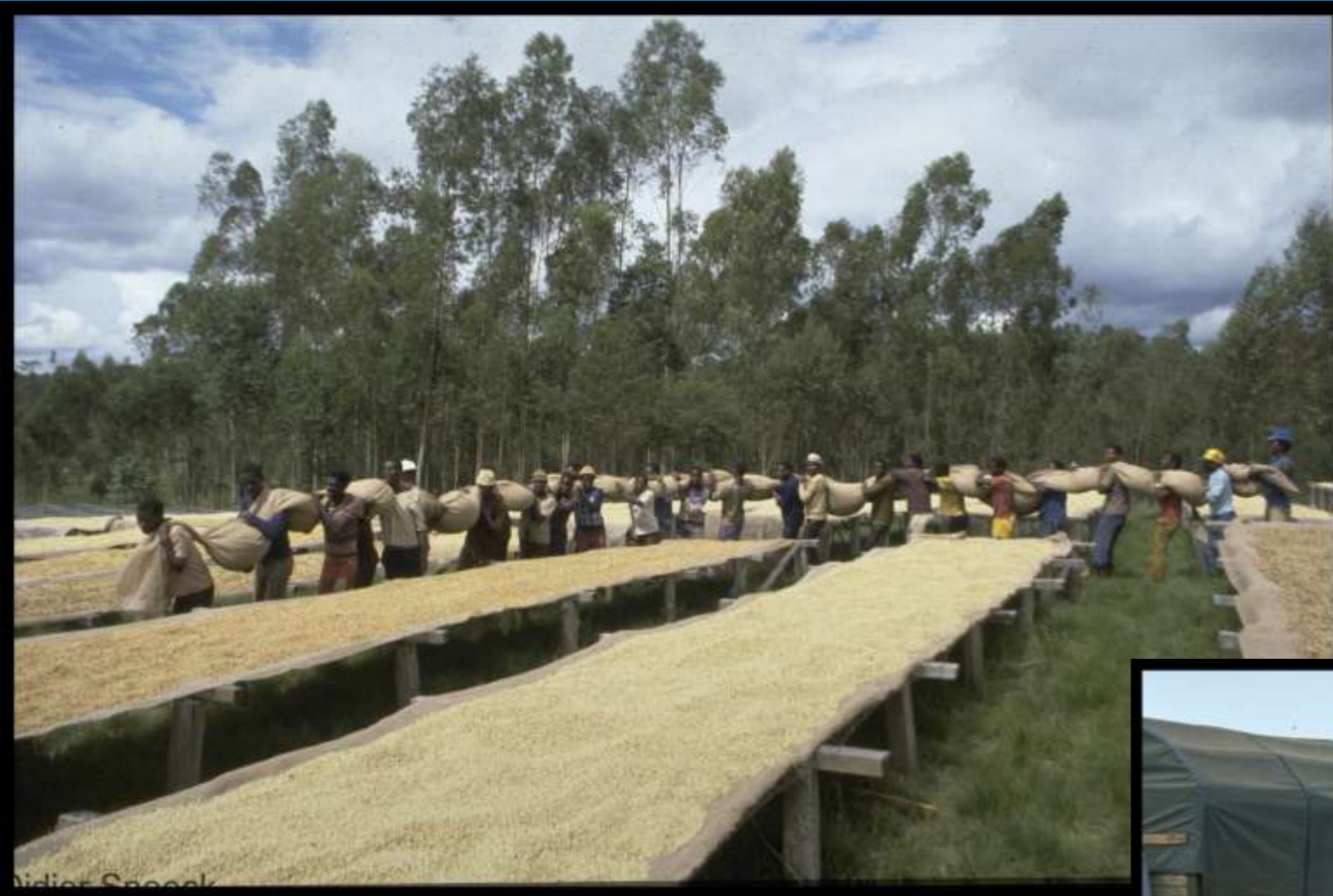


Smallholders face high level of domestic prices volatility (HLPE, 2011)

Domestic volatility: High level for non-traded staples



Collective action to gain market power



Coffee Growers' Associations

Eastern Africa
Fedecafe, Colombia

