

Investing in smallholder family agriculture for global food security and nutrition



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INTRODUCTION

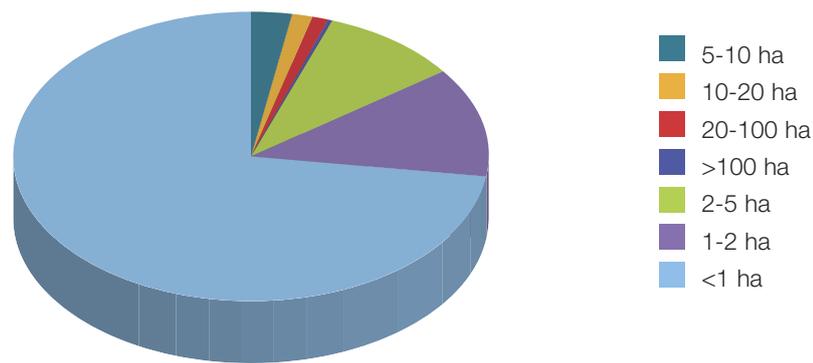
Agriculture is strategically important for the post-2015 development framework. It is a major employer¹ and driver of economic growth, and where growth has the most poverty-reducing impact.² It is a major user of natural resources – such as land, soil and water – and a provider of a variety of ecosystem services.³ It is a major contributor to global greenhouse gas (GHG) emissions, yet it also has great potential for carbon sequestration. Finally, it is the sector on which global food security and nutrition chiefly depend.

In the coming years, agriculture will require profound changes to fulfil its multiple functions against harsher environmental conditions and demographic and market transformations.⁴ Smallholder family agriculture, or smallholder agriculture, will be at the centre of these changes. Already today, small family farms feed up to 80 per cent of the population in Asia and sub-Saharan Africa, manage a large share of the natural resources and ecosystems, and support the livelihoods of 2 billion to 2.5 billion people⁵ – all of this despite large constraints in access to productive assets, finance, technology and markets. Many small family farms are seizing opportunities to become vibrant enterprises by catering to new dynamic markets, capitalizing upon advantages related to their size and use of family labour, and combining these with scale efficiencies achieved through collective action. Other small farms are becoming too small, too poorly linked to markets, or too poorly organized to be economically viable.

Although there will be a variety of development pathways within and around agriculture, in many parts of the world smallholder agriculture can contribute far more than it currently does to growth and job creation, the environmental and climate change agenda, and food security and

- 1 Forty per cent of the global population base their livelihoods on the food and agriculture sector, according to FAO figures cited in UNCTAD (2013). Trade and Environment Review 2013. *Wake up before it is too late. Make agriculture truly sustainable now for food security in a changing climate.* Geneva: United Nations Conference on Trade and Development.
- 2 FAO (2012). *The state of food insecurity in the world 2012*. Rome: Food and Agriculture Organization of the United Nations.
- 3 “Sustainable Agriculture”. Technical Support Team issue brief to the Open Working Group (May 2013), see <http://sustainabledevelopment.un.org/content/documents/1802stissuesagriculture.pdf>
- 4 IFAD’s Strategic Vision to 2015, see <https://webapps.ifad.org/members/rep/9/2/docs/REPL-IX-2-R-2.pdf>
- 5 IFAD and UNEP (2013). *Smallholders, food security and the environment*. Rome.

Figure 1 Repartition of agricultural holdings by size in the 81-country FAO World Census of Agriculture



Source: HLPE (2013).

nutrition. New market opportunities and higher prices for agricultural commodities may well drive a revival of the sector. However, appropriate policies and investments are needed to balance growth in productivity, sustainability and profitability, to leverage the role of the business sector through effective, principled partnerships, and to enable farmers to engage in markets on fair terms. The post-2015 global development agenda can encourage progress by recognizing the role of this sector and by setting ambitious targets for it, starting from those related to food security and nutrition.

KEY CHALLENGES

Small family farms account for the bulk of the agriculture sector, since they make up the majority of farms worldwide; an estimated 85 per cent of farms worldwide are less than 2 hectares.⁶ In Asia, almost all the farms are small family farms, and in Africa, they are a large majority; in Latin America, the situation varies from country to country. Smallholder farms are also significantly present in many industrialized economies.

Almost three quarters of the extreme poor live in rural areas of developing countries, and most poor rural people base their livelihoods on agriculture. However, smallholder agriculture is not equivalent to poverty. Depending on their asset base, access to markets and services, and other factors, small farms can be very efficient in generating adequate levels of output and income. A small plot of land or a small number of animals can thus support a viable enterprise, or serve as a safety net or a source of food for household consumption.⁷ Assets and access to services and markets are rarely just a function of size; they also are influenced by social, economic and political factors. Thus, for instance, gender norms often result in women farmers having less access to assets, services and markets than their male peers, and therefore lower productivity and incomes.⁸ In many contexts, levelling the playing field in terms of access to assets and opportunities can greatly boost productivity in the sector. This is especially the case if production efficiencies related to small size and the use of family labour are combined with scale efficiencies in access to inputs and markets through farmers' collective action.

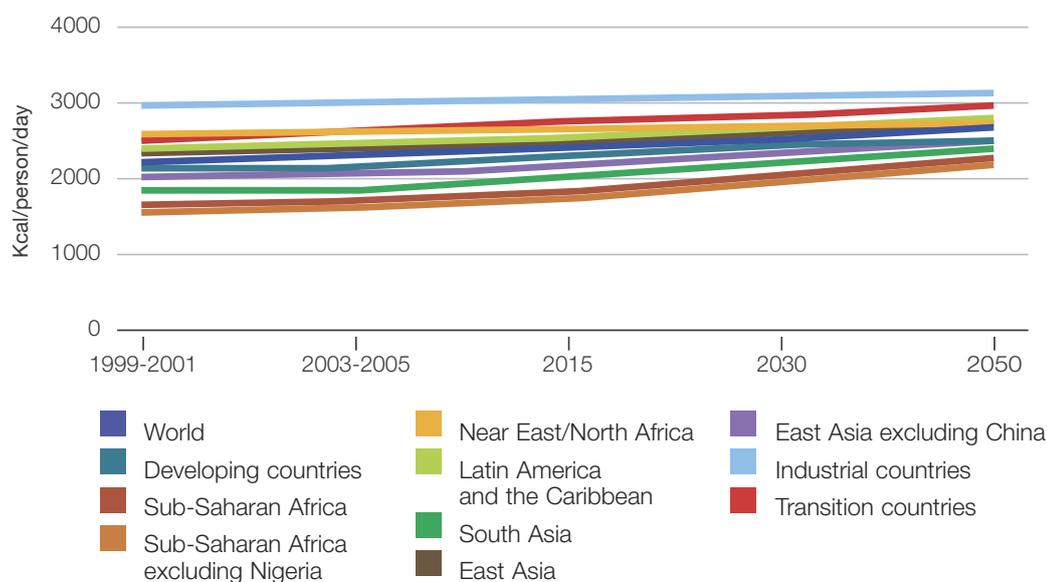
In the future, analysts expect growing diversification of development pathways in the smallholder agriculture sector. In some areas where agroecological endowments are good, and access to markets easier and less costly, there may be opportunities for large numbers of small family farms to increase their productivity and profitability through better linkages to modern markets and supply chains. Progress in this regard has been observed in Asia and Latin America, in some parts of sub-Saharan Africa, and in many industrialized countries. In other areas, where demographic growth or environmental deterioration renders small farms increasingly

6 HLPE (2013). *Investing in smallholder agriculture for food security. A report by the High Level Panel of Experts on Food Security and Nutrition*. Rome.

7 IFAD (2011). *Rural poverty report 2011*. Rome.

8 FAO (2011). *The state of food and agriculture 2010-2011. Women in agriculture*. Rome: Food and Agriculture Organization of the United Nations. See also IFAD Post-2015 Policy Brief 2, *An Empowerment Agenda for Rural Livelihoods*.

Figure 2 Projected increase in per capita food consumption to 2050



Source: IFAD (2013). *Smallholders, food security and the environment*. Rome.

unviable, or where urban and non-farm sectors create opportunities outside agriculture, alternative livelihoods will likely play a leading role in reducing rural poverty and offering possibilities for agricultural consolidation. This has already been observed in many parts of Asia and Latin America.

Growing demand for food linked to economic growth and urbanization is a key factor driving the current diversification of development pathways in the smallholder sector.⁹ Growing demand for agrofuels and other agricultural goods and services – including carbon sequestration and other environmental services – is also a factor. Increasing attention to nutritional outcomes may generate new types of demand on the agriculture sector, putting pressure on it to be more ‘nutrition-sensitive’.¹⁰ Combined with a growing integration of agricultural supply chains, growing demand and upward pressure on agricultural commodity prices can drive investment, higher productivity and incomes. However, limited assets, social exclusion, and the high entry costs of the most profitable markets can create risks of marginalization for small family farms, including many who may have the interest and capacity to evolve into successful small enterprises. In the short term, high food prices can also have a negative impact on the nutrition security of farmers who are net food buyers. Consequently, in small family farms, production oriented towards self-consumption with household vegetable gardens and small livestock (both typically managed by rural women), may remain important in the short term. Eventually, however, access to diverse nutritious food for rural consumers can be ensured when local markets develop and can rely on a thriving agriculture sector.

Improving smallholder nutrition begins with this recognition that farm households are both producers and consumers. Linking agriculture to nutrition for these households requires nutrition-sensitive investments that increase incomes and also diversify food production and availability. This can be done through promotion of fruits and vegetables, small animal production, and biofortified or highly nutritious but underutilized crops. Investments to make marketing systems more efficient by improving transport and reducing waste for example, and more nutrient-preserving, are also important for smallholders. These investments can reduce the relative prices of goods and enhance their nutritional value, thereby raising demand, increasing incomes, and improving diets of smallholder families. Smallholders should also be recognized as guardians of biodiversity, who produce traditional and often neglected varieties of crops, fish, and livestock with benefits for nutrition.

9 OECD-FAO (2013). *Agricultural Outlook 2013-2022*. Paris: OECD.

10 Nutrition-sensitive investments in agriculture are those whose design and implementation take impacts on nutrition into account, and thereby have a positive impact on nutrition outcomes even when nutrition is not the main goal.



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The factors underlying rural poverty and marginalization in developing countries are often also the main constraints to the investment capacity of small farms. These include: limited or precarious control over productive assets, with women at a disadvantage almost everywhere in terms of secure access to and control of land;¹¹ degradation of the natural resource base; poor access to finance, inputs, knowledge and technology; limited access to infrastructure; and weak human and social capital. Therefore, in order for farmers to respond to increasing demand for food and other agricultural products and services, their first requirement is a secure and productive asset base. They also need to be able to rely on well-functioning research and development (R&D), extension, training and information systems. Furthermore, and critically important, they need access to a range of financial capital and services, including savings, credit, insurance and remittance transfers. It is also very important for farmers to be organized in order to aggregate produce and reduce costs, access inputs, and enhance their market power.¹²

Much of what farmers need to respond to increasing demand for food and other agricultural products and services requires private investments, which depend on the decisions made by millions of private operators, starting with farmers themselves. However, it is vital that there is an enabling institutional and policy environment that defines and protects the entitlements of operators in the sector, sets incentives and safeguards for responsible investments, ensures provision of public goods, and promotes good governance.

11 FAO (2011). *The state of food and agriculture 2010-11*. Op. cit.

12 IFAD Post-2015 Policy Brief 2, *An empowerment agenda for rural livelihoods*.

India – Convergence of Agricultural Interventions in Maharashtra (CAIM)

Through a partnership with FieldFresh Foods Pvt. Ltd, an agribusiness company exporting fresh vegetables, farmers in the CAIM project are supplying baby corn to major supermarket chains in the United Kingdom. The IFAD-funded project is linking a significant number of smallholder farmers to the global market for high-value produce. FieldFresh Foods provides the link to overseas markets and has the capacity and infrastructure to provide farmers with close support through a contract farming arrangement. The project aims at making farmers more attractive to such operators as FieldFresh Foods through investments in capacity-building and better infrastructure to reduce transport time and costs. The exporter is also gaining from the partnership in terms of higher-quality produce from farmers and a more stable supply, which increases the company's own market value as a supplier to supermarkets in the United Kingdom.

The role of the IFAD project is to act as a facilitator to bring the company together with the farmers by inviting FieldFresh Foods to work with a group of farmers mobilized by the project. Field staff of a CAIM project partner Implementing Agency (a local NGO) have been trained by FieldFresh Foods to support farmers, backing up the advice given by FieldFresh's own staff. The CAIM project is also providing a subsidy for the transport of baby corn from the field to the packhouse.

FieldFresh Foods invests in the value chain by training farmers in how to meet international standards of production by providing crop specification sheets and free access to wide-ranging managerial, technical and extension services. It also supplies hybrid seed for baby corn and facilitates processing and packaging of the baby corn.

The government has acted as a co-investor in infrastructure improvements from the field to the FieldFresh Foods packhouse. It also has provided, via other government programmes, subsidies for seed and drip irrigation equipment, making investment in baby corn production more attractive for farmers.

Source: IFAD (2013). IFAD and public-private partnerships: Selected project experiences. Rome

ENTRY POINTS AND APPROACHES FOR A POLICY AGENDA

The key entry point for a policy agenda is creating the conditions for the investment capacity of smallholder farmers to flourish by removing constraints to this capacity so that they can respond to incentives related to growing demand and higher prices. The good news is that addressing these constraints is increasingly seen as a sound investment by many public and private actors. Many governments have given high priority to food security and nutrition in their policies and public investments in recent years, which include provisions for unlocking the potential of small family farms. Moreover, many business operators are engaging with farmers and co-investing in their asset base, capacity, organization and access to finance, thereby contributing to address some key constraints that farmers face as suppliers in modern food supply chains. Many innovations are taking place in agricultural and rural finance, extension services and skills development, with the engagement of different parts of the private sector. The rural finance sector, in particular, has witnessed many innovations emerging precisely from greater engagement of the business sector with farmers and other small-scale operators, for instance, through value chain financing. Going forward, the challenge for policymakers and development actors is to facilitate, support and govern these processes to ensure positive development impact.

In practice, the diversity of smallholder agriculture and of the contexts in which it operates makes it impossible to define blueprints for policymakers. Appropriate solutions need to evolve from inclusive processes in which the voices of farmers – women and men alike – are well represented. Some general lessons can be drawn from the experience of countries such as China, Brazil, Ghana and Viet Nam, whose economies have grown and that have reduced



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poverty and hunger through agriculture. This experience shows the importance of an enabling environment for investment, with, inter alia, stable property rights, good governance and rule of law, contract enforcement, transparency and predictability in public decisions, well-functioning markets, and trade policies that do not tax the sector. This experience also shows the importance of public investment in infrastructure, education and agricultural R&D. A focus on raising productivity to ensure relatively low food prices has often guided policy choices, but considerations related to environmental sustainability and climate change adaptation and mitigation are increasingly part of the public agenda. In the future, considerations related to nutritional impact are also likely to feature prominently in public policy and thereby affect the environment for the development of smallholder agriculture and related value chains.

The redefinition of the role of the public sector in agriculture in recent years has fed debate on how public policy and investments can boost private investment and ensure that it contributes in a balanced manner to food security and nutrition, poverty reduction and environmental sustainability. Overall, there is consensus on the need for the public sector to continue creating an enabling environment for private investment through stable and well-functioning institutions, e.g. for land tenure systems and more generally for property rights, for contracts and market regulations, and for trade. In addition, the public sector must also continue to provide essential, high-return public goods, notably those related to public R&D, complementing private investments in this area.¹³ Some sources stress the need for integrated policy packages that directly support smallholder investment capacity.¹⁴ In most cases, the comparative advantage principle is underlined, since it is assumed that the provision and operation of financial services or agro-input supply, both critical for the development of smallholder agriculture, is best carried out by a capable and efficient private sector.

13 See FAO (2012), *State of food and agriculture 2012*. Op. cit., and S. Wiggins et al. (2013). "Agricultural development policy: a contemporary agenda." Background paper for GlZ. London: Overseas Development Institute.

14 HLPE (2013). *Investing in smallholder agriculture for food security*. Op. cit.

Many sources emphasize the importance of public-private partnerships to enable different sectors to play a role based on their comparative advantage. In practice, a partnership approach is emerging in many contexts, from the local to the national scale and even beyond, as illustrated, inter alia, by the Grow Africa platform. The rationale of this approach is multifold. For the public sector, there is need to leverage the interest of the business sector in agriculture and related value chains. This can bring fresh capital to rural areas and contribute to increasing supply, quality and market distribution of produce, generating positive financial, economic and social returns. A public-private partnership approach can ensure that business investments do actually create positive benefits and are in keeping with emerging principles of responsible investment in agriculture, which requires clear incentives and safeguards. For business, the rationale of partnership with the public sector is to have the enabling conditions to operate efficiently and profitably. Private-private partnerships between farmers and larger business operators are also increasingly important. For companies in agroprocessing and marketing, the rationale is to have a stable and capable supply base as well as a large potential market for their products. For farmers, the rationale is to have stable market outlets, access to finance, technology, knowledge and job opportunities.

IMPLICATIONS FOR THE POST-2015 DEVELOPMENT AGENDA

Key sources in the post-2015 debate stress the role of agriculture in food security and nutrition, and suggest possible targets. Under a proposed goal in this area, for instance, the HLP report¹⁵ suggests targets for agricultural productivity growth, with a focus on smallholder yield and irrigation, adoption of sustainable practices, and reduction of post-harvest losses and food waste. It also suggests targets for water and energy efficiency in agriculture, and a reduction in agricultural subsidies under other goals.¹⁶ The Sustainable Development Solutions Network proposes a goal on “improving agriculture systems and raising rural prosperity,” with targets for increasing yields and efficiency of water, soil nutrients, energy use and nutritious diets, reducing food losses and waste, halting forest and wetland conversion, and promoting farm system sustainability and resilience, and universal rural access to basic infrastructure and services. It also suggests targets on reduced emissions and sustainable management of natural resources in agriculture under other goals. The United Nations Global Compact proposes doubling agriculture productivity in least developed countries (LDCs), stopping and reversing growth in emissions and deforestation linked to agriculture, and reducing food losses and waste, under a goal on good nutrition through sustainable food and agricultural systems. It also recommends a target on full and equal access of women to property (including land) under another goal.¹⁷

The above proposals underscore the role of agriculture with respect to food security and nutrition, and also recognize that it needs to contribute to goals in other areas. These proposals are similar in choosing targets that combine progress in productivity, sustainability, emissions reduction, and impact on food security and nutrition. There are two key points to note here. First, agriculture in general, and small family farms in particular, should be the clear focus of a possible goal related to food security and nutrition. Second, agriculture should enter the agenda not only through a focus on productivity, but also through a broader agenda of sustainability and resilience.¹⁸

In current proposals, little focus has been given to the elements of an enabling environment for this sector and for the investment capacity of its operators. Many of these elements, particularly those related to the role of the private sector, such as rural finance or extension services, may well be beyond the purview of a global post-2015 development agenda. Nevertheless, this agenda can inspire progress at the country level and can facilitate progress through the global partnership for development. At a minimum, there should be a rural and/or agricultural focus in the design of targets where both public and private investment will be needed, in goal areas central to the debate (e.g. energy, infrastructure, governance) that greatly affect the enabling environment for investment. Moreover, since growth in agricultural

15 The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, 2013.

16 HLP (2013). *A new global partnership: Eradicate poverty and transform economies through sustainable development*. The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, see www.post2015hlp.org/the-report/

17 UN Global Compact (2013), *Corporate sustainability and the United Nations post-2015 Development Agenda*, see www.unglobalcompact.org/docs/news_events/9.1_news_archives/2013_06_18/UNGC_Post2015_Report.pdf

18 This was well articulated by IFAD and other members of the United Nations Technical Support Team to the Open Working Group on Sustainable Development Goals in an issue brief on sustainable agriculture.



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productivity and sustainability will partly depend on collaboration in R&D, technology transfer and trade, this focus should also be brought to the design of targets related to a rejuvenated global partnership for development. Finally, international collaboration in setting standards for responsible and sustainable investment is a key area where implementation of the new framework can impact on smallholder agriculture and its role in global food security and nutrition. In this regard, it is encouraging that participants at a high-level global consultation on hunger, food security and nutrition in the post-2015 development agenda called for a “new brand of enlightened, principled partnerships” with smallholder farmers – women and men alike – at the centre.¹⁹ This call should stimulate early discussion on implementation modalities of the new agenda, with a view to fostering collective progress in a key area of public-private collaboration for global development in the coming years.

19 High-Level Consultation on Hunger, Food Security and Nutrition in the Post-2015 Development Framework, Madrid, 4 April 2013, Joint Chairs and Co-Leads Synthesis Report.



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