

Interventions in support of smallholder participation in markets

Committee on Commodity Problems

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Importance of facilitating smallholder market participation

- Extent of productivity enhancing technology adoption by smallholders is conditioned by their market participation decisions
- Smallholder market participation is variable and characterized by constrained choice
- Policy interventions and project design needs to be cognizant of the determinants of market participation
- Tendency to treat smallholders as an homogenous group

Smallholder heterogeneity in market participation

- Three interrelated dimensions, the importance of which will differ by smallholder category:
 - Access to, and productivity of assets *vis-à-vis* subsistence needs
 - Connectivity to different market outlets
 - Functionality of these markets
- Challenge: which dimension to target to ensure appropriate emphasis and sequencing

Public sector support to smallholder market participation

- Agriculture provides inherently risky and relatively low returns to private investors
- Key role for public sector in leveraging private sector investment in market development by offsetting risks and improving returns
- Identifying appropriate interventions
 - Appropriate support depends on stage of agricultural market development
 - Policy interventions vs. institutional innovations
 - Provision vs. management
 - Facilitating participation of low income groups

FAO's role

- Improve understanding of smallholder market participation
 - Mapping producer characteristics against market opportunities in the Zambian cassava sector
 - Understanding the determinants of participation in Kenyan maize markets
 - Analytical review of IGG Commodity Development projects
- Sensitize stakeholders to alternative interventions
 - Forum for dialogue on the role of trade policy in East and Southern Africa
- Build capacity to identify, formulate and implement appropriate interventions
 - Evidence based policy design and implementation in the Pacific

IGG Commodity Development Projects

Initial findings

1. Commitment to address economic, social and organizational constraints
2. Careful assessment of economic viability (Hides and Skins – West Africa)
3. Developing appropriate roles for the public and private sectors (Tropical fruits - Chiapas, Mexico)
4. Partnerships with the private sector (Sisal - Tanzania)
5. Ability of small farmers to organize (Sisal - Tanzania)
6. Capacity building for farmers (Dairy - Lesotho and Zambia)
7. Extent to which project can be replicable (Vegetable export - Ethiopia)
8. Careful assessment of market risks
9. Detailed analysis of commodity market conditions and outlook.

Actions by the Committee – CCP 12/7

- Comment on the impact of the commodity development work undertaken under the auspices of the IGGs
- Suggest how the IGGs might improve their effectiveness in promoting the formulation, financing and implementation of projects having as their main focus the strengthening of integration into commodity value chains, with particular attention to women.
- Request that in reporting on their activities, the IGGs should review the commodity development actions that have been taken to strengthen smallholder market integration

Actions by the Committee CCP 12/6

- Provide advice as to the direction of future work in the area of policy interventions and support to smallholder participation in markets
- Assist the Secretariat in identifying opportunities for strengthening the evidence base and developing best practice guidelines
- Provide guidance on the identification and delivery of activities to sensitize stakeholders as to the relative merits of alternative policy and project interventions