



# **Small producer agency in the globalised market**

**Making choices  
in a changing world**

BILL VORLEY  
ETHEL DEL POZO-VERGNES  
ANNA BARNETT



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This publication is a product of the Knowledge Programme: Small producer agency in the globalised market. The Knowledge Programme aims to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. The programme works with different actors to bring new voices, concepts and insights into the global debate. It thereby seeks to support the development community, including policymakers, producer organisations and businesses, in their search for better informed policies and practices. The programme is led by the Humanist Institute for Development Cooperation (Hivos) and the International Institute for Environment and Development (IIED), and integrates a global learning network, convened by Mainumby Ñakurutú in Bolivia.

First published in 2012 by the Knowledge Programme Small Producer Agency in the Globalised Market, a joint initiative of:

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Citation: Vorley, B., del Pozo-Vergnes, E., Barnett, A. 2012. *Small producer agency in the globalised market: Making choices in a changing world*. IIED, London; HIVOS, The Hague.

Designed by Andy Wilkinson

Printed by Park Communications, UK on 100% recycled paper using vegetable oil based ink.

ISBN: 978-1-84369-895-1

A catalogue record for this publication is available from the British library.

The publication can also be downloaded from:

<http://www.hivos.net/Hivos-Knowledge-Programme/Publications> or <http://pubs.iied.org/16521IIED>

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# Contents

<b>Foreword</b>	<b>ii</b>
Acknowledgements	iii
Abbreviations and acronyms	iv
<b>1. Introduction</b>	<b>1</b>
1.1 The new agenda for agriculture	2
1.2 Reshaping the debate: Why agency matters	2
1.3 About the Knowledge Programme	3
1.4 About this report	5
<b>2. Context and dynamics</b>	<b>6</b>
2.1 Who are small farmers?	7
2.2 Recipes for small-scale farming and rural development	11
2.3 Changing farms and farmers	12
2.4 Small producer agency and diverse livelihoods	17
<b>3. Markets for the poor and markets of the poor: small-scale producer agency in formal and informal markets</b>	<b>18</b>
3.1 Economic transformation and the informal market	21
3.2 Small producers and formal markets: barriers and catalysts	26
3.3 Importance of regional, national and local markets under globalisation	29
3.4 'Intangible assets': adding value through culture, territory and traditional knowledge	31
3.5 Modernisation on small producers' terms	33
<b>4. What organisations for what farmers? Matches and mismatches between individual and collective agency</b>	<b>34</b>
4.1 What organisations, for what farmers?	36
4.2 How cooperatives succeed in liberalised markets	36
4.3 Informal structures for collective agency	43
4.4 Factors driving farmer choices about organisations	45
<b>5. Connects and disconnects between small-scale farmers and policies</b>	<b>48</b>
5.1 Obstacles to small producer agency in policymaking	51
5.2 Policies not supporting economic interests of small-scale producers	55
5.3 Pathways for political and civic agency	58
<b>6. Conclusion: meeting small-scale farmers in their markets</b>	<b>62</b>
6.1 The new reality	63
6.2 From 'inclusive business' to agency	64
6.3 Rethinking the agenda for small-scale farming	65
<b>References</b>	<b>66</b>
<b>Appendix: Knowledge Programme products and contact information</b>	<b>71</b>

# Foreword

Many development organisations like ours have split personalities. Part of our work is about investing in civil society, citizenship and social change. We use words like agency to understand how people can take greater control of their lives, often through political struggle. Another part of our work is about economic empowerment in markets. This often takes a pragmatic approach to policy and seeks technical solutions to the challenges of economic liberalisation and global market forces.

In 2008 Hivos took the deliberate step to bring these two threads together within a Knowledge Programme, Smallholder agency in the globalised market, in partnership with IIED.

The idea behind Hivos Knowledge Programmes is to address complex challenges through knowledge integration. By bringing academic and practitioner knowledge together, new insights can be created and strategies formulated that lead to new policy and practice. This Knowledge Programme helped to bring the two threads together in debate about the future of the world's half-billion small farms.

The Learning Network format, which IIED has worked with elsewhere most notably in forestry, provided an opportunity to co-generate knowledge between people from very different worlds. A network of farmer leaders, business people, researchers and civil society was convened that spanned Central America, the Andes, East Africa, India and Indonesia. It was led from Bolivia by the Mainumby Ñakurutú Research Centre.

The Network initially focused its work on two areas: how smallholders influence on the big policy levers of regional trade agreements, and how smallholders cooperate to better compete in value chains. As the Network grew in confidence and critical capacity, it introduced a third work area – 'the other markets – informality, economic rationalities and small-scale producer agency' – which eventually became one of the most important pillars of the programme. There is a clear need to explore this highly dynamic space further, as informal markets are the connecting points for the majority of small-scale farmers and low-income consumers.

So, what happens when you bring the themes of citizen driven change, agency and markets together, around the complex choices facing small-scale producers in an era of globalisation? This book — and the accompanying regional summaries — reveal important insights. It provides a global synthesis of the Knowledge Programme, supplemented with evidence from the wider literature and a series of 'Provocations' or debates that were held around Europe on core dilemmas in development policy. Our findings lead us to understand where farmers are today rather than where we might want them to be. It helps us to understand farmers' economic agency under severe resource constraints and in a context marked by weak, distant or sometimes even predatory government and private institutions. It helps us understand why small-scale farmers may not enter so-called 'high-value' markets, or join a producer organisation.

This book challenges our institutions and the development community, both in terms of our assumptions and how we go about the process of generating knowledge. In the current fierce debates on the roles of smallholders and agribusiness in global food security, or designing a set of Global Sustainable Development Goals, we hope that our findings will generate wiser policies and interventions.

**Manuela Monteiro, Managing Director, Hivos**



**Camilla Toulmin, Director, IIED**



# Acknowledgments

This book is the product of a collective three years effort of many people. Hivos and IIED have created an open and free space for different views to be expressed. Farmers' leaders, agrifood business entrepreneurs, researchers and development practitioners have contributed knowledge from their different backgrounds. Discussions in the different Global Learning Network meetings and field visits in Asia, Africa and Latin America, institutional partnerships and invited speakers during the six 'Provocative Seminars' in Europe and the research commissioned on specific topics feed into this book.

The authors wish to express their profound acknowledgement to all those who contributed to shape this book.

To Diego Muñoz, the convenor of the Learning Network, and to all the Network members who brought in their day to day experience in their countries and regions' different realities: Sanjeev Asthana, Satender Arya, Medius Bihunirwa, Lorenzo Castillo, Luis Galleguillos, Falguni Guharay, Henry Kinyua, Alberto Monterroso, Mainza Mugoya, Ronnie Natawidjaja, Claudia Ranaboldo, Morrison Rwakakamba, Mohammed Shariff, Srikantha Shenoy, Nico Tassi and Caecilia Widyastuti.

To the authors of commissioned research papers that brought evidence and challenging perspectives on important topics: Sophia Murphy, Lucia Michelutti, Jikun Huang, Xiaobing Wang, Huangang Qiu, Felicity Proctor and Valerio Lucchesi.

To our partners and speakers in the series of provocative seminars and in some of the Learning Network global meetings who challenged the current debate and our own understanding: Giel Ton (ESFIM, Wageningen UR), Sudhirendar Sharma, (ENRAP, India), Arturo Argueta Villamar (Autonomous University of Mexico), Olivia Taghioff (SIANI), Anna Rahm (Sida), Ngolia Kimanzu (Swedish Cooperative Centre), Olivier de Schutter (United Nations Special Rapporteur on the Right to Food), Diana Mitlin (IDPM, University of Manchester, IIED), André Gonçalves (Centro Ecológico, Brazil), P. V. Satheesh (Deccan Development Society, India), Joost Nelen, (SNV), Roger Blein (Bureau Issala, France), Bala Sanou (KIT, Burkina Faso), Harm van Oudenhoven (Tropical Commodity Coalition, The Netherlands), Olivier Renard (IRAM, France), Stephanie Barrientos (IDPM, University of Manchester), Sue Longley (International Union of Foodworkers), Sally Baden (Oxfam UK), Peter McAllister (Ethical Trading Initiative), Miet Maertens (University of Leuven, Belgium), Sukhpal Singh (IIM, India), Wilfred Kamami (Wilmar Agro Ltd, Kenya), Peter Utting (UNRISD), Chris Claes (Vredeseilanden, Belgium), Sanjeev Asthana (NSFI, India), Chris Bacon (Santa Clara University, USA), Richard Howitt (MEP and European Parliament spokesperson on corporate social responsibility), Merling Preza (CLAC), Miguel Mendez Castellanos (SNV, Nicaragua), Philippe Remy (IFAD), George Dixon Fernandez (MIJARC, Belgium), Julius Sen (LSE, UK), Sietze Vellema (Wageningen UR), Edith van Walsum and Jorge Chavez (ILEIA), Peter Armstrong and Jamie Walker (OneWorld UK), Lena Katzmarski and Daphne Roodhuyzen (Hivos).

We would like to acknowledge all of our partners' contributions to earlier drafts and particularly Diego Muñoz, Nico Tassi, Ronnie Natawidjaja and Shariff Mohamed for their contributions to shape this book during a writeshop we held in February 2012 in Bandung, Indonesia.

Finally, we wish to thank our closest partners and colleagues who made this adventure, synthesised in this book, possible. To Hivos and especially Bishwadeep Ghose for his continuous support and to Josine Stremmelaar and Carol Gribnau for their always constructive and thoughtful critique. To our colleagues from IIED, especially Liz Carlile, Sian Lewis, Mike Shanahan, Frances Reynolds and Rosalind Portman, who all contributed to the communication and production of the programme insights to reshape the debate.

While the support of all is gratefully acknowledged, the views expressed here are the authors' sole responsibility.

# Abbreviations and acronyms

<b>ALBA</b>	Bolivarian Alliance for the Americas
<b>CECOSEOLA</b>	Venezuelan Federation of Social Services Cooperatives
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>Danida</b>	Ministry of Foreign Affairs of Denmark
<b>DDS</b>	Deccan Development Society
<b>EAC</b>	East African Community
<b>EAFF</b>	Eastern Africa Farmers' Federation
<b>EPO</b>	Ecological producers' organisation (Nicaragua)
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FNC</b>	Colombian Coffee Growers Federation
<b>FTA</b>	Free trade agreement
<b>IFAD</b>	International Fund for Agricultural Development
<b>ILO</b>	International Labour Organization
<b>JNC</b>	National Coffee Board (Peru)
<b>KACOFA</b>	Kapchorwa Commercial Farmers' Association (Uganda)
<b>KRC</b>	Kabarole Research and Resource Centre (Uganda)
<b>MAMCOS</b>	Malnad Areca Marketing Cooperative Society (India)
<b>Mercosur</b>	Common Market of the South (South America)
<b>NAADS</b>	National Agricultural Advisory Services (Uganda)
<b>NABARD</b>	National Bank for Agriculture and Rural Development (India)
<b>NABARD</b>	National Reserve Bank for Agriculture and Rural Development (India)
<b>NSFI</b>	National Skills Foundation of India
<b>OECA</b>	Campesino economic organisation (Bolivia)
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>REAF</b>	Mercosur specialist consultative group on family farming
<b>RIMISP</b>	Latin American Center for Rural Development
<b>TSS</b>	Totgars Cooperative Sale Society (India)
<b>UBOS</b>	Ugandan Bureau of Statistics
<b>UNFFE</b>	Uganda National Farmers Federation



# 1 Introduction





Agriculture is still a small-farm story: half a billion farms of less than two hectares produce a significant proportion of the world's food — estimated at over 90 per cent in sub-Saharan Africa (IFPRI 2004), and 50 per cent in India (Arya and Asthana, Learning Network; see below). Efforts to reduce poverty, too, are closely linked with small farms. The livelihoods of 2.2 billion people are still linked to small-scale agriculture (Singh 2012).

Since the food crisis of 2007-2008 and its aftershocks in 2010-11 galvanised interest in the future of agriculture, these small farmers have risen high on international agendas. Surging commodity prices have underlined the vulnerability of the world's food supply to global change, and lent immediacy to the challenges of feeding a growing population under tightening environmental constraints. Globalisation links these changes (Box 1.1), and also has opened borders and exposed small-scale farmers directly to price volatility and evolving market requirements that present multiple opportunities and risks.

## 1.1 The new agenda for agriculture

The renewed attention to agriculture has strengthened interest in connecting small farmers to markets. Governments, donors and the development community at large, as well as many in the private sector, have embraced the goal of 'market-based' development — aiming to get smallholders trading in modern markets through producer organisations and 'inclusive business'. Recently the G8, the World Economic Forum and some governments in the

Rio+20 negotiations in June 2012 have all emphasised this approach, arguing for greater involvement of private companies contributing to a Green Economy for sustainable development.

There is dispute over what role small-scale farmers can play in feeding a fast-growing population under severe environmental constraints. But a widespread expectation is that, through market inclusion, small producers can survive and even prosper in the face of major shifts in agriculture and food markets ushered in by globalisation. In this new agenda, small-scale producers are seen not only as the key to reducing rural poverty, but also as a pillar of global food security, stewards of natural resources and biodiversity, and part of the solution to climate change.

For national and international businesses, establishing relationships with small farmers is a chance to secure supply and develop new markets for seeds and other agricultural inputs. Some of the world's biggest companies, including Walmart and Unilever, have announced ambitious goals to bring small-scale farmers into their supply networks.

## 1.2 Reshaping the debate: why agency matters

Through the exploration of small-scale farmers' agency, this report aims to contribute toward reshaping the debate over their future. Many proposals have been couched in crisis narratives: producers may be portrayed as vulnerable victims of globalisation, modernising markets or environmental threats, who can be 'developed' as beneficiaries of government, donor and private initiatives. But by treating

### Box 1.1 Defining globalisation

Sophia Murphy's review for this Knowledge Programme delineates three aspects of globalisation (Murphy 2010):

- Global supply chains, based on information and communications technology that enable tightly coordinated trade.
- Liberalisation of trade policies, driven by a view of trade and capital investment that sees a single world market as the most efficient outcome to ensure economic development and public welfare.

- The globalisation of expectations, a cultural shift in which people aspire to a global standard of middle-class consumption.

These three aspects interact and reinforce one another, and all raise challenges for developing countries and their small producers.

small farmers as victims or beneficiaries, these programmes miss producers' role as active economic actors in their own right. Given the entrepreneurial nature of agriculture, small producers are analysing their options, managing risks and making their own decisions — even in the face of information asymmetries and unfavourable policies. In other words, they are exercising agency (Box 1.2), both as individuals and collectively.

Agency is then more likely to be channelled towards autonomy and self-determination through working and trading outside or at the edges of formal economic and political institutions. Thus, smallholder agency and informality are closely interrelated. Formal and informal institutions are often interdependent, but also compete with each other for legitimacy and power. As Lynn Bennett writes, and as we will see in the coming chapters, 'Informality is the space of human agency' where individuals and groups use the space around the rules to make systems work in their favour (Bennett 2002).

The Knowledge Programme on Small Producer Agency in the Globalised Market, a joint programme of IIED, Hivos and Bolivia-based Mainumby, has focused on this capacity of producers to make effective choices in the face of external agendas and powerful actors, and to act on those choices. The Knowledge Programme uses an agency perspective to understand the strategies and constraints of small farmers.

Such a perspective can help in designing more appropriate policies and business interventions. Most 'inclusive business' models, in reality, are connecting with only a narrow minority of farmers, and experts risk overlooking the other 90 per cent who are not reached by the majority of value-chain initiatives. Development agendas focus on the potential of modern, formal and global markets, the collective power of formal farmers' organisations, and the representation of small producers in national policymaking, but may not recognise the reality of a thriving informal sector, the diversity of smallholder livelihoods combining formal and informal, farm and off-farm, urban and rural activities, or the traditional or local institutions and structures many farmers use for economic cooperation and to shape the rules of their markets. To get the future right for the 90 per cent — and to achieve the ambitious expectations for small-scale agriculture — policymakers, businesses and NGOs must ask the right questions. Instead of how to make markets work for the poor, we need to look at how the poor make markets work for them.

## 1.3 About the Knowledge Programme

The three-year Knowledge Programme, launched in January 2009, set out to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. The programme has structured its work around three complementary components:

**A Global Learning Network:** The Global Learning Network has brought together leaders and practitioners from academia, farming and agribusiness in Latin America, Asia and Africa (Box 1.3). The group has sought new insights on some of the critical challenges that small-scale producers are facing in globalised markets, through the lens of producers' agency.

The Learning Network process has combined action research with knowledge co-construction and learning field journeys, in order to share and combine insights across regional, professional and cultural backgrounds. To this end, the network has focused on fostering reflection and discussion between diverse participants, as much as on producing evidence-based products. The Learning Network was led from Bolivia (convened by Diego Muñoz of Mainumby), and worked in English and Spanish. For details of network members' research topics and contact information, see Appendix.

**A series of 'Provocation Seminars':** Under the title of 'Making markets work for small-scale farmers?' IIED, Hivos and collaborating institutions organised a travelling series of 'provocation' debates to challenge conventional wisdom on how to include smallholders in markets, bringing fresh perspectives on what works and why. Between September 2010 and May 2012, six Provocation Seminars were hosted across Europe, each gathering invited speakers, local delegates, and international participants (via web streaming) for three hours of debate, with English-Spanish or English-French translation. Web pages for each seminar, with reports, articles, blog posts, videos and lists of co-organisers and speakers, are listed in the Appendix.

**Commissioned research:** To fill knowledge gaps and to challenge thinking on Knowledge Programme issues, studies were commissioned on four key topics. Murphy (2010) reviews how the debate on small farmers and globalisation

## Box 1.2 What is 'agency'?

In most policy discourse around small-farm agriculture and markets, much is written about supporting and 'empowering' farmers, in organisations, in markets and in politics, and as 'beneficiaries' of external initiatives. But a different discourse — rooted in social sciences and familiar to the world of civic-driven change, but relatively alien to agricultural policy — carries another term that, in agriculture, deserves a closer look. That is the notion of **agency**.

Agency is one of a set of concepts around people-centred development — development that allows people to take actions to help them meet their needs, manage risks and make progress towards achieving their aspirations (Bennett 2002). It refers to the capacity of individuals to act independently and to make their own free choices.

Freedom to choose becomes freedom of opportunity when people have the **capacity to act** on choices. This depends on their **assets** and **capabilities**, as described by Sen (1985) and in the 'Sustainable Livelihoods' Framework promoted by DFID in the first half of the 2000s. The framework distinguishes five types of 'capital' — financial, physical, natural, human and social — that provide the capacity to follow a chosen livelihood strategy. The first three capitals are tangible assets, while human and social capital can be thought of as capabilities. A core capability is the ability to make sense out of **information** in order to generate **knowledge**, such as determining the viability of a new market opportunity, or setting a price for farm produce.

Thus, agency underpins the capacity of producers to deal effectively with external stresses and opportunities, and to manage risk and vulnerability, including adaptation to climate change, under conditions of extreme asset constraints. This is seen in the very dynamic responses of households in rural areas in China, where evidence shows the effectiveness of risk-management strategies adopted by Chinese rural households, including income diversification and informal social supports (Huang *et al.* 2012).

While the concept of agency has its roots in individual self-determination, it can cover both the individual and collective capacity of people to be agents of their lives and of their development, working with others to achieve collective cultural, political and economic goals — what Harry Boyte terms 'civic agency' (Biekart and Fowler 2009).

### Agency and institutions

The last pieces of the puzzle that link agency with positive

transformative change are institutions. **Institutions** structure people's access to assets and capabilities, and therefore make the difference between development that includes or excludes the poor.

Most development interventions are oriented to the three categories of **formal institutions** that are familiar to development practitioners: institutions of the state, and (through the state's legal and regulatory power) the formal **market**, and **civil society**.

Much of the rights-based approach to development (Section 2.2) focuses on how disempowered communities such as smallholder farmers can increase their level of participation in decision-making within those formal state institutions (Biekart and Fowler 2009) in order to defend and protect themselves from the forces of globalisation and open markets.

Likewise, much of the market-based approach to development focuses on how small farmers and their organisations can be 'included' in value chains and 'empowered' in markets as 'beneficiaries' of external initiatives (DFID and SDC 2008). Little attention is paid to how small-scale farmers can be supported in their capacity to make choices in the face of new opportunities, new power structures and powerful external agendas. Such positioning of small producers as lacking in agency and opportunity continues in governments, multilateral organisations, donors, NGOs, academics, and more recently the private sector. Paradoxically, even radical social movements claiming worldwide representation sometimes have a top-down discourse that does not consider small-scale farmers' capacity to make and act on their own choices.

### Agency and informality

For small-scale producers themselves, the most important institutions are not necessarily associated with the state or formal markets, which after generations of discrimination and marginalisation may be distrusted — seen as forces of exclusion, immune to pressures from marginalised groups, and very unlikely to operate in small farmers' interests. This distrust can extend to rights-based approaches. In the Knowledge Programme's Provocation Seminars, Diana Mitlin explained that rights do not avoid problems of power and influence over the policy or legal process. At least in the urban environment, organised groups of the poor have become sceptical based on their experience of how states have set rights-based frameworks and allocated resources (IIED 2011a).

### Box 1.3 Learning Network members

**Bolivia:** Luis Galleguillos (Audita Consulting), Diego Muñoz (Mainumby), Claudia Ranaboldo (RIMISP/ Desarrollo Territorial Rural con Identidad Cultural), Nico Tassi (University College London)

**Guatemala:** Alberto Monterroso (Opcion/Aj Ticonel)

**India:** Satender Arya and Sanjeev Asthana (National Skills Foundation of India), Srikantha Shenoy (Initiatives for Development Foundation)

**Indonesia:** Ronnie Natawidjaja (Padjadjaran University), Caecilia Widyastuti (Indonesian-Benelux Chamber of Commerce).

**Kenya:** Henry Kinyua (Technoserve), Mainza Mugoya (East African Farmers Federation)

**Nicaragua:** Falguni Guharay (SIMAS)

**Peru:** Lorenzo Castillo (Junta Nacional del Café)

**Uganda:** Medius Bihunirwa and Mohammed Shariff (Kabarole Research and Resource Centre), Morrison Rwakakamba (Agency for Transformation)

has evolved over time. Proctor and Lucchesi (2012) look at rural youth in a context of rapid change, new market trends and the challenges of being tomorrow's farmers. Two more studies examine how small-scale farmers have reacted in the face of extremely rapid economic modernisation, as in China (Huang *et al.* 2012), or under alternative 'popular' socialist systems, as in Venezuela and other 'Bolivarian' governments involved in the ALBA trade agreement (Michelutti 2012). These papers are available online at [www.iied.org/pubs](http://www.iied.org/pubs) (see Appendix).

Together, these activities aim to contribute to the globalisation of insights. The programme has sought to connect leaders and innovators who are facing common

dilemmas in their daily work, as a global community of interest; to generate or integrate knowledge to address those common dilemmas; to bring new voices and analysis into the global debate; and to support the development community, policymakers, producer organisations and businesses in their search for better informed policies and practices.

## 1.4 About this report

For this report, we have synthesised different findings and perspectives from the Knowledge Programme's three components, putting them in the context of current debates and related research from outside the programme. Rather than offering answers, our purpose has been to challenge the current crisis narrative, which fuels top-down interventions far removed from the realities of small-scale farmers. Focusing on agency — on where farmers are rather than where we want them to be, on what they do and are capable of doing in spite of their limitations, on how they make choices and act on them — can contribute to better-informed and differentiated policies, business initiatives and development interventions.

In **Chapter 2** we explore the context for the programme's learning on small producer agency in the globalised market, looking first at the often polarised debate over rural development, and then at ongoing rural change that affects producers' aspirations and strategic choices. The chapters that follow discuss small producer agency in markets, in organisations and in policy — the three arenas where the international agenda for small-scale agriculture often collides with farmers' complex reality. In **Chapter 3** we examine how small-scale farmers manage opportunities and risks in evolving local and informal markets, as well as in the global and formal ones promoted by most development interventions. **Chapter 4** looks at how and why small producers interact with farmers' organisations — again, both formal organisations and informal or traditional ones. **Chapter 5** turns to the political and civic spaces where producers may shape the rules governing their markets by exercising political agency. Finally, **Chapter 6** sums up conclusions.



## 2 Context and dynamics



## Reshaping the debate: Small-scale producer agency under global change

### Current arguments

- There are **huge expectations from small producers**, with many seeing them as key to addressing challenges from fighting rural poverty to securing food supplies to climate change adaptation. This agenda is set against crisis narratives — population growth, resource squeeze and end of the era of cheap surplus food — and against a highly dynamic backdrop of globalisation, economic and demographic change in rural areas.
- How small farmers should respond to those challenges and expectations is **highly contested territory**. Much of the debate continues a **tradition of treating ‘poor’ producers as lacking in power and agency** — and therefore needing external interventions and/or protection from globalisation.
- While pathways for rural development are contested, the development community increasingly expects that **the private sector will play a major role** and that small producers will have to **access formal modern markets, be part of formal organisations, and influence centres of policymaking** in order to face challenges of globalisation and modernisation.

### Questions for a new debate

- Has the focus on value chains and inclusive business narrowed our development vision to the top of the pyramid of small producers? Do we risk a **new elitism in development policy**?
- How could governments, civil society and business initiatives recognise and respond to the **heterogeneity of small producers**? What would support the much larger proportion of **farmers who are not formally organised** in the market, for whom informal markets and off-farm activities are essential?
- How does this majority of small producers — including a new generation of rural youth — find and use **agency** in their strategies for dealing with markets, organisations and policy? Can a closer look at farmers' own choices redirect what policymakers and practitioners do?

In this chapter, we first explore how the development community views small-scale producers and their future. While expectations of small-scale agriculture have run high there is also intense debate over what role the world's half billion small farms can play in addressing food insecurity, rural poverty and environmental stress in an era of globalisation and modernisation. This highly contested territory is the setting for arguments that small producers will have to access formal modern markets, be part of formal organisations, and influence centres of policymaking in order to face their challenges.

We then look at the real-world settings where small producers themselves are making decisions and taking action. While agricultural markets are changing with

globalisation, farms and farmers themselves are also changing — in terms of demographics, landholdings, livelihoods and aspirations. Rural transformation, driven by forces like urbanisation, markets, generational transition and better access to information, is crucial in understanding small farmers' strategies and choices and management about the new risks and opportunities from globalising markets.

## 2.1 Who are small farmers?

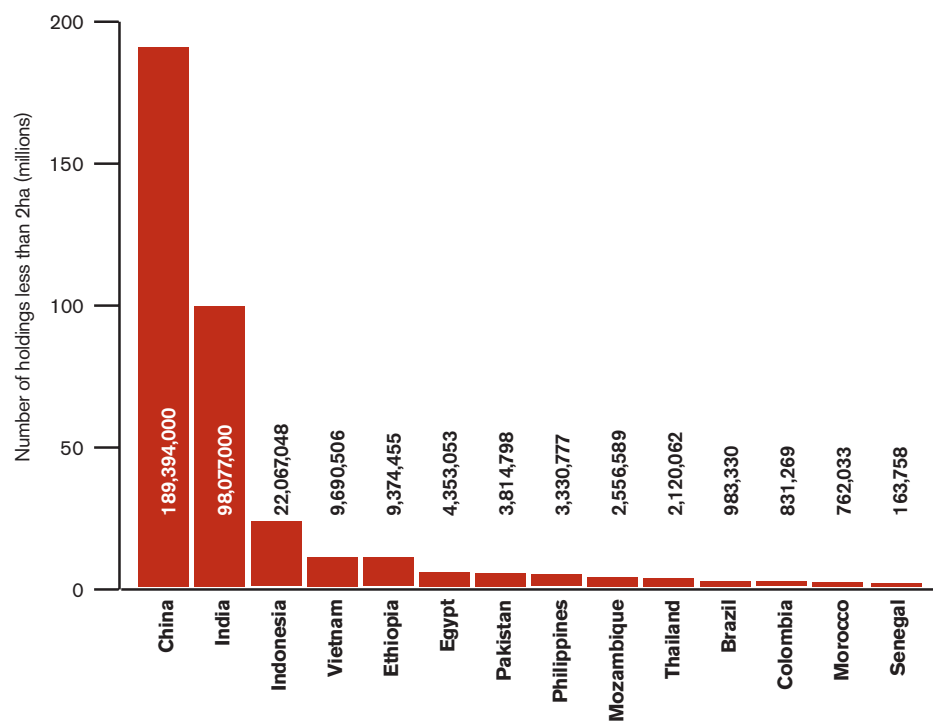
Despite rapid urbanisation and increase of large-scale commercial farming, much of agriculture around the globe is still in the hands of small-scale producers. Smallholders' large numbers have helped to draw international attention to their problems and potential.

Most commonly, definitions of small-scale agriculture are based on farm size; many sources, including the International Federation of Agricultural Producers, count landholdings of two hectares or less as small farms. By this measure, there are at least 450-500 million small farms, representing 85

per cent of the world's farms (Nagayets 2005; Figure 2.1); Proctor and Lucchesi's review (2012) suggests the number may be even larger. These farms are thought to support — partly or completely — a population of roughly 2.2 billion people, or one-third of humanity (Singh 2012).

**Figure 2.1 Number of small farms in selected countries**

Source: Proctor and Lucchesi, 2012



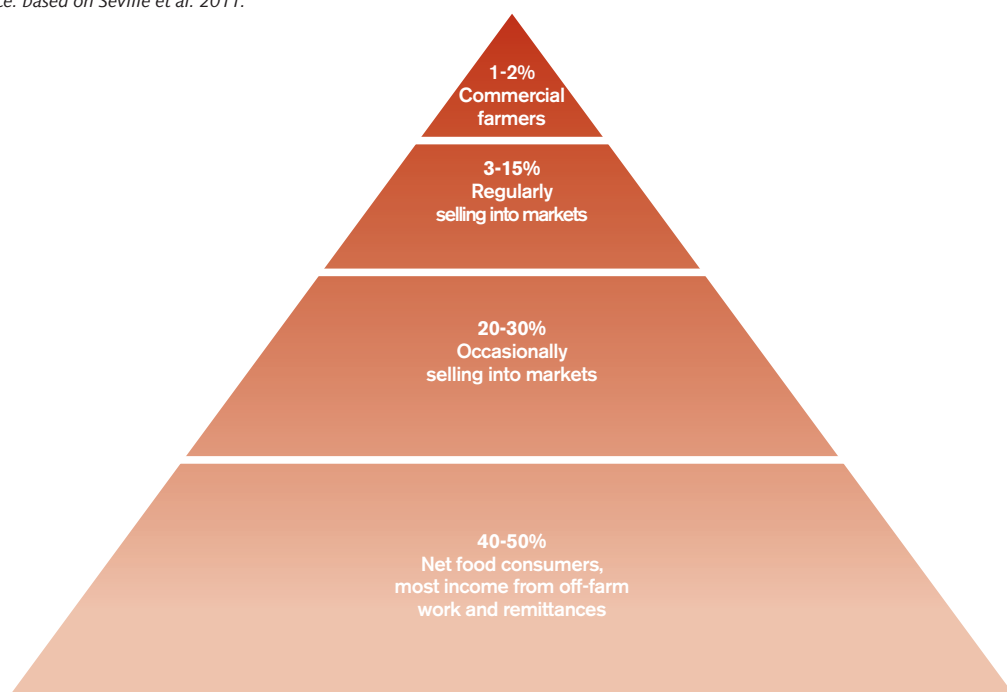
Some experts see potential for small farms to fill even more of the world's growing appetite, given the gap between maximum possible yields and current average yields on small farms (Murphy 2010). In their review of rural demographic change, Proctor and Lucchesi (2012) note that the greatest numbers of small producers are in rapidly transforming economies where demand for food is likely to boom. In China, India and Indonesia there are some 309 million farms of less than two hectares. China alone has 189 million such farms, representing 98 per cent of all farms in the country; 82 per cent of India's farms and 89 per cent in Indonesia are less than two hectares.

The way that small-scale farmers fit into the development picture goes beyond the number or size of their fields, however. In some contexts farms far larger than two hectares are considered small; some tiny farms are more lucrative than large ones; and some sectors are dominated by landless tenant farmers. Murphy (2010) writes: 'Other, complementary, metrics are necessary to explain why small-scale farmers have received so much attention from development agencies. These additional metrics, in one way or another, address marginalisation in terms of geography, assets, resources, markets, information, technology, capital, and non-land assets.'



## Figure 2.2 Which small producers are trading in markets?

Source: based on Seville *et al.* 2011.



Thus, small farms cannot be thought of as large farms on a smaller scale; small producers have different needs, preferences and constraints, and their marginalisation means that these unique characteristics are often overlooked. As discussed in Chapter 5, many agricultural policies still offer generic solutions that are better suited to large-scale agriculture. But there are also many development programmes focused on small producers' special needs — for instance, initiatives to support the marketing of products linked to local culture and geography, as highlighted by Claudia Ranaboldo in the Learning Network.

Recognition of small-scale farmers' heterogeneity and calls for differentiated policies are not new. Studies have segmented these diverse groups in a number of ways: based on landholding (Hazell *et al.* 2010), access to assets and productive environment (Berdegúe and Escobar 2002), orientation to local, domestic or international market (Torero 2011), livelihood strategy (Dorward *et al.* 2009) and entrepreneurial attitudes (Farmer Focus 2010). While small farms are very different from large ones, small farmers also differ from one another in their advantages and disadvantages in their market exposure, and in the causes of those advantages and disadvantages. Where these differences, constraints and potentials have not been correctly assessed by policymakers, small-scale farmers have most often been treated as 'poor' and thus subject to social programmes, rather than being recognised as important economic actors.

The vast majority of small farmers in the developing world are not fully commercialised. A much larger population of small-scale farmers — what Berdegúe and Fuentealba (2011) call Class B or transitional household farms, and which Wiggins (2012b) calculates as comprising an average of 20 per cent of Latin American rural households — trade in markets, but rarely formally. The rest of the pyramid of small farm households — as much as 80 per cent — do not regularly sell their produce in markets and instead get most of their income from a wide portfolio of economic activities, presented in general terms in Figure 2.2. Agricultural market-based interventions may reach farmers in the top of this pyramid; there is indeed evidence that 'inclusive business' schemes based on formal value chains benefit mainly a narrow minority of farmers — perhaps 2-10 per cent — who are more capitalised, educated, closer to urban areas and infrastructure, and strongly oriented toward commercial agriculture (Seville *et al.* 2011; Al-Hassan *et al.* 2006, cited in Chamberlin 2008).

Development initiatives may also miss out on producers in the 80-90 per cent majority by looking to help people who farm full-time or as a primary income source. For example, the UN has named 2014 the International Year of Family Farming, but the FAO defines family farmers as those receiving their main income from agriculture (FAO 2012). Yet research from a number of regions suggests that smallholders as a group get large portions of income outside agriculture (reviewed in Nagayets 2005). And there are households where all four

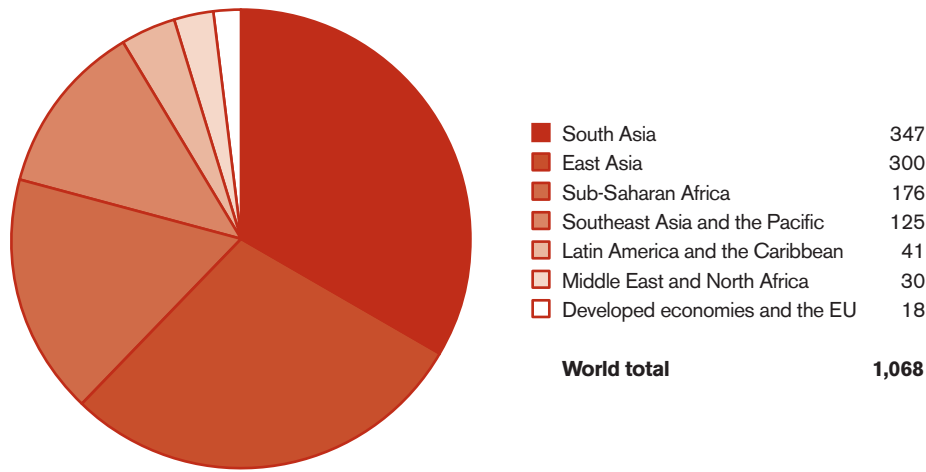
levels of the pyramid are represented: cash crop production, household staple production, and wage labour and off-farm income. 'Besides, as agricultural labour is increasingly casualised, as contract farming develops, and as small farmers increasingly work on farms or plantations to supplement their basic incomes, the distinction between waged workers and farmers is breaking down' (de Schutter 2009).

Wage labourers and tenant farmers are among the most marginalised and vulnerable rural citizens. In addition to smallholders, there are 450 million agricultural workers

globally (FAO *et al.* 2007). All together, just over 1 billion people were employed in agriculture in 2009, almost half of them in Asia (Proctor and Lucchesi 2012; Figure 2.3). In the Knowledge Programme's Provocation Seminars, Olivier de Schutter, UN special rapporteur on the right to food, noted<sup>1</sup> that 200 million farmworkers are not paid enough to benefit from food security and a dignified livelihood and warned that policies and private initiatives are still not addressing this issue of a living wage. Almost all policies and private initiatives to protect and support smallholders overlook this

**Figure 2.3 Employment in the agriculture sector by region (millions)**

Source: Proctor and Lucchesi 2012; figures are from 2009



growing proportion of landless farmers who rent farmland and/or hire themselves to farms as seasonal labourers.

Disadvantages among the rural poor also vary socially, according to gender, ethnicity and caste (FAO 2010). In addition, most small-scale farmers buy more food than they produce, a fact that is getting more attention (Wegner and Zwart, 2011). These producers overlap the category of poor rural consumers, so that rising food prices can hurt them more than help them.

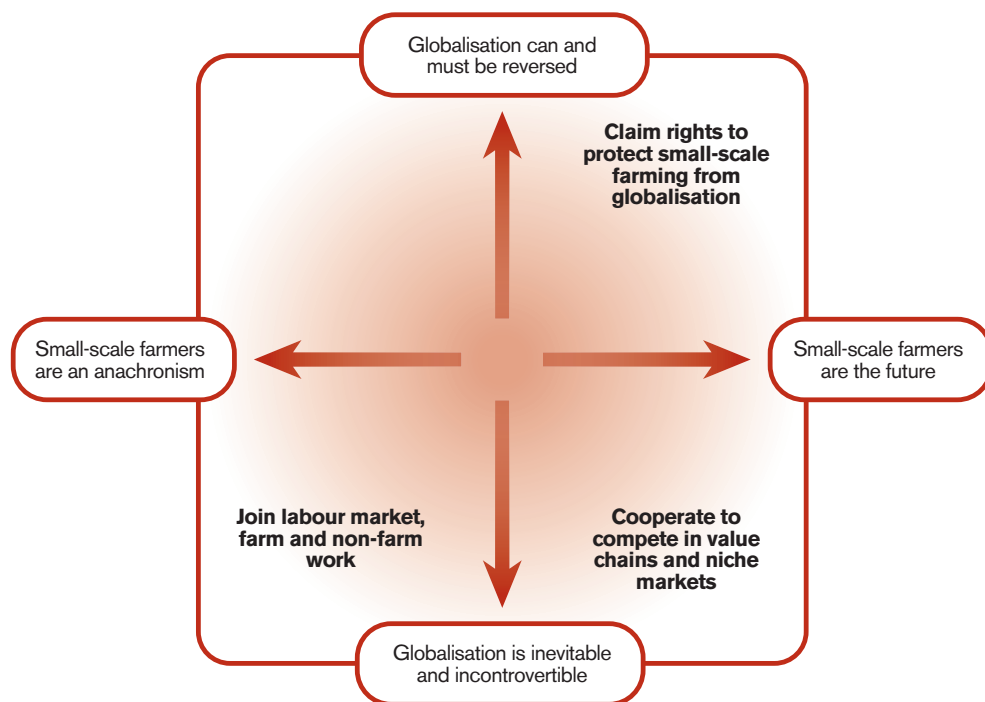
Proctor and Lucchesi (2012) reviewed data on the

heterogeneity of small farmers in Africa, Asia and Latin America. Even when landholding alone is measured, they explain, statistics such as average farm size or proportion of farms of less than two hectares hide important variability. Understanding these differences is crucial to correctly assess the risks and opportunities presented by globalising markets. The various facets of small-scale agriculture have often been treated from ideological or political perspectives, and have been translated into one-size-fits-all recipes, policies, and development and business interventions.

<sup>1</sup> [www.iied.org/provocation-seminar-series-rights-based-versus-market-based-development](http://www.iied.org/provocation-seminar-series-rights-based-versus-market-based-development)

**Figure 2.4 Perspectives on the role of small-scale farmers in relation to globalising markets**

Source: Based on Murphy 2010



## 2.2 Recipes for small-scale farming and rural development

Experts have championed a wide range of development recipes intended to help farmers meet this century's challenges — especially the changes linked to globalisation. Murphy's review of the debate (2010) uses two axes — based on views of globalisation and of small farmers — to organise different arguments about the role of small-scale producers in the future of agriculture (Figure 2.4). In this scheme, analysts fall into three broad groups.

In the lower right quadrant are those who envision a bright future for small producers in globalised markets. This is the view increasingly heard in international development fora — advocating market-based recipes that embrace formal, coordinated supply chains, or 'value chains' as a tool for alleviating poverty among smallholders. New 'inclusive business' models focus on integrating small-scale farmers into value chains. This usually depends on farmers forming cooperatives or other formal organisations — often promoted as the best partners by modern business, including small- and medium-scale enterprises (SMEs) as well as major

transnational companies aiming to ensure supply. For SMEs wishing to seize new business opportunities, investing in suppliers from small farms is seen to improve competitiveness in demanding markets. Wilfred Kamami, a medium-scale flower exporter in Kenya, explains: 'Once you have a market and are certain of business, making the decision to invest in farmers as suppliers becomes a necessity, not a luxury' (IIED 2011b; see also the first Provocation Seminar<sup>2</sup>).

In contrast, advocates in the upper right quadrant favour rights-based approaches to development (IIED 2011a), which have emerged as a response to the dominance of markets and economics in setting policy, and from the concern that this dominance does not benefit the poor. Rights-based development aligns the interests of small-scale farmers with social movements that resist corporate penetration into agriculture, resist globalisation, and advocate greater democracy and food sovereignty that is built on human rights. The Via Campesina peasant movement, for example, which claims to represent 200 million small-scale farmers around the world, has been advocating since 2001 at the United Nations Human Rights Council for an international declaration on peasants' rights, protecting rights to land, seeds, traditional agricultural knowledge and freedom to determine prices.

<sup>2</sup> [www.iied.org/provocation-seminar-series-rights-based-versus-market-based-development](http://www.iied.org/provocation-seminar-series-rights-based-versus-market-based-development)

Finally, the lower left quadrant disputes that small farmers can be significant players in future agricultural markets. They favour large-scale agricultural investments, with most small producers moving off their own farms and into different jobs or wage labour on larger farms. In Murphy's analysis, there is one view — the position of many governments during recent decades of market liberalisation — that small farmers cannot outperform industrialised agriculture and have little to contribute to economic growth and development. Another view considers small-scale farming an engine for development but then sees most farmers leaving the sector as other jobs appear and agriculture scales up. A third view, which shades into inclusive business approaches, argues that a few entrepreneurial small farmers will always find 'room in the shade' of their larger competitors, surviving in niche markets or in areas where large farms have attracted public infrastructure (Wiggins 2009).

The Knowledge Programme's series of Provocation Seminars, held between 2010 and 2012, have shed light on these often polarised arguments. Participants explored the interrelation between rights-based and market-based approaches; noted evidence that a move towards large farms offering wage labour may be better at reducing rural poverty than small family farms, because it provides opportunities for the poorest, landless peasants; questioned how inclusive are 'inclusive business' initiatives; and urged greater consideration of rural youth and employment, not just production in small-scale agriculture.

In the Knowledge Programme and in this report, we have focused on small producers' choices and actions in agriculture, rather than their pathways out of the sector — although migration and off-farm work can also be important components of farming livelihoods, as discussed below. Looking more closely at proposals to support small-scale farmers within changing agrifood industries, it is evident that market-based and rights-based development are not altogether separate or opposed. In practice, it is rarely a simple matter of choosing one approach over the other, and many development agencies are in fact operating from a rights-based approach at the policy level while adopting a market-based approach on the ground.

Each of these two sides also has certain limitations. Inclusive business and value-chain schemes can offer good opportunities for agrifood firms, and for some small-scale farmers — but as noted above, they usually exclude at least 90 per cent of small producers. Thus, a large part of

the controversy around market-based rural development concerns how to support the small farmers not included in 'inclusive business' (Box 2.1).

## 2.3 Changing farms and farmers

While the debate over small-scale agriculture drives development initiatives, the ground where farmers are exercising agency, in rural economies and communities, is rapidly changing. Producers are not only facing the effects of globalisation on markets, but also experiencing turbulence and change in many aspects of rural society — including demographic transition, urbanisation, restructuring of agrifood and land markets, labour shortage because of migration, and evolving patterns of off-farm work that reshuffle the ways rural people make their livings. Over the last decade, particular concerns have been aroused about the feminisation of small-scale farming; changes mentioned have shed new lights on the gender dimensions of agriculture and employment (FAO, IFAD, ILO 2010a ) and also pointed at the opportunities and challenges that the development of value chains present for women's income and empowerment as social and economic actors in their own right (FAO, IFAD, ILO 2010b).

### 2.3.1 The next generation: fewer farmers?

The farmers expected to feed a growing population tomorrow will come from today's rural youth. But rural areas are going through a major demographic shift, described in depth in Proctor and Lucchesi's study (2012). There are large cohorts of rural youth in much of the developing world (Figure 2.5). In sub-Saharan Africa, rural youth is projected to peak between 2030 and 2040, while both the proportion and absolute numbers of youth in rural populations are set to fall in all other regions studied.

Moreover, surveys and interviews (Proctor and Lucchesi 2012) suggest that many young people hope to be able to leave agriculture, an aspiration sometimes backed by their families. Informants from India and East Africa, for example, reported that youth see farming as a last resort for those with no education and no other options. In India, a National Sample Survey Office survey (NSSO 2008, cited in Proctor and Lucchesi 2012) found in 2003 that nearly 40 per cent of farming households — and a higher proportion among

## Box 2.1 Working with the 'other 90 per cent'?

Faced with changing markets and opportunities in value chains, farmers have options to 'step up' to formal markets, 'hang in' to informal markets, or 'step out' into other sectors (Dorward *et al.* 2009). Much analysis of 'inclusive business' does not distinguish between these different groups, and sees potential for trading with the majority of producers at the 'base of the pyramid'. But inclusive business and value chain interventions work mainly with the farmers best equipped to step up.

There is some justification for such an approach. These value chain-ready producers, who may already be formally organised, represent the low-hanging fruit. They are also likely to be part of agriculture in the next decade or more, and are ready to invest in upgrading production to meet formal buyers' needs. In so doing, they provide employment and other knock-on benefits to the wider rural economy.

But in coming decades, a soft landing for the rural economy may depend on getting beyond the 2-10 per cent of producers reached by many of the new value chains. Wiggins (Green 2012a) argues for bringing an additional 25 per cent of farmers into agricultural development, though not the entire smallholder sector. He envisions a widespread agrarian transition similar to what seems to be starting in China: 'the other [two thirds] of the rural population can then either increasingly earn their livelihoods from the non-farm economy, or move to towns and cities ... [and] gradually lend, rent, or sell their land to their full-time farming neighbours' (Wiggins 2012). Wiggins's 25 per cent represent another tier of small-scale farmers who could 'step up' to full-time farming — but value chains and inclusive business may not be effective approaches to reach this group.

An alternative state-centred approach is to harness public procurement programmes so that governments purchase food directly from small farms. 'Private enterprise cannot reach all the places that the state is able to,' said Brazil's

agricultural minister in 2010, when Mercosur adopted Brazil's public procurement scheme for agriculture (Fraysinnet 2010). Sector-wide organisations and policies, like that seen in the Colombian coffee sector (see Section 3.2.3), may also be able to reach a very broad base of producers.

For the poorest small-scale 'producers' who are net food consumers, Jaeger (2010), for example, argues that there are needs 'far more immediate and these are issues of development, of food security and poverty alleviation, rather than commerce... The activities of projects and schemes and government interventions that seek to include the very smallest scale farmers are costly and constraining the very schemes that can bring prosperity to a region.' In the Knowledge Programme's fifth Provocation Seminar,<sup>3</sup> Miguel Méndez, the Dutch agency SNV's representative for Nicaragua, stated that the poorest of the poor cannot be reached by inclusive business and must be the object of social programmes.

Rights-based approaches explicitly aim to serve the 'other 90 per cent'. But as recipes for development, rights-based proposals may still be conceived by experts and implemented from the top down, much like value-chain initiatives — a pattern noted in the world of urban development by Diana Mitlin in the Provocation Seminars (IIED 2011a). They may start from preconceived ideas of what farmers need and lack, rather than from a direct understanding of farmers' own strategies and logic.

Both sides of this debate, then, risk continuing a tradition of paternalistic interventions — government, donor and private programmes that aim to 'develop' small producers without addressing their specific context and assets, or their capabilities and aspirations. On both sides, the agency perspective has the potential to identify where small-scale farmers really are and where they want to be, and can help external interventions adapt accordingly.

smallholders — would quit farming if they had the chance. Satender Arya and Sanjeev Asthana carried out surveys in two Indian states and found that 77-81 per cent of farmers said they do not want their children to take up farming as an occupation. In Kenya, 64 per cent of a 900-household survey preferred wage labour (cited in Proctor and Lucchesi 2012).

The face of small farms may change if there are fewer farmers in the next generation and many are looking for opportunities elsewhere. Along with the off-farm jobs discussed below, dynamic land markets may facilitate shifts in who is farming, and on what land.

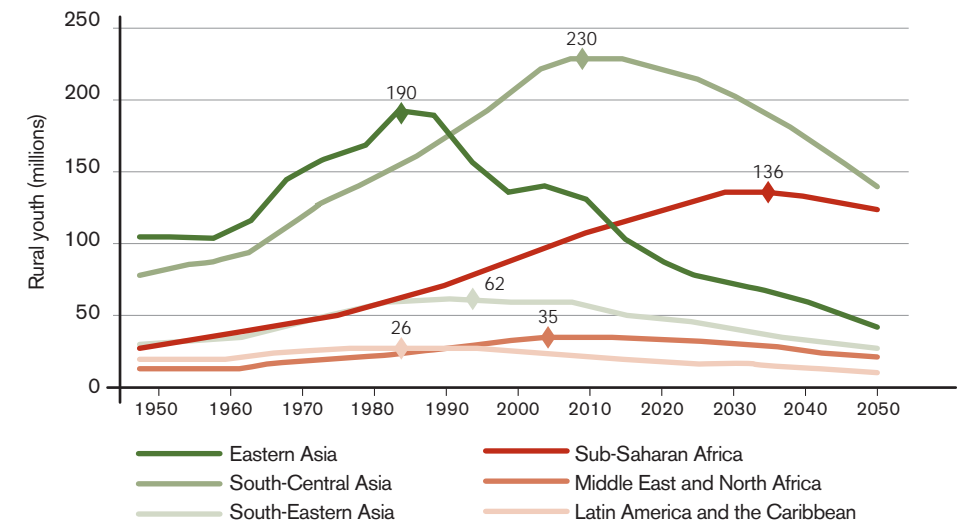
## 2.3.2 Dynamic land markets

Along with demographics, the distribution of land in the countryside is changing. Landholdings in a number of countries have splintered over recent decades (Figure 2.6), and the trend of declining farm sizes continues in most places — though it has now reversed in China as migration and off-farm employment have grown, according to Huang *et al.*'s (2012) study of dynamics on China's small-scale farms. Amid this shuffling of landholdings, evidence from some countries and many local cases suggest that land markets are very dynamic and that renting and sharecropping are increasing.

3 [www.iied.org/provocation-series-pro-poor-business-development-smallholder-empowerment](http://www.iied.org/provocation-series-pro-poor-business-development-smallholder-empowerment)

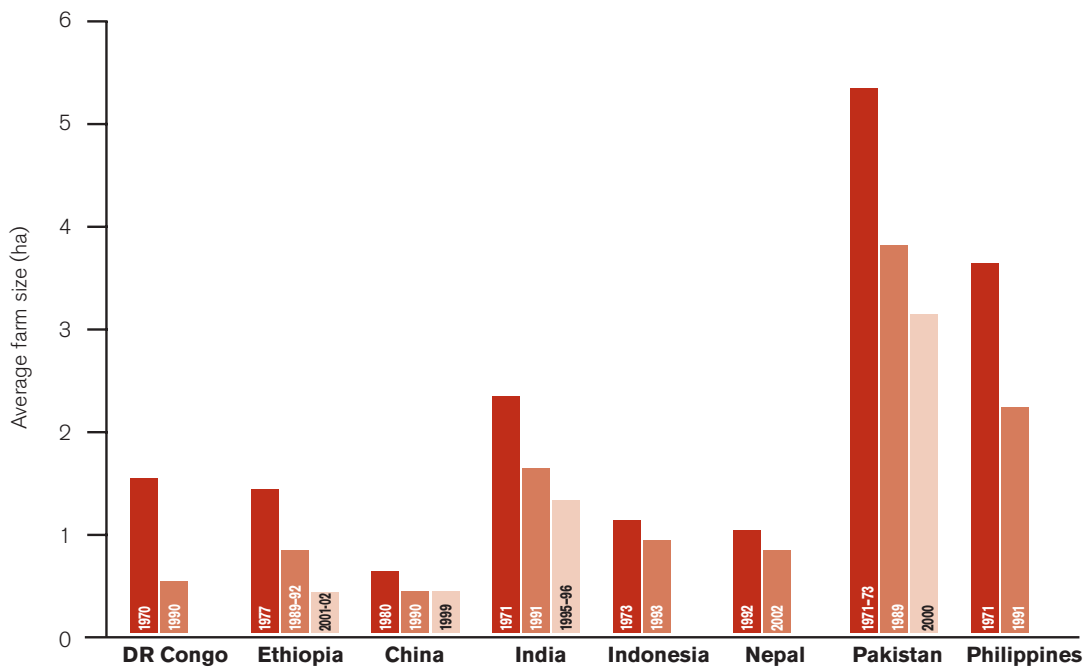
**Figure 2.5 Number of rural youth (aged 15-24) by region — trends and projections to 2050**

Source: Proctor and Lucchesi 2012, based on Van der Geest 2010  
(elaboration from United Nations, World Population Prospects, the 2008 Revision).  
Estimations are based on population figures for the age group 15-24 and urbanisation rates.



**Figure 2.6 Average farm size (ha) by year**

Source: Reproduced from Zhou et al. 2008



Tenant farmers, as a marginalised and often overlooked segment of rural economies, can face particular disadvantages. In the Learning Network, Alberto Monterroso highlighted a pervasive pattern in Central America, in which large landowners 'rent' tiny tracts — often one-fifth of a hectare, sufficient only for subsistence farming — in exchange for labour or a portion of the crop. In Guatemala, he writes, landowners who share the harvest but not the cost or risks of farming are able to sell very cheaply, depressing market prices — and, in turn, tenants' income.

In the wake of the 2007-2008 food crisis, the alarm has also been raised over 'land grabs'. Foreign buy-ups of agricultural land in sub-Saharan Africa and other developing regions may put unprecedented pressure on land resources and land tenure systems. Those most vulnerable to losing their land are small-scale farmers who lack formal tenure (Cotula and Vermeulen 2009).

But besides big commercial land deals, which are relatively easy to trace,<sup>4</sup> there are local land rental markets not always accounted for in national statistics. These are creating new opportunities for many farmers to develop their agricultural activities. In rural China, Huang *et al.* (2012) describe farmers scaling up their operations by renting and consolidating land left unused by migrants, combining very small holdings to obtain a sustainable livelihood. Small producers in Indonesia are also increasingly renting and sharecropping to consolidate land and scale up production, as Ronnie Natawidjaja noted in the Learning Network.

### 2.3.3 Beyond the farm: off-farm jobs, migration and rural-urban links

Clearing the way for some of these land strategies are new and sometimes better opportunities for employment and migration away from small farms. These opportunities also offer different outlets for some rural youth. In China, Huang *et al.* note, more farmers are taking off-farm jobs — and they do not always leave the countryside to do so, given that the country's rural economies are beginning to offer more diverse employment. A survey in 2008 found that over half the rural labour force was either partially or fully employed off the farm, compared with 15 per cent in the early 1980s.

Those moving into rural or urban off-farm jobs are largely

the young, say Huang *et al.*, shifting the farming population toward older and female farmers. They find about half of rural labourers aged 16-24 have full-time jobs off the farm, and these workers are more educated than farming youth. Among labourers who expect to do farm work in the next five years, only around 15 per cent of the youth cohort — compared with 87 per cent of older farmers — prefer to stay on farms in the long run.

Outside China, other regions around the world have demographic bulges of rural youth entering markets (Figure 2.5) with little land to inherit — and usually few formal jobs available in either rural or urban economies. Their livelihoods may, as a necessity, become complex mixtures involving multiple informal arrangements.

In this context, migration and off-farm jobs are not necessarily movements out of farming. More often, farming is combined with off-farm work through increasing urban-rural linkages. Learning Network studies by Ranaboldo and colleagues in Argentina, Bolivia and Peru looked at how small-scale producers are capitalising on consumers' growing interest in local cultural heritage; many take the opportunity not only to market traditional products, but to own or work in restaurants and tourism businesses. Nico Tassi's separate research for the Learning Network in Bolivia considered the interweaving of rural and urban economies among the indigenous Aymara. The group's extensive kinship links allow rural farmers, for example, to rely on working periodically at urban relatives' shops and workshops in La Paz. In much of the developing world, improvement of roads and a boom in transportation between rural and urban areas are facilitating such circulation from farm to city, and many villages have become towns. As rural marketplaces are also growing stronger and more connected to urban markets, Tassi points out that rural-urban economic relationships are becoming more fluid and the frontiers between these two spaces are blurring.

Small-farm livelihoods can benefit significantly from diversifying into off-farm and urban incomes. Farmers' economic strategies have always included migration, but increasing environmental threats may make remittances still more essential for those staying in farming. In a set of recent case studies in Bolivia, Senegal and Tanzania, poor producers who are under stress from climate change

<sup>4</sup> The Land Coalition monitors these lands deals regularly: [www.landcoalition.org/cpl](http://www.landcoalition.org/cpl)



survive by moving seasonally, often to work as labourers on other farms. Farmers who do not receive remittances from migrant relatives were seen as the most vulnerable in their communities (Tacoli 2011). Migrant remittances may even become important at the scale of the national economy: the Learning Network's Monterroso notes that 1.5 million Guatemalans have settled in the United States, and the funds they send back are equivalent to 40 per cent of the country's GDP. Most of these migrants are youth from poor, maize-producing small farms.

In line with this, participants in the Provocation Seminar on rural youth<sup>5</sup> suggested that the exodus of young farmers should not be considered a new crisis to be headed off. Development initiatives commonly approach this situation by trying to fix problems and make village life more attractive. From the agency perspective, an alternative — more aligned with the preferences and strategies of rural youth themselves — is to think about supporting migration in such a way that young people can leave successfully and also are encouraged to return, bringing new skills and knowledge back to the countryside.

### 2.3.4 Labour shortages and mechanisation

With the aging of farming populations and the attraction of youth to off-farm jobs and migration, many farming households are facing labour shortages. The Learning Network's Lorenzo Castillo and Sanjeev Asthana described the effects of labour scarcity in Peru and India. Coffee growers' cooperatives in Peru are finding it more difficult to compete, despite healthy market prices, because wages rose up to 360 per cent from 2007-2011. In 2010, 5 per cent of Peru's coffee could not be harvested because there were too few farmworkers (Mass 2011). Asthana, interviewed by Proctor and Lucchesi (2012), described major shortages of farm labour in areas of India where changing markets provide new jobs in food processing, retail and services. In the state of Kerala, rice paddies have been burned as rising wages made harvesting unprofitable (Proctor and Lucchesi, unpublished interview with informant from the International Movement of Catholic Agricultural and Rural Youth (MIJARC)).

As competitive labour markets push up wages and production costs, they provide an incentive for those who can afford to mechanise some of their activities. Asthana reported that annual purchases of tractors have doubled in northeast India in the last four years. In China, Huang *et al.* write, off-farm employment and especially migration have left seasonal labour shortages, leading to more demand for mechanisation to ease the labour bottleneck, and rising investment in farm equipment.

### 2.3.5 New rural entrepreneurs

Although it appears that many rural youth aspire to escape farming, there are also indications that youth will go into agriculture — and introduce innovations — where they see business opportunities. Proctor and Lucchesi (2012) report greater optimism around young farmers mainly in countries or regions such as China and Latin America where developing markets may offer opportunities to diversify into higher-value agriculture. Natawidjaja, in the Learning Network, described a class of market-oriented, entrepreneurial young farmers in Indonesia, who have a good grasp of technology and are attracted to high-value but higher-risk crops.

Younger farmers may have to innovate to profit from little available land — especially in communities where elders control most land while youth wait to inherit it. The dynamic rental markets described above are important to these young producers, and some may find a place in horticulture or other non-staple products that offer better returns from less land. Proctor and Lucchesi's informants describe how some entrepreneurial farmers are developing these new models:

- In **Kenya**, youth leasing small plots of land can crop green beans in 60 days and squash in 35 days.
- In **Guatemala**, young farmers get better incomes on 0.5 hectares of vegetables than 4-8 hectares of maize, and youth from vegetable-growing families are more interested in staying in farming.
- In **Indonesia**, new small-scale farmer-entrepreneurs work 1.3-1.7 hectares of rented or bought land.
- In **Uganda**, young urban white-collar workers are investing in poultry and dairy, reflecting increasing demand from the middle classes.

<sup>5</sup> [www.iied.org/provocation-seminar-series-rural-youth-today-farmers-tomorrow](http://www.iied.org/provocation-seminar-series-rural-youth-today-farmers-tomorrow)

Informants from Kenya and Uganda described an emerging split in which older farmers cultivate staple foods while young, often landless farmers grow space-efficient crops such as tomato and cabbage on rented parcels. In peasant communities of Peru, studies have described a somewhat similar subset of young farmers who use income from migrant work to bypass traditional communal agriculture based on sheep and wool. These producers are investing in new sectors such as dairy and cattle, looking for higher prices and better returns from less land (del Pozo-Vergnes 2004).

Better access to information about markets, through internet and mobile phones, may be one factor enabling these kinds of innovations (see Box 3.10). Together with improved transportation and marketing connections from rural to urban areas, the circulation of information can give more scope for farmers' agency, helping them make choices to move to more remunerative crops and activities. Learning field journeys organised as part of different events of the Knowledge Programme Learning Network in Indonesia and Peru have showed that in this more modern approach to small-farming and high value markets, young women are finding their place too. Upgrading produce and packaging seem to meet young women's aspirations better than farming.

## 2.4 Small producer agency and diverse livelihoods

Taken together, these changes in the countryside serve to reinforce one of the most basic strategies of the rural poor: multifaceted livelihoods that use diversity to hedge risks and make the most of scarce land, cash and other resources. We've seen above that small producers — especially the younger generations of farming families — may work part time on other farms or off-farm jobs, migrate to and fro to cities, and send remittances that add one more income stream to the family portfolio. As landholding patterns evolve and better connections to surrounding marketplaces become available, farmers may rent various plots and experiment with new products among their typical array of multiple crops. Small farmers may act, serially or simultaneously, in markets both rural and urban, formal and informal, or local and global, as explored in the next chapter.

Diversification brings versatility and resilience; small farmers can, and do, reinvent themselves frequently in the face of change by adjusting their portfolios of activities. The new opportunities presented by globalised markets usually expose farmers more directly to risk; together with environmental threats, this makes income diversification all the more essential. As we will see, farmers exercising agency often means choosing flexibility and combinations of multiple options — sometimes frustrating to partners firmly rooted in the organised, formal and sectoral world. But understanding how farmers make use of combinations of markets is key for better policies and business interventions — looking both to agricultural production and productivity as well as to youth employment.

# **3 Markets for the poor and markets of the poor**

**Small-scale producer agency in  
formal and informal markets**



## Reshaping the debate: Small producer agency in markets

### Current arguments

- **Modernity comes with increasing formality**, and policies should promote formalisation.
- Small producers are encouraged to get into **value chains and modern markets**, especially global value chains, seen as 'high value' markets.
- The modern private sector is encouraged to make **businesses 'inclusive' of small farmers**. Businesses can thus secure supply in supply-constrained and highly competitive agrifood markets, as well as contributing to poverty reduction.
- Many governments see traditional and informal markets as untidy, un-modern, unhygienic and tax-avoiding; they either **try to remove informality or ignore it**.

### Questions for a new debate

- **What can we learn from inclusive business arrangements** between small farmers and the modern agrifood sector — while recognising that this approach has limited potential except for those producers with the greatest assets?
- Why are some producers **choosing not to trade in supposedly high-value modern and global markets**; what are the costs and risks that need to be factored in? What are the advantages of dynamic local markets? How do small producers interact with globalised markets as part of a diverse portfolio of income activities?
- How are small producers exerting their agency and power in markets when faced with globalisation and modernisation? Where do they find **markets in the spaces outside the formal economy** — the informal markets within countries and across borders? Have globalisation narratives overlooked the dominance and vibrancy of these informal spaces, or the informal roots of emerging modern markets? How do informal markets link poor producers and poor consumers? Can the modern be incorporated into the informal and vice versa?
- How do small producers take advantage of local **cultural and territorial assets**, as part of diverse livelihoods?
- How can policy experts understand local and informal provisioning better, in order to support the 80 per cent of small farmers who will never be in modern value chains? Could government offer **'inclusive formalisation'** to the informal sector, addressing problems such as poor food safety while retaining the flexibility and efficiency of informal trade? What **horizontal strategies** could raise the performance of whole sectors and territories, in place of vertical strategies aimed at individual value chains?

For the first time in history, more than half the world's people live in cities (UN Habitat 2010), and by some estimates more than half are now middle class, thanks to rapid growth in emerging economies (Economist 2009). At the same time as globalised supply chains and liberalised trade have presented new opportunities and risks for small farmers in the developing world, the national and local markets where most producers trade are transforming. In this chapter we look at how small producers use their agency to navigate these changes, challenges and opportunities in the different markets available to them.

Withdrawal of the state from markets and trade liberalisation brings small-scale agriculture into direct competition with modern global markets and industrial-scale farming, and into direct exposure to global price volatility, for good and ill. Higher value has to be weighed against the costs of meeting international standards and the imbalance of market power when trading with large companies. Import markets can exclude small producers from their home markets.

But Southern markets are on the rise, with fast-expanding economies such as China, India and Brazil becoming some of the world's largest commodity exporters and importers — and also the largest consumer markets for produce. Rather than 'global' trade between wealthy Northern markets and poorer Southern ones, more opportunities are appearing for South-South trade between developing countries, regional trade among neighbours, and domestic trade in growing national markets. At the regional level, a spate of new trade agreements, such as Mercosur, the Bolivarian Alliance for the Americas (ALBA), the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), aim to harness and further this growth.

And some argue that the structural transformation of food systems in developing countries has been even more significant than the growth of trade (Reardon *et al.* 2003, cited in Murphy 2010). Rising incomes and more urban living lead to evolving demands from food consumers, with people eating more meat, dairy, fruits and vegetables, as well as more processed foods and restaurant meals — and greater expectations of food safety. The evolving consumer base has helped drive explosive change in the retail landscape of some emerging economies, with supermarkets spreading rapidly across towns and cities. And the growing trade in processed food, both within emerging countries and internationally, has

major implications for employment of small farmers (Liapis 2011).

The growth of supermarkets and of the processed food products they sell is associated with a huge influx of foreign direct investment in building and consolidating retail, processing, logistics, and other related industries. The sectors exert pressure to establish modern procurement practices and more coordinated supply chains — often bypassing traditional wholesalers and forming direct links to farms or manufacturers. At the same time, supermarkets raise the bar for suppliers: produce for retail must be consistently high-quality and be delivered in volumes and on schedules that meet consumer demands.

Development programmes and business initiatives have sought to ensure that this transformation does not leave small producers behind. From the standpoint of market-based development, the widespread view is that modernised, formal and global commerce sweeping through the developing world will displace the traditional, informal and local trading networks of the past. Most national policies promote formalisation as a route to modernity and economic growth — and either ignore informal trade or seek to stamp it out. Small-scale farmers, it is believed, need to be brought into formal value chains — especially global value chains linked to 'high value' markets — in order to stand up against their global competition. To this end, the modern private sector is encouraged to make their businesses 'inclusive' of small producers, with the goal of both securing supply in highly competitive and supply-constrained agrifood markets, and contributing to poverty reduction.

But the reality of economic transformation is more complex than the globalisation narrative often has it. New openings in the formal market have by no means supplanted the informal economy. Exclusive global value chains run by large food suppliers are paralleled by traditional value chains that, in some countries, continue to control large portions of the markets for perishables and staples. And farmers have other options beyond global supply chains, in dynamic local, national and regional markets. Growing demand for food — including the growth of urban markets, cross-border trade and middle-class consumer groups — fuels increasing competition for supply and pulls more traders into the countryside. In addition, the decentralisation of many developing-world governments has given local authorities



their own budgets, which are more often deployed toward creating and strengthening local markets; and some urban and middle-class consumers show growing interest in local products distinguished by geographical and cultural features. Rather than making traditional approaches obsolete, sometimes ‘modernising’ forces have the opposite effect.

In short, globalisation and modernisation are not replacing older economic patterns, but are spreading in parallel with vibrant informal and local economies. In farmer communities, rather than the ‘traditional’ being converted to the ‘modern’, these modes coexist, interact and sometimes clash. Economic changes and inclusive business models, then, are best seen as offering small-scale producers ways to further diversify their income sources and risks.

### 3.1 Economic transformation and the informal market

Even in emerging economies where food systems and retail landscapes are changing rapidly, modernisation in the form of value-chain organisation is not reaching the countryside as fast as some would have us believe. The first links in many ‘modern’ food supply chains involve informal transactions — small producers selling to small traders — with modernised, formal arrangements introduced only later in the chain. Thus, to small-scale producers, the system of marketing relationships at the farm gate often looks little changed. These farmers’ agency translates into participation in different markets through traditional social networks than can work locally as well as internationally.

And while informal markets have important limitations in areas such as traceability and food safety, they also have much to offer in development terms: ‘Traditional informal markets have clearly provided an effective, functional link between farmers and consumers which responds to consumer demand: they should not be regarded as market failures. Moreover, such markets are generally those most often serving the needs of small-scale farmers and resource-poor consumers. The analysis has also demonstrated the large and positive employment implications of such markets’ (Staal *et al.* 2006).

#### 3.1.1 Informal markets are growing

By some measures, informality has been expanding all over the world, including in developed countries (Table 3.1).

**Table 3.1 Size of the informal economy by per cent of GDP**

Region	1990	2000	Increase of informality (%)
Africa	33.9	41.2	7.3
Central and South America	34.2	41.5	7.3
Asia	20.9	26.3	5.4
Transition countries	31.5	37.9	6.4
‘Highly developed’ OECD countries	13.2	16.8	3.6

*Based on OECD (2009). Data draws on statistics of 24 countries in Africa, 17 in Central and South America, 25 in Asia, 23 transition countries and 21 OECD countries.*

Traditional market structures supporting informal trade are dynamic and dominant in many parts of Africa, Asia and Latin America, including countries undergoing rapid economic transformation:

- In Indian cities, the number of informal street vendors and ‘hawkers’ has been growing — swelled both by migrants from the countryside and by workers who have lost formal jobs, for example with the closing of textile mills in Mumbai. In a 1999 survey from the National Alliance of Street Vendors of India, 65 per cent of Mumbai’s workforce was engaged in the informal sector. Of the city’s 200,000 hawkers, some 20 per cent had formerly had permanent jobs in organised industries (Bhowmik 1999).
- In the Learning Network, Arya and Asthana reported that the vast majority of farmers surveyed in the northeastern Indian states of Bihar (95 per cent) and Uttar Pradesh (88 per cent) are still selling their surplus to village traders, as they always have.

- According to the study of rural change in China for this Knowledge Programme, in the greater Beijing area in 2004, farmers sold 2 per cent of their horticultural goods to specialised suppliers and 2 per cent to processing firms. That is, just 4 per cent of horticultural products were procured by firms that could be described as part of the modern supply chain (Huang *et al.* 2012).

Informality can also thrive in cross-border markets, even where new trade policies have been designed to enable formal imports and exports. In East Africa, for example, the Learning Network discussed new regional trade agreements that seek to encourage the movement of products between neighbouring countries' formal markets — and to reduce informal trade flows. Instead, data from Uganda show that the country's informal exports grew from 2006–2010, and much of this trade was in agricultural products. Three quarters of the maize sold to Kenya in 2008, for instance, was never recorded by a customs agent (Box 3.1). Despite the regional agreement to open borders and stimulate formal cross-border trade, the incentives and constraints for small farmers are still driving informal trade.

### 3.1.2 Modern markets with their feet in informality

Informality not only coexists with the formal economy; the two can be symbiotic. Some authors note that 'the modern globalised economy increasingly depends on 'informalised' employment' — in subcontracting, home-based work and other types of flexible or temporary employment, for instance. On the other hand, the informal economy does not exist separately from the formal economy; rather, it produces for, trades with, distributes for and provides services to the formal economy (Chen *et al.* 2010). In particular, despite the rapid growth of supermarkets, much of the modern food system in emerging economies has its feet in informality. Even some 'inclusive business' projects, designed to bring small producers into formal relationships with modern markets, are being reshaped around vibrant informal trade.

Supermarkets in developing countries have economies of scale and better access to formal credit, and more market leverage to set up supply chains to their own standards and specifications. Nevertheless, to ensure they can fill their produce bins with fresh food at competitive prices, they often must use less formal systems such as traditional

### Box 3.1 Informal cross-border trade in Uganda

East Africa's regional trade agreement tried to tear down barriers preventing the formal export and import of agricultural products. From 2005, the East African Community Customs Union dropped maize tariffs to zero, set a regional standard for maize and promised to harmonise trade procedures for all commodities. As Mainza Mugoya's Learning Network study from Uganda describes, it was thought that with simplification of cross-border trade, flows of food through the region would no longer need to circumvent customs offices and make use of porous borders; informal cross-border trade was expected to shrink.

Instead, data from Uganda (UBOS 2009 and 2011) show that informal exports of agricultural commodities grew rapidly in the years after the agreement. These exports have recently slumped, which the Ugandan Bureau of Statistics attributes to falling demand in Southern Sudan, but they remain higher than in 2006. Informal agricultural imports to Uganda also rose overall from 2006–2010.

#### Informal agricultural exports and imports, Uganda

Year	Informal exports (US\$ millions)	Informal imports (US\$ millions)
2006	112.84	20.88
2007	173.36	18.04
2008	242.17	27.41
2009	191.21	28.64
2010	166.87	24.85

The new maize trade policies, in particular, did not stem a large flow of informal maize exports to Kenya. Informal exports of all goods to Kenya from Uganda reached US\$107.9 million in 2008, about 45 per cent of the total informal exports that year. Of this amount, about 71 per cent were agricultural commodities, of which maize and beans accounted for 15 per cent. In 2008, Uganda informally exported maize worth US\$22 million to Kenya, or about three times the worth — US\$ 7.26 million — of maize exported to Kenya formally, according to East African Community statistics.



wholesale markets. These food hubs are usually the primary outlet for small-scale farmers as well the main source for the small neighbourhood stores and food stalls where most urban poor people shop. And in many countries they show no sign of disappearing under waves of change.

Studies from within and outside this Knowledge Programme highlight the extent to which supermarkets coexist and interact with traditional wholesale and other informal outlets (Box 3.2). The competitiveness of the traditional sector and added costs of establishing coordinated value chains is exposed in the frustrations of supermarket companies in China and India when trying to set those chains up. As discussed below, some of these interactions between formal and informal markets are changing because of food-safety concerns, especially for dairy and meat. Wholesale

markets can and will be bypassed by modern retail where there is poor public investment in market infrastructure and institutions. But modern retail supply chains are still far from being completely formalised, and some governments are starting to look at including informal markets in food-safety policies, rather than expecting formalisation of the entire food system.

Parts of the private sector involved in inclusive business and value-chain initiatives are also having to rethink their approaches based on the realities of farming and marketing among producers served by a vast informal system. In Indonesia, for instance, the vegetable trading company Bimandiri originally expected all its stock would come directly from small-scale farmer groups organised, trained and equipped by the company. To complete the value chain, the

### Box 3.2 The informal side of retail

- In **Bogotá, Colombia**, a supermarket boom began with the entry of the Dutch retail chain Makro in 1994. But this market modernisation has progressed parallel to traditional retail outlets, rather than replacing them. More than half of all the food in Bogotá is sold through traditional, informal businesses, which include around 120,000 corner stores, 2,500 neighbourhood butchers and 1,500 retail points in open-air fairs. The informal stores and stalls in turn buy produce from traditional wholesale markets, which form the operating base for thousands of small-scale traders who buy, fraction and resell farm products — as little as half a sack of potatoes at a time. Even though supermarkets have established their own procurement channels, they often tap into the traditional wholesale market, sourcing about a tenth of their fresh produce and a quarter of their potatoes from traditional wholesalers (Guarín, forthcoming).
- **China** had one supermarket in 1990; now it has over 53,000. Some 240 million farming households, most on less than half a hectare of land, contribute to this development — but have not had to swiftly update their practices. Instead, a robust and flexible network of wholesale markets, including huge numbers of small-scale traders, mediates between small farms and modern retailers (Huang *et al.* 2008).
- Of **India's** US\$400 billion retail market, only 4 per cent is in the modern organised sector, according to 2011 figures from the Confederation of Indian Industry (CII). Ninety-five per cent of the more than 12 million retail outlets in India are of less than 500 square feet (Sharma and Singh 2008).
- In **Indonesia**, removal of restrictions on foreign direct investment in retail kicked off a supermarket boom in 1998. According to Natawidjaja's Learning Network study, most supermarkets procure 40-50 per cent of their fresh fruit and vegetables from local specialised suppliers with formal contracts — about five to ten suppliers for each supermarket chain. But looking further upstream, this supply chain turns informal, as those specialised suppliers source fresh fruit and vegetables from farmers through informal contract-farming and marketing partnerships.
- **Kenya's** supermarkets Uchumi and Nakumatt — both formal market participants — sell fresh produce supplied by local farmers in the informal sector (Battisti *et al.* 2009); and Kenyan exports of leather are produced by nomadic pastoralists and procured via traditional informal markets (Hesse and MacGregor 2006).

### Box 3.3 Changing business model for an 'ethical middleman'

During a Learning Network meeting in West Java, Indonesia, we spoke with managers while visiting the warehouse of vegetable trading company Bimandiri. Bimandiri has struggled to form producer groups, we learned, despite the firm's intention of basing its business model on organising small-scale farmers. As recently as 2008, Bimandiri believed that all its stock would come from farmer groups. Today, about 30 per cent comes from these groups, 20 per cent from individual farmers, 40 per cent from traders, and 10 per cent from the wholesale market (Sandredo 2012).

Bimandiri's main problem is not demand but supply. Vegetable farmers often rent their land, so they frequently move and change crops — a strategy that relies on flexible trading relationships with informal and traditional buyers. Maintaining a continuous supply is a challenge for Bimandiri, management said, as is assembling from small quantities. It takes time to build loyalty with farmers, which the company does in part by demonstrating time and again that they have a market. But that market requires a high quality, quantity and consistency of supply. And contrary to the much-touted trend towards fewer 'preferred suppliers' for modern retail, Bimandiri's market is growing more competitive. The company was formerly one of four trading firms supplying the Carrefour supermarket chain, but Carrefour recently changed its policy to deal with ten different traders.

Whereas some of these brokers act opportunistically, Bimandiri management said their company seeks to maintain long-term trading relationships with farmers. Nevertheless, the company has to adjust to a shifting producer base as small farmers exercise agency by adapting and making choices about renting, growing and trading.

Bimandiri as a formal intermediary to supermarkets demonstrates how investments (in terms of aggregating and packaging) and training can create off-farm employment in the rural areas despite its limitations. These kinds of intermediaries are largely absent in India, for example, and can provide a key insight to businesses on how they can deepen their interventions in a potential win-win situation for businesses, small producers and rural youth.

company works closely with high-value retail buyers. But the firm has found it harder than expected to obtain a reliable supply from organised small-scale producers, and now buys only 30 per cent of its produce from farmer groups, and half from traders and wholesale markets (Box 3.3).

#### 3.1.3 Limits of informality

The upsurge in informality presents challenges for long-term sustainable development. Though informal markets offer the crucial advantages of access and flexibility, and are sites of creativity and trust among small farmers and other market actors, they also have a dark side, including poor traceability and food safety, poor records on environmental impacts and worker welfare, and sometimes corruption, criminality, monopolies and cartels. Some researchers point to the risks of trapping poor households in poverty, even if in the short-term informality can provide solutions. Recent studies suggest that in crises and/or global economic slowdown, the informal sector may be hit harder than the formal sector, contrary to popular understanding that the informal sector provides a more resilient refuge in times of economic crisis. In these situations, traditional social networks and safety nets cannot provide enough support (Heltberg *et al.* 2012).

For some Learning Network members, a key concern is that producers who continue to trade in marginal spaces outside formal systems will not gain a place at policy tables. In countries with weak institutions and central governments and less developed formal economies, the informal sector can become an important power structure in its own right — the *de facto* formal. But in most contexts, official laws and policies still have significant consequences for small-scale farmers, shaping their competitive playing field. Without a platform to influence these rules, producers cannot remove the constraints to formality — or have a say over forces that affect both formal and informal markets, such as trade agreements that can open up a flood of low-priced imports. Where informal systems remain fragmented and local, staying informal can also limit the ability of small farmers to scale up their operations and build critical mass in markets. In some cases this critical mass is essential to draw in state support and private investment.

Another key weakness of informal markets is that, although they excel at feeding low-income people cheaply, they lack systems for quality control and food safety — rising priorities

for consumers and governments in countries with growing middle classes. Safety problems in informal food systems can lead to scandals and heavy-handed state responses, as was recently seen in the Chinese dairy sector (Box 3.4). In that case, outcry over tainted milk led to dramatic declines in consumption of domestically produced milk, so the state's intervention may have served to save many dairy farmers' livelihoods — but only by formalising them.

There are many other markets where informal trade of highly perishable products is the norm, and calls for safety standards could grow. Looking just at the dairy sector, Mugoya's study for the Learning Network noted that 42 per cent of milk in Kenya is sold directly from farmers to consumers and usually delivered to their doorsteps; another 17 per cent is sold to mobile traders on bicycles, and 15 per cent to small shops, kiosks or milk bars that are mostly unlicensed. In comparison, registered dairy cooperatives purchase 24 per cent of all dairy farmers' milk. Only 2 per cent of the milk produced in Ethiopia reaches the market through the formal dairy chain (van der Valk and Tessma 2010), while in the state of Assam in northeastern India, 96 per cent of milk is distributed by informal milk vendors, leaving only 4 per cent for the organised sector (Grace *et al.* 2011).

### 3.1.4 Accommodating informality in policy

All this is not to say that informality will disappear as middle classes push for safer products, or when states grow stronger or producers organise for political influence. As part of small farmers' diversified economic strategies, informal markets are central to producers' economic agency and are here to stay. As such, some governments and development institutions are becoming interested in actively supporting the informal sector and mitigating some of its downsides (Box 3.5). If states seek to better understand the reasons for widespread informality in food markets, this can lead to inclusive policies that support — rather than fight or ignore — the preferred strategies of small-scale producers. Such action could potentially help both small-scale producers and low-income consumers get more out of informal markets. Improving aspects of informal supply chains and strengthening farmers' position within them are likely to have strongly pro-poor outcomes, because of this sector's broad base (Ram 2010).

### Box 3.4 Chinese milk scandals: the fallout for small producers

In 2008, 294,000 Chinese babies became ill, and six died, after drinking melamine-tainted milk in their infant formula. It was the worst in a long series of food safety scandals in China. Milk consumption plummeted, and the country's dairy farmers — most of them smallholders — faced tremendous marketing difficulties.

The government reacted rapidly. New marketing management policies were introduced that heavily regulated buyers in the milk supply chain and gave them incentives to procure from larger, more reliable farms. Policy directives were issued to move the small backyard farmers into concentrated production complexes, where marketing was centralised to facilitate inspection and quality supervision. Soon there were no more mobile milk brokers. The complexes have rescued milk producers from rejection by disgusted consumers, but committed them to additional costs and narrowed their choices to a single primary marketing channel, heavily regulated by the government (Zhang and Carmody 2009; Luan *et al.* 2011).

### Box 3.5 Supporting informal dairy markets in Kenya and India

Before about 2000, the Kenyan government's approach to traditional small-scale milk vendors was to crack down on them. But recently the state has become far more supportive of these sellers, who procure milk from some 800,000 dairy farmers and supply most of the domestic market. New legislation acknowledges their central role and aims to improve processing standards in the informal sector, develop low-cost appropriate technologies for small investors, offer safety training and establish an accessible certification system. Local officials have begun advising small-scale vendors rather than punishing them. The results are not only improved relationships between traders and regulators, but lower transaction costs and greater volumes of milk sold (Hooton and Amore 2007). In northeast India there have been similar proposals, focused on assessing and reducing safety risks in the informal dairy sector rather than trying to stamp out informality (Grace *et al.* 2011).

## 3.2 Small producers and formal markets: barriers and catalysts

While informality continues to be central to rural economies, globalisation does offer some small-scale producers pathways into formal value chains — especially through more direct contacts with modernised local and national markets and export buyers. These present new opportunities, though also greater exposure to risks and more stringent standards. In many cases, it's not only easier but also more profitable for small-scale farmers to deal with informal and traditional markets. Moreover, traditional traders and wholesalers may be the only buyers meeting certain urgent needs of small farmers — such as ready cash. Exercising agency means finding ways to market in line with those incentives and needs.

Yet certain groups of small producers have successfully entered even some of the most demanding formal markets. In these cases, a third-party facilitator often plays a central role in making formality accessible and attractive for small-scale farmers. Alternatively, innovative policies may promote market inclusion for small producers across an entire commodity sector, rather than trying to build one value chain at a time.

### 3.2.1 Costs of formality

Formal buyers cut into producer profits by setting high hurdles for their suppliers, whether for export or local retail. To get produce onto shelves in a European supermarket — or even a local one — farmers must submit to extensive quality checks that eliminate sub-standard goods. Even if some small farm produce makes the grade, another portion is unlikely to, and rejects have to be sold informally in local markets.

Though they demand high quality, supermarkets do not always give farmers a better price: a recent study in Nicaragua found that a domestic retailer paid prices similar to the traditional market, while Wal-Mart paid significantly less. For salad and Roma tomatoes, the price difference between Wal-Mart and traditional channels was 34–54 per cent (Michelson *et al.* 2010).

Contract farming arrangements, a common model for trading with small farmers, usually stipulate that farmers are not allowed to sell to other companies. In the Learning

### Box 3.6 Why banks avoid small farmers

Morrison Rwakakamba in the Learning Network pointed to finance as the main constraint for smallholder farmers in Uganda. Although banks are spreading through Uganda's rural areas, Rwakakamba lists several reasons why small-scale producers have trouble obtaining bank loans:

- **Lack of acceptable collateral.** Banks' credit staff have limited ability to appraise a farmer's potential for cash flow. Therefore, loans are usually based on collateral such as owned land. But many small farmers, and especially women, don't have legal titles to land. Moreover, many banks in Uganda, particularly the transnational ones, do not accept collateral outside a 5-kilometre radius of the city centre. This is a tough standard for even urban-based farmers to meet.
- **Poor financial records.** Smallholder farmers often are not skilled in maintaining the types of financial records requested by banks.
- **Cost of lending.** Banks absorb higher administrative and servicing costs for small loans, and therefore may avoid them or price them higher.
- **Interest rates too high for farmers.** Ugandan commercial banks' average lending rates, reported by the Bank of Uganda, were over 23 per cent from 2009 to 2011 — higher than in neighbouring countries, and higher than the rate of return most farmers can get from investing in production.

Many of the same disconnects between producers and banks are seen in other Learning Network countries, and some institutions are now trying to close the gaps. In India, small agricultural loans have high transaction costs both for the farmer and the bank, and bankers consider lending to small producers highly risky. Srikantha Shenoy in his study for the Learning Network described a farmers' group in India that formed to take advantage of a new collective financing scheme from the National Reserve Bank for Agriculture and Rural Development (NABARD), a developmental bank (see Box 4.1 for more on this case study). It remains to be seen whether the spread and expansion of similar programmes might ease cash flow crises for many small farmers, and change the attractiveness of traditional markets for the formal finance sector.

### Box 3.7 Value chains as a foreign practice

It is worth considering that 'inclusive business' and 'value chains' — the concepts as well as their manifestations on the ground — come from the world outside of small-scale farmers. Thus, small producers may be seeking goals that cut across those of value chains, and frustrate value chain proponents.

Those seeking to 'make markets work for the poor' see channels to high-value markets as linear pathways that have to pass through supply chains for implementation and be evaluated by value chain analysis for success. Small producers, in contrast, have something of a holistic approach. That is, they tend to experiment with every opportunity available — rural and non-rural, agricultural and nonagricultural — and to juggle very scarce resources among these options. They participate in the supply chain with the same logic, so that sometimes they are in and sometimes they are out. Most do not make a consistent, long-term commitment to the value chain game — especially when other, more traditional traders pay cash immediately upon receiving produce. In the Learning Network, Alberto Monterroso, a vegetable exporter, highlighted such immediate payments as one of the main incentives needed to secure small farmers' loyalty. When small farmers' constraints and needs are not understood, businesses that are highly committed to inclusion through value chains often view small farmers as 'gamblers', 'unreliable' or 'unprofessional'.

### 3.2.2 Catalysts for formality: intermediaries and 'ethical agents'

Despite the costs and barriers described above, some small-scale farmers can and do reach highly demanding formal global markets through value chains for organic and other internationally certified products. Their market inclusion is often driven by new traders and intermediaries, especially NGOs. In rare cases, a central, well-connected individual with an interest in pro-poor development — who could be termed an 'ethical agent' (Buxton and Vorley 2012) — works to ensure that the value chain supports producers' interests as well as meeting the needs of buyers. In Indonesia in 2008, consultant Caecilia Widyastuti helped smallholder cashew growers become the first farmers' group in the country to win organic certification. Widyastuti's case study for the Learning Network of a more recent certification effort — the entry of small-scale palm sugar producers into the organic market — describes many processes she catalysed as a facilitator, from communicating a buyer's demand for a new product to introducing the new palm sugar cooperative to

Network, Monterroso described agro-exporters in Guatemala imposing and enforcing such rules, and argues that access to the global market is coming at the cost of flexibility and choices for farmers.

Another reason for smallholders to prefer traditional supply chains is their on-the-spot payments — and in many cases, the availability of loans from traders that can be repaid in products from future harvests. Small-scale farmers have much more difficulty than their larger counterparts in obtaining credit from formal financial institutions (Box 3.6), and they must tend their cash flow as carefully as their fields.

Taxes and regulations can act as direct penalties to formalisation. In Peru, for example, Lorenzo Castillo, manager of the Junta Nacional del Café, explained to the Learning Network how this national federation of small-scale producers' coffee cooperatives has fought a double-taxation policy: taxes on individual farmers selling produce to their cooperatives, in addition to a 30 per cent tax on the cooperatives' own sales. The 'Cooperative Act' in Peru recognises that the transaction between the farmer-member and his or her cooperative is an internal act and not subject to taxation, while the cooperative, as an enterprise, pays taxes based on the sales. Had the new law been approved, Castillo pointed out that cooperatives would have been obliged to do business more informally to remain competitive in the coffee market; many competitors — medium- and large-scale farms — conduct at least part of their commercial transactions informally and pay no taxes. More informality implies less tax revenue for the state, weaker provision of rural services, and even less incentive for poor farmers to formally organise and access credit and other services to improve their production and competitiveness.

Beyond the practical considerations of profits, barriers and penalties are matters of perception and culture. Small-scale producers are typically very comfortable with informal trade, but may not see formal and modern markets as 'for them', given the requirements for technology, education and organisation. For some, modern markets are associated with unfamiliar language, concepts, goals, and codes of conduct. And they oblige farmers to carry higher risks. The way that small farmers apply their own logic and strategies to manage these risks can get them labelled as unreliable suppliers (Box 3.7).



### Box 3.8 Using an 'ethical agent' to reach high-value markets: the case of organic palm sugar

In 2007, the Indonesian Record Museum added a new human achievement: Indonesia's largest mound of melded palm sugar, a five-ton pile three metres high and three wide. When TV news showed Sugiyo, the farmer who built the great sugar lump in the Kulon Progo area of Central Java, an exporter in Bali took notice.

The Big Tree Farm company bought samples of Sugiyo's sugar, tested them in European, US and Japanese markets, and soon had orders for 30 times the volume Sugiyo could provide. To help secure more supply, Big Tree Farm turned to Caecilia Widyastuti. Widyastuti's Learning Network case study documents how she facilitated the metamorphosis of a small-scale producers' organisation, the Network of Farmer Groups in Kulon Progo, or Jatirogo. Primarily a political advocacy group before 2008, Jatirogo developed a palm sugar marketing cooperative — an economic structure enabling them to meet quality standards for export.

Big Tree Farm knew Widyastuti as the consultant to a group of cashew growers that was the first in Indonesia to gain organic certification. Jatirogo's palm sugar — made by boiling down sap collected from coconut palms — would also need to be certified organic for export, as this was the simplest way to demonstrate it was free from additives prohibited in the United States.

As a facilitator, Widyastuti brought together actors who could help Jatirogo reach the high-priced organic export market, including HIVOS as an international donor supporting the venture, Dutch and Swiss institutions promoting imports from the developing world, local NGOs, and multiple buyers including Big Tree farm. And she played several catalytic roles:

- Conveying information from buyers to producers about the demand for organic palm sugar, and initiating discussions of how to organise to meet this demand. Later, Jatirogo and local NGO Lesman took on this research and development role, with buyers communicating directly with the cooperative about needs for new products.
- Helping to design the 'Internal Control System' — an organisational structure required for certification.
- Translating complex organic and food-safety standards, not only into the Indonesian language but

into simple, practical terms based on local methods of sugar processing. This 'translation' formed the basis for a manual of quality management, used by the group to inspect and grade their own product before submitting it for certification.

- Leading trainings to establish this quality management system.
- Promoting improvements in handling of palm sap and the use of more efficient stoves for boiling the sap. This meant less contamination, so that more of the collected sap was turned into high-quality sugar — a way to raise incomes without negotiating higher prices.
- Offering advice and technical assistance as Jatirogo went through the 'learning by doing' process of passing external inspections.
- Facilitating negotiations between Jatirogo and buyers, helping each understand the other's needs.
- Arranging for Indonesian Ministry of Agriculture representatives to visit the cooperative. The ministry then included support for certification and trading by smallholders under their quality improvement and export promotion programmes.

Such activities are characteristic of an 'ethical agent', who helps to link up stakeholders in a supply chain and bridge expertise gaps with the goal of improving producers' livelihoods. Jatirogo's transition from a political to a business organisation brought various strains, not least difficulties with managing cash flow and paying farmers on schedule. Despite these issues, Jatirogo has succeeded in its main goals: certification, reaching the export market and boosting farmer incomes. The price paid to farmer-members for moulded palm sugar approximately doubled from 2007 to 2011. And having established direct relationships with buyers, Jatirogo is now experimenting with new products, such as syrup, to meet changing customer requests.

'Ethical agents' have to be careful to ensure an exit strategy and not undermine farmers' agency and thus their own capabilities to manage their business or hire the competences they may need.

polymakers who could tweak development schemes to include them (Box 3.8). Whereas a traditional intermediary adds value by handling the product (aggregating, grading, transporting, processing and/or marketing, for example) and takes a large cut from the value chain, an ethical agent can add value by offering business expertise, introducing contacts and aligning business models along the chain to better share the value among participants.

A Nicaraguan case from Falguni Guharay in the Learning Network offers another example of small-scale farmers entering a demanding organic value chain that delivers higher prices. But in this case, the chain's strict requirements are being met largely at the expense of producer agency. Starting in 2007, cocoa growers in the Bosawas area were organised to produce organic cocoa for the German chocolate company Ritter Sport, which initiated the project together with Germany's development agency GIZ and the Nicaraguan NGO ADDAC. The farmers succeeded in growing more cocoa of higher quality, and saw prices spike. But Ritter Sport is the only company buying this quality cocoa and offering these prices — meaning that producers have gained no negotiating power in the value chain. And the company has changed the local supply chain from beginning to end; collection, processing and post-harvest management systems have all been reshaped to Ritter Sport's specifications. Guharay described this value chain as resembling 'a benevolent feudal relationship'.

Whether a value-chain initiative offers more or less scope for small producers to exercise agency, it will often make up only one part of farmers' chosen portfolio of activities. In the big picture, it is important not to overlook what farmers are doing simultaneously to root themselves in other markets. In the case of palm sugar growers in Indonesia, for example, the same producers who formed a cooperative to gain organic certification and connect with an international buyer were also marketing an array of other crops, either individually with traditional middlemen or through different farmer groups or traditional middlemen. This is also true for many larger and older cooperatives, such the national coffee growers' organisation in Peru.

### 3.2.3 Sector-wide approaches to inclusive business

Most inclusive business schemes aim to build individual value chains integrating a narrow subset of small producers. For practitioners, businesspeople and policy experts who back this approach, the expectation is that islands of market success will grow and proliferate. But isolated value chains not only exclude most farmers, but fragment collective action. To improve conditions for the majority of small farmers, the idea of upgrading small-scale producers chain by chain may need to give way to more effective action across an entire agricultural product sector.

In Colombia, the non-profit national federation of coffee growers (FNC) has worked to raise the whole sector's economic and social performance. FNC represents the majority of the 560,000 coffee-growing families in the country, nearly two-thirds of whom farm less than 1.5 hectares. Quality control managed by the FNC has meant that Colombian coffee has consistently received a price premium on world markets. A key element in the FNC's approach is The National Coffee Fund, a tax on coffee production managed by FNC on behalf of the government. The fund is used to stabilise producer incomes and invest in social and infrastructure programmes in coffee-growing communities.

The positive impact on coffee-growing communities in comparison to other countries, in terms of income, public services, literacy and political stability, is recorded in a number of studies (Bentley and Baker 2000; Deshpandé 2004). Rather than creating islands of inclusion, this sector-wide approach raises all boats through federating producer interests and institution-building.

## 3.3 Importance of regional, national and local markets under globalisation

In a globalising world, it is not necessarily global markets that are most dynamic or most lucrative. Just as informal trade can be more widespread, vibrant and rewarding to small-scale farmers than formal trade, these producers often find advantages in local and national markets, or regional



markets in other nearby countries, that they can't get with further-flung exports. Local markets have always been central to small producers' livelihoods, but governments and development institutions are also starting to recognise their importance. In fact, the potential of many nearby markets, both within and across borders, is only rising with economic growth and urbanisation.

### 3.3.1 Opportunities in regional, national and local trade

Given that around 16 per cent of world food production by volume enters international trade (Rabobank, 2010), national and local markets are absorbing almost all the food farmers grow. And in developing and emerging economies these local markets are expanding, as demand for agricultural products is rising faster than in the industrialised world. Energetic campaigns to increase food exports may miss the burgeoning opportunities at home — especially the openings for small farmers.

This growing demand can also make markets in nearby countries lucrative for small-scale producers. In Henry Kinyua's Learning Network case study of passion fruit production in Kenya, only 3 per cent of the fruit went to global markets beyond East Africa, whereas 27 per cent was exported within the region, with nearly half of the regional exports going to Uganda. Much of the exported fruit is sold to traders by small farms, which make up 75 per cent of Kenyan passion fruit producers. The Learning Network also noted that Uganda, in turn, is currently enjoying new marketing opportunities as the relative peace and stability in South Sudan and the Democratic Republic of the Congo has opened trade at their borders.

Besides presenting growing demand, regional, national and local markets can be particularly small-farmer-friendly; they impose fewer requirements and less stringent standards than global importers; and they can accept a variety of grades of produce, which is what small farmers usually have to sell. In fact, they may have their own local 'standards' in the forms of relationship networks and cultural norms that tend to resist global competitors (see Section 3.5). Some small-scale producers still face challenging competitors in local markets: the Learning Network's Monterroso describes producer groups in Central America competing locally with large businesses that have lower production costs and more

resources for promotion. However, with local and regional markets in the South growing more valuable and more dynamic, Northern importers and food companies may increasingly have trouble outbidding local and South-South trade, unless they have a dedicated supply network based on mutual trust and strong value-sharing practices. Moreover, as discussed in Section 3.4, nearby markets may value the traditional qualities of some food products, which can give small local farms a unique advantage.

Local officials working with decentralised budgets often recognise the benefits of local agricultural markets and make investments to expand or improve them. Multiple countries have farmers' markets backed by local government, for example, which can improve prices for farmers as well as consumers. One such market organised by city officials in Bogotá, Colombia, increased the prices obtained by farmers by 64 per cent in wholesale markets and 52 per cent in retail. Urban consumers also benefited, paying prices 15 per cent lower, on average (Green 2011).

### 3.3.2 Local marketing for food security

Development institutions should be interested in regional, national and local markets not only because of their advantages for small farmers, but their importance for food security. Local-to-regional markets are where poor farmers sell their staple crops — and poor consumers buy food for their families. With liberalisation and globalisation, however, many governments and development agencies shifted their attention and investments from staple crops to cash crops produced for export via value-chain links. Now, some multilateral organisations are trying to balance the shift by looking more seriously at what staple markets mean for small-scale farmers and the food supply.

Though local markets for staple foods are more important for food security than export markets, the former have been difficult targets for development assistance. In the Knowledge Programme's third Provocation Seminar,<sup>6</sup> Earnan O'Cleary of the OECD's Development Assistance Committee, explained, 'They don't easily link to export markets except regionally, they don't have big commercial opportunities, and they work very inefficiently — a much more difficult and intractable problem'.

<sup>6</sup> [www.iied.org/provocation-seminar-series-making-markets-work-for-poor-contents-discontents](http://www.iied.org/provocation-seminar-series-making-markets-work-for-poor-contents-discontents)

Roger Blein of Bureau Issala in France, also participating in the debate, argued that the income from cash crops is not improving food security for the poorest of the poor. In West and Central Africa, he pointed out, breadbasket areas that had been net exporters of rice, milk and meat now have a negative trade balance when it comes to food. Blein urged a shift in mindset: 'Before we think of conquering world markets we should look at local and regional markets'.

Regional trade can also threaten food security, however. Uganda's exports to southern Sudan are largely food products, especially staple crops grown by smallholders and sold on to traders — maize, beans, bananas, eggs, millet and sweet potatoes. The farmers' success has had 'a double-edged impact on Uganda's economy,' writes the Learning Network's Rwakakamba, bringing in much-needed foreign exchange, but also causing local food prices to rise in the exporting region. This indicates that the tapping of Sudanese demand has diverted supplies of important staples from domestic markets.

Guharay's Learning Network research from Nicaragua highlighted recent commitments at the national level to promote food security by supporting the small-scale producers who can feed vulnerable local communities — in arid regions or areas affected by disasters, for example. The country's current five-year plan for rural development focuses on poor small-scale farmers, and the food staples they produce, as an integral part of national development strategy. Government programmes aim at both improving production and getting poor farmers' produce into local markets.

### **3.4 'Intangible assets': adding value through culture, territory and traditional knowledge**

Global markets tend to demand that small-scale producers upgrade in the areas where small farmers have a comparative disadvantage — to produce standardised products at high volumes, for example. But there are some promising markets, especially locally and nationally, that instead value the 'intangible assets' that small farmers have in plenty. These valued qualities are rooted in traditional production methods, cultural identity and the range of unique features

and resources that define a specific geographic space, or territory. Small, traditional farms can compete on their strengths by appealing to demands for native crop and animal varieties, local cuisine, terroir, artisanal quality, and diversity. The Learning Network discussed several cases where farmers are finding strong markets for products with cultural and territorial identity (Box 3.9).

Studying three examples from Latin America, the Learning Network's Ranaboldo concludes that the most important markets for culturally rooted products are local and national. Farmers near sizeable towns may have the best opportunities to position their products beyond the village. They are reaching an expanded customer base of urban middle- and upper-class consumers, and sometimes tourists, who are increasingly interested in local food and willing to pay a price premium.

Exporting goods with cultural identity poses a range of challenges, from building brand recognition to meeting standards for quality and traceability. However, when goods are marketed based on traditional practices, cultural authenticity and local pride, this encourages higher quality and greater differentiation from competing products; what they sell is the 'value of difference', Ranaboldo said. If links to regional or global buyers can then be made, this puts producers in a strong negotiating position. In Bolivia, the Learning Network's Luis Galleguillos examined the case of El Ceibo, a 1,200-member cocoa cooperative that has branded its own 'heritage chocolate' products. The high-quality brand is sold throughout Bolivia's national market and also exported to Europe — bearing the slogan 'Our land, our trees, our chocolate'.

Traditional and territorial resources also lend themselves to small producers' income diversification strategies — not only to modern value chains or 'high-value' consumer groups. Among the three Latin American cases Ranaboldo studied, producers of Caroya salami had perhaps the most 'modern' strategy, seeking a formal geographical indication label for international recognition of their product; but two-thirds of these producers still rely on additional activities such as orchards and vineyards for income. In this context, experiments with new territorial opportunities do not demand a drastic overhaul of production, as value-chain ventures often do. Instead they tend to be incremental and complementary, and help to manage risk.

## Box 3.9 Markets for goods with cultural and territorial identity

In the Learning Network, Ranaboldo coordinated case studies from Argentina (by Andrea Benedetto), Bolivia (Natalia Soto) and Peru (Alan Fairlie and Karla Solis) of farmers profiting from 'intangible assets' of culture and territory. Elsewhere in the Learning Network, other markets were highlighted where traditional gastronomy and food choices matter. Natawidjaja brought experience from Indonesia, and a Learning Network field trip visited a unique cultural festival of farmers in southeast India.

**Argentina:** Family farmers around the town of Caroya raise cattle and pigs to produce a traditional salami, using recipes handed down from Italian settlers over the last two centuries. The sausage is part of the area's rich cultural heritage, which also includes winemaking and important church history and architecture. The territory's cultural assets draw tourists from other towns and cities in this region of Argentina, and the tradition and identity associated with the salami give it special value along the tourist route and in the provincial capital, as well as in the producers' own local markets. To protect this value from being undermined by imitation products, a group of salami producers is now negotiating with the national government to establish an official geographical indication label for Caroya salami.

**Peru:** In a much-discussed 'gastronomic boom' (del Pozo-Vergnes 2011; Balcázar 2012), urban consumers' enthusiasm for traditional Peruvian food has spread from Lima through the country, then across the Andean region, and recently as far as New York. The boom has made local food into an issue of national economic policy. An advocacy group, the Peruvian Gastronomy Association, is set to receive US\$2 million from the Inter-American Development Bank to develop local production, food quality and markets at the village level. The agreement is an example of pro-smallholder programmes and policies emerging along with changes in the restaurant sector. A new alliance of cooks and farmers recognises that Peruvian gastronomy needs the large variety of Peruvian foods produced mainly by small-scale farmers.

The Learning Network research looked at how this is playing out for farmers in a mountainous region near the coast of northern Peru — historically a belt of poverty lying between large plantations inland and tourist destinations on the coast. Today the area is strongly connected with gastronomy in Lima, and its food culture has become an asset alongside archaeological sites and surf spots. Small producers use a variety of strategies to benefit from this: they sell to fine restaurants in the region, own or work for smaller popular restaurants, or take part-time jobs in the tourism industry, thus taking advantage of a range of territorial resources.

**Bolivia:** The valley near the southern city of Tarija is home to a strong peasant culture based around complex, multifaceted livelihoods. The area is known for grapes and wine, but also important are horticulture, fruit, flowers, chickens, pigs and small cattle herds, and in addition many farmers take non-agricultural jobs in Tarija. The proximity of the city facilitates trade and also draws urban tourists to restaurants in the countryside. Similarly to Peru, there is interest in sampling local food and wine culture while taking in the peaceful rural landscape and the peasants' way of life. NGOs and development projects have noticed this opportunity and tried to help the farmers develop gourmet brands for urbanites. But plans to specialise in grape and wine production did not get much local uptake. Instead, local producers are increasingly shifting towards territorial development — not just extracting the value from one traditional activity, but drawing from the full scope of what this landscape and culture produce. Producers' own strategies for this include diversified productive systems, using local cultural assets such as gastronomy and fiestas, and taking advantage of their proximity to Tarija to reach different markets.

**Indonesia:** The Indonesian archipelago has over 300 ethnic groups, and the largest of these groups — the Javanese, Sundanese, Malay and Madurese — are spread throughout the country's islands. Though each ethnicity has its own food culture, peanuts and chillies are common key ingredients. The local appetite for these crops, driven by traditional cuisine, is such that 70 per cent of peanuts and 95 per cent of chillies grown in Indonesia are sold through traditional markets and consumed locally. And demand for these crops follows cultural rhythms, surging around national and religious holidays that call for feasts and festivals.

**India:** Each year a colourful mobile festival caravans through villages in the state of Andhra Pradesh celebrating indigenous millet varieties. Different villages bring their traditional millets and exchange seeds and information about how to grow them. But rather than being framed in economic terms, this is a cultural and religious festival: participants express reverence for the source of their food. The Deccan Development Society (DDS) has organised the festival for a decade to help conserve the traditional varieties. And to get these crops to local markets, DDS has pioneered its own public distribution system — an alternative to the government's system for distributing wheat and rice to impoverished areas. In this programme, village communities organise the production and distribution of food grains, ensuring that indigenous varieties reach local consumers.

### 3.5 Modernisation on small producers' terms

In the competing narratives of market globalisation and modernisation, there are many recommendations for small producers to either resist or embrace these changes. But when we shift the focus from where farmers should be to where they are now, what comes to the foreground is small producers' own strategies to engage with markets and structures of power, on their terms.

One striking case from the Learning Network concerned the Aymara, an indigenous group studied by Tassi in Bolivia. For Aymara farmers and traders, local social and religious networks have been functioning as highly effective chains of distribution and supply and local economic structures that neither the state nor foreign companies have been able to dislocate. These informal structures incorporate aspects and benefits of modern markets into tradition and culture, neither completely preserving these from change nor allowing them to be erased by assimilation to a 'modern' paradigm. Through their culture-based networks and choices to appropriate or reject different aspects of modernity, the Aymara control 90 per cent of the meat market in La Paz. Thus, cultural specificity and difference can be used not only to add value to products, but to enable control of certain markets.

In Uganda and Kenya, Learning Network members point to the application of mobile phone technology, which farmers are now using to research prices in urban markets and then contact traders to negotiate sales and pickup of the products (Box 3.10). By closing information gaps between producers and traders, the technology gives smallholders more agency in their choices about markets, buyers and prices. One group of Ugandan farmers studied continues to grow a local staple, matoke (cooking banana), and to sell it in traditional markets — but they have developed an elaborate informal system, via mobile phones and networks of informants, to disseminate market information, negotiate with buyers, handle cash, and set up their own marketplace at harvest time (see Box 4.4).

These examples show that modernisation and globalisation are not necessarily linear changes that sweep aside the local or standardise cultures. Tradition versus modernity is a false

#### Box 3.10 Mobile phone technology meets informal trading in East Africa

Almost 25 million Kenyans and 14 million Ugandans have access to a mobile phone (Telecompaper 2011; Teneta 2011). In Learning Network discussions, Kinyua and Rwakakamba explained that phones are changing the business of farming. Small-scale rural farmers in Kenya can use a text messaging service to check current prices of agricultural products in major urban markets — then call to negotiate sales with traders, who will travel from cities to pick up the pre-agreed volume of produce. A private company, the Kenya Agricultural Commodity Exchange, provides the price-tracking service.

To carry out the transaction itself, farmers may use new mobile payment platforms — 'Mobile Money' in Uganda and 'M-Pesa' in Kenya — to get paid by their buyers, or to pay for inputs such as fertiliser. No bank account is needed: these services convert cash to mobile money credits, which can then be exchanged for cash again.

In one NGO programme in Uganda, phones are being harnessed as an alternative to traditional extension services. By 2014, the US-based Grameen Foundation aims to build a grassroots network of 'community knowledge workers' who will 'deliver agricultural information both to and from the smallholder farmers' ([www.ckw.applab.org/section/about-ckw](http://www.ckw.applab.org/section/about-ckw)). The planned offerings include weather forecasts, technical tips, market prices, a supplier directory and a marketing platform to link buyers and sellers.

dichotomy: producers are appropriating modernisation as it suits them best. And if small-scale farmers are modernising on their own terms, they are also using their own strategies and innovations to 'cooperate to compete', thus reinventing themselves and the markets where they operate. These changes affect the ways small farmers express their agency in (and out) of organisations and other collective structures, as we will see next.



# **4 What organisations for what farmers?**

**Matches and mismatches between  
individual and collective agency**



## Reshaping the debate: Small producer agency in organisations

### Current arguments

- To 'make markets work for the poor', small producers must **cooperate to compete**. Producing and selling individually is inefficient, and formal organisations are the efficient alternative.
- In capitalistic and market-based approaches, formal producer organisations in value chains are seen as the best **partners for inclusive business**. For socialist governments, they also are the ideal **conduit for public social support** to poor and vulnerable peasant farmers.
- Thus, development interventions can build on small farmers' social capital by helping them to **organise as cooperatives and other formal economic organisations**. These are often supported by external agents, especially non-governmental organisations who ensure farmers aggregate and upgrade their production and become empowered in markets.

### Questions for a new debate

- Producer organisations can empower small producers in markets, but they should continually reflect on their relevancy. **How can organisations reinvent themselves** as their context changes, and provide benefits that meet members' most immediate needs?
- **Many producer organisations are started by outsiders**, including traders and food companies. What are the implications for producer agency? Might this compromise the capacity of organisations to represent small producers politically and to influence the regulation of markets in their interest of small-scale agriculture?
- Could other structures, not only formal economic organisations as we know them now, improve access to markets for **the majority** of producers who are not formally organised in the market and for whom farming is just one component of their livelihoods?
- How are forces such as competition, the proximity of multiple markets and buyers, and information technology challenging formal organisations? When and how are farmers using **informal groups or networks** — or choosing to act as individuals — to respond to the immediate market needs?

While 2014 will be the International Year of Family Farming, the UN has designated 2012 the International Year of Cooperatives. The attention to 'invaluable contributions of cooperative enterprises to poverty reduction, employment generation and social integration' (UN 2012) has echoes in history. In agriculture in the 1960s and 1970s, developing-world governments widely sponsored cooperatives and trade unions, and the US under John F. Kennedy's multi-billion-dollar Alliance for Progress programme promoted land reforms and cooperatives in Latin America to avoid expansion of the Cuban revolution in the continent. Later, many farmers' cooperatives dissolved with market liberalisation starting in the 1980s, when states withdrew

their direct intervention and support in the agricultural sector. Both surviving and newer organisations today are changing to meet a globalising world — often catering more closely to market demand, professionalising their management, or trying different organisational models (Magnus and Piers 2010). Once again, in the 2000s, cooperatives and other formal producer organisations are seen as key to reducing poverty — and to either coping with or challenging the forces unleashed by globalisation.

Indeed, producer organisations — cooperatives in particular — are an almost universally popular tool for rural development policy. Under socialist policies oriented



toward rights-based development, cooperatives are seen as the interface between the state and producers' traditional community dynamics, and thus an ideal venue for public support of small producers as well as social support to the government (Michelutti 2012). On the other hand, in the agenda to 'make markets work for the poor', organisation is usually thought to be essential to small producers' success: farmers must cooperate to compete, using collective structures to gain bargaining power, scale and efficiency so that they can enter formal value chains and high-value markets. Accordingly, creating or upgrading a formal producers' organisation, often guided by an NGO, is the first step in many development interventions. These formal organisations can be integrated into formal value chains and are seen as the best partners for 'inclusive business'.

Yet, as the Learning Network has highlighted, most small farmers are not formally organised. Informal and traditional structures are the predominant means for small farmers to cooperate economically, and some studies draw attention to kinship and ethnic networks or traditional community organisations as dynamic players in markets. So important are these traditional political and social structures that they may be legally recognised by governments and constitutions, as in Latin America, particularly the Andean countries. And some ethnic groups, such as the Aymara, have built considerable economic power — even veritable parallel economies — in particular markets, based on large social networks.

From an agency perspective, farmers will organise into structures — formal, informal, or both — that meet their most pressing needs and allow for their favoured strategies. They also choose to do business as individual agents in some contexts where it makes sense for them. In this chapter we discuss the Knowledge Programme's learning about such individual and collective agency.

### 4.1 What organisations, for what farmers?

Why is it that most small-scale producers in the developing world do not belong to formal collective structures for marketing their products? Why aren't more farmers organised? And which producers are, in fact, represented by existing organisations?

As discussed in Chapter 2, small farmers are a heterogeneous group. Some have so little produce to sell that they are

uninterested in making an effort or paying a fee to join an organisation. This includes not just the poorest subsistence farmers, but also 'farmers' whose primary livelihood is not agriculture — those who earn most income off the farm but grow a small cash crop like coffee as a safety net and for supplementary income. For instance, in Ethiopia, those farmers with the smallest plots are less likely to apply for membership in cooperatives, according to research by the International Food Policy Research Institute. Cooperatives also were found to exclude some small farmers who do wish to join, using various criteria that serve to keep the organisations more homogeneous and easier to manage (Bernard *et al.* 2010).

But even farmers strongly motivated to find more lucrative markets may not choose collective action or join formal organisations (Markelova and Meinzen-Dick 2006). Below we examine reasons for this that emerge from research in this Knowledge Programme. With market liberalisation and rising food prices, the traders who compete with farmers' economic organisations for supply are offering more and better deals, and information technology sometimes makes it easier for individual producers to find these deals and be more effective in bargaining. At the same time, some organisations have not focused on improving their members' agency, and the Learning Network noted cases where cooperatives are actually becoming more dependent on traders and less accountable to small producers' interests. Nevertheless, certain organisations have attracted large memberships and delivered a variety of benefits, and several Learning Network case studies examine the lessons from these successful groups.

### 4.2 How cooperatives succeed in liberalised markets

The Learning Network described a number of organisations whose membership rolls are large and growing, even in highly competitive, liberalised markets that pose challenges for farmer groups (Box 4.1). These associations are delivering on small-scale farmers' expectations: higher prices, more stable markets, and help with urgent business problems, including credit at low rates.

What do organisations that really work for small-scale farmers have in common? Castillo argued in the Learning

## Box 4.1 Growing and evolving producer organisations

### Muki Farmers Cooperative Society, Kenya

The Muki organisation was started in 1989 by ten dairy farmers who planned to pool their savings and offer loans to one another. From a tiny savings society it has grown into a farmer-led dairy cooperative with 4,800 active members, based in the Kinangop area of Kenya.

Early on, the savings and loan scheme filled farmers' needs for credit. Soon the organisation also began selling members' milk to local processors. Kenya's milk markets were liberalised in the 1990s, and in 2003 the group registered a new department — a business arm that collects annual dues from members and invests them for the benefit of all. It has since purchased six tractor-trailers for collecting milk and imported its own processing plant, with farmers buying shares in the plant. This became the foundation of two new sections of the organisation: a marketing arm known as the Muki Farmers Cooperative Society, which buys milk from farmers and sells it to the processing plant; and the processing company itself, owned by farmers through the Muki investment society.

The marketing side of Muki emerged to solve a problem for small-scale producers: fluctuating prices from traders at the farm gate. With its systems for collecting and processing milk, the cooperative can offer farmers seasonal contracts at prices more than 20 per cent higher than the prevailing market. But this required addressing a second problem: the low quality of some milk the coop was collecting. Now, trained dairy technologists test and grade the milk during collection at the farm.

Thus, Muki's growth — both in the scope of its activities and the size of its membership — has been driven by its efforts to meet the needs of small dairy farmers in an evolving policy and business environment.

*(Source: Mugoya, Learning Network)*

### Bukonzo Joint Cooperative Society, Uganda

The Bukonzo Joint coffee cooperative, born into the liberalised Ugandan agricultural market in 1991, has grown from 11 founding member groups to 92 groups today. This successful recruitment is centred on financial services. Farmer groups join the society not as marketing collectives, but as savings and credit associations organised by Bukonzo's finance department, which is separate from its coffee-trading business.

Members then have different options for trading with the cooperative: they can evolve into marketing groups who pool their coffee beans and receive special incentives for selling in bulk; or they can remain self-help groups with individual farmers free to sell coffee either to the cooperative or other buyers. Thus, producers from

a range of situations, choosing a variety of business models, can benefit from this flexible organisation.

*(Source: Bihunirwa and Shariff, Learning Network)*

### Sri Devi JLG Farmers Welfare Society, India

The Sri Devi society formed in 2009 to take advantage of a new inclusive financing programme from the development bank NABARD. Devi Camp, a village in the southwest of the country, is home to about 300 small-scale rice growers, most of them tenant farmers who own no land or have less than half a hectare to their name. Leases of paddy land are typically informal, oral contracts. Lacking collateral or even a written lease, farmers could not go to banks for loans they needed to buy seeds, fertiliser and other supplies.

Bank loans for crop financing in India have a subsidised interest rate of no more than 7 per cent. But these tenants had been forced to seek informal loans in the form of supplies bought from traders on credit. This meant accepting package deals that might include items farmers did not want, high prices, and interest charges of 30–33 per cent.

The NABARD scheme changed the rules. Now, a collective of farmers could get bank loans — enough to cultivate about two hectares each — if the group acted as guarantors for one another. Two hundred of Devi Camp's farmers joined together to take advantage of the offer.

After one successful loan cycle, the group had built enough trust to embark on further collective action in its second year. The leadership sought out bulk sources of farming inputs and made a new rule that 70 per cent of each loan must be used to purchase these supplies from the organisation. In one stroke, this prevented farmers diverting cheap credit to non-productive purposes — making the loan system safer — and allowed collective bargaining for cheaper supplies.

With interest rates on loans, input prices and transaction costs all slashed, the head of Sri Devi estimated that overall per-acre costs for members fell 25 per cent in 2010. Next, the organisation is looking to get into collective marketing, with plans for pooled threshing and storage space expected to raise rice prices.

*(Source: Shenoy, Learning Network)*

### Vasundhara Cooperative, India

The Vasundhara Cooperative is rooted in a programme of the BAIF Development Research Foundation, an Indian NGO. BAIF sought to support farmers in tribal villages of Gujarat state, where hilly terrain and a lack of

*Continued overleaf*

## Box 4.1 Growing and evolving producer organisations – continued

irrigation facilities prevent farmers from growing staple crops beyond the rainy season from June to October. At other times of year, farming families were forced to migrate to other towns in search of employment. To provide an off-season crop as well as more local jobs, BAIF helped the farmers to start mango and cashew orchards, and to form cooperatives for processing and marketing the fruits and nuts.

Vasundhara, one of the BAIF-backed cooperatives, deals mainly in mangoes; from its 2,500-plus members, the cooperative buys 1,000 tonnes of fruit a year along with mango tree grafts, and it sells the grafts, fresh fruit and canned mango pickle. Compared with wholesale markets in other towns — the farmers' traditional alternative — Vasundhara cuts the costs of transportation and middlemen's commissions. It has also succeeded in curbing migration by offering relatively high-paying jobs at the cooperative.

Notably, this NGO-driven organisation is trying to strengthen its ties with farmers by meeting an expanding array of other needs. A focus on mangoes and cashews meant interacting with producers mostly during the harvest from April to June. To establish a year-round relationship, the cooperative added needs-based services such as a retail shop, grain trading, processing of karvanda fruit, and transportation.

*(Source: Arya and Asthana, Learning Network)*

### Oromia Coffee Farmers Cooperative Union, Ethiopia

In the late 1990s, Tadesse Meskele, a civil servant from the Oromia region in Ethiopia, went on a study tour of Japanese cooperatives that were modernising small-scale agriculture. He returned with a passion and a 24-minute video. Having convinced the Oromia Agricultural Bureau to set up an agency for cooperatives, and he founded the Oromia Coffee Farmers Cooperative Union. In creating the cooperative, Meskele and other leaders relied on management training offered by the government, but also on extensive interviews with prospective members at the grassroots level.

Today, the Oromia coffee union is one of the largest cooperative unions in Ethiopia, both in membership and in annual sales. It grew from 22,691 members in 34 primary cooperative societies in 1999 to over 170,000 in 197 cooperatives in 2010. Sales grew even faster, suggesting that members are receiving more value for their product.

This growth took off after Ethiopia liberalised its coffee market in 2001, removing the rule that coffee had to be sold through a national auction — a decision in which the Oromia union was intimately involved. The group's pressure at the policy table changed their economic playing field and

allowed them to target speciality markets such as Fairtrade and organic coffee buyers. By 2009, 28 of the member cooperatives were Fairtrade certified, gaining them price premiums and funding for local developmental initiatives.

*(Source: Mugoya, Learning Network)*

### Network of Farmer Groups in Kulon Progo (Jatirogo), Indonesia

Today a successful sugar cooperative, the Jatirogo organisation before 2008 was known mainly as an advocacy group. Established in 1999 with financial support from the Indonesian NGO Lesman, Jatirogo worked on local policy in the Kulon Progo region and succeeded in winning budget allocations to provide microcredit loans to farmers. A relatively minor part of the organisation was its economic division, which focused on collective marketing and processing with the goal of ensuring that Jatirogo could survive if Lesman stopped its funding.

This changed when Jatirogo began a relationship with an exporter from Bali seeking supplies of organic palm sugar. With backing from Lesman and HIVOS, and technical assistance and facilitation from the Learning Network's Widyastuti, Jatirogo transformed its business unit into a separate, full-fledged cooperative for palm-sugar producers (see Box 3.8).

In the transition from advocacy to a business orientation, Jatirogo has had difficulties learning to manage stock, cash flow and payments to farmers. But it has succeeded in winning organic certification, reaching the export market and boosting farmer incomes. The price paid to farmer-members for melded palm sugar approximately doubled from 2007 to 2011. And Jatirogo is now experimenting with new products, such as syrup, to meet changing requests from buyers.

*(Source: Widyastuti, Learning Network)*

### Kapchorwa Commercial Farmers' Association (KACOFA), Uganda

KACOFA was started in 1999 by 27 farmers who had received agricultural training from the USAID-backed project 'Investing in Developing Export Agriculture' (IDEA). By 2011 KACOFA had 6,000 members. Along with training to improve productivity, the group offers access to financial services and collective marketing of barley, maize, sorghum and wheat. Partnering with various organisations to provide capacity-building, the association has seen members' maize yields increase from one tonne per hectare to, on average, about three tonnes per hectare.

KACOFA has focused on boosting yields to increase farmers' income, rather than delivering higher prices — but it does

seek out a variety of buyers, including the World Food Programme and a Kenyan brewery that imports barley directly from the organisation.

(Source: Mugoya, Learning Network)

## Areca-nut and cocoa cooperatives, India

The Totagars' Cooperative Sale Society (TSS) and Malnad Areca Marketing Cooperative Society (MAMCOS) are areca growers' cooperatives dating back to pre-independence India. TSS started with 28 producers in 1922 and now has almost 3,000 shareholding members (including nominal members, the total membership is about 18,000). Its infrastructure includes not just warehouses and vehicles but a rice mill and a hospital, and the cooperative provides services ranging from collective marketing and finance to ATMs, grocery stores and a guest house. MAMCOS offers benefits almost as diverse, including access to medical insurance and educational prizes. It has grown from 649 founders in 1939 to over 19,000 members today, and has democratised in the process: what started as a wealthy, upper-caste association is now roughly estimated to include 60 per cent smallholders. In 2010-2011 MAMCOS officially reached out to this base of small farmers through decentralised meetings to review the cooperative's performance and look for improvements.

CAMPCO is a younger organisation, formed by leading areca growers to rescue the sector from a 1970s price crash. Its first innovation was to have members intercrop cocoa with their areca palms — but the group met disaster again when its main buyer, Cadbury, pulled out. CAMPCO then turned to a value-added processing business. It bought the glut of unprocessed cocoa beans from its members outright, set up processing units to dry the beans, and entered a partnership with Nestlé India to build a state-of-the-art chocolate factory.

Since 1991, five years after opening the factory, CAMPCO has been turning a profit manufacturing Nestlé-branded cocoa and chocolate products. But although it is succeeding in value-chain terms, the cooperative does have concerns about retaining members over the long term. Shenoy writes that CAMPCO's leadership is aware of membership shifting with fluctuating areca prices (see Box 4.2).

(Source: Shenoy, Learning Network)

## El Ceibo, Bolivia

El Ceibo is one of the world's largest exporters of organic cocoa. Now an association of 46 cocoa cooperatives, El Ceibo has been marketing to international buyers since 1987. One of its strategic tactics has been to avoid middlemen. Another is differentiating the product — originally through organic certification, and more recently by manufacturing and branding its own El Ceibo 'heritage

chocolates'. And to increase its volumes, the organisation has expanded from the grassroots.

El Ceibo grows by adding small associations and cooperatives of cocoa producers that have formed on their own. When these join the association, producer-members become involved in marketing, manufacturing and participation in other stages of the production chain, rotating through jobs in El Ceibo's factory and offices. Management and administrators are all members, and an assembly of representatives from each group steers the organisation. And the producers receive training from El Ceibo's technical and technological research unit, which also introduces measures to ensure that quality standards are met.

(Source: Galleguillos, Learning Network)

## Junta Nacional de Café, Peru

In the early 1990s, most of Peru's coffee cooperatives collapsed, along with other agricultural collectives. Liberalisation and privatisation policies combined with violence in the country's 'coffee corridor' laid waste to the old, government-backed farmers' institutions. Cooperatives were widely distrusted, perceived as inefficient and corrupt, and agrarian 'reform' cooperatives for sugar, cotton and cattle had recently failed. How could coffee cooperatives overcome this adverse environment?

Twelve surviving coffee cooperatives regrouped in 1993, forming the Junta Nacional de Café (National Coffee Board, JNC) to represent their interests and seek a way forward. A top priority was efficient and transparent management. They also decided to position the cooperatives as offering quality assurance to buyers, which would bring higher prices for producers. They fostered strategic public and private alliances, and aimed to provide producers with business-oriented services: market access, price trend information, and business management support. Since reinventing themselves as entrepreneurs, the association has grown to 80 cooperatives nearing 50,000 members.

The JNC also led a group of farmers' organisations in developing an evidence-based agenda for political lobbying, and won the withdrawal of a new law imposing double taxation on cooperatives. The group participated in a multi-stakeholder platform on agricultural policy, La Convención Nacional del Agro Peruano (CONVEAGRO), and its arguments helped refocus CONVEAGRO on key issues for smallholders, such as taxes on sales to cooperatives, access to government procurement, and policies that define and differentiate high-quality products for marketing.

(Sources: Castillo, Learning Network; [www.esfim.org/farmers-forum-2012-side-event-linking-research-to-advocacy-in-farmers-organizations](http://www.esfim.org/farmers-forum-2012-side-event-linking-research-to-advocacy-in-farmers-organizations))

Network for several key factors that make farmer's associations powerful and sustainable:

- Voluntary participation in a clear agenda, based on a few issues of common interest;
- Skilled management that listens and adapts to members' needs and market requirements;
- Legitimacy and credibility in policy circles, with advocacy based on evidence and alliances, good negotiation capacity, and ability to monitor the implementation of agreements and laws;
- Capacity to reinvent themselves and adapt to a changing environment.

Some of these elements can be seen in many of the successful farmers' cooperatives described above, where individual and collective agency reshapes organisations constantly. In addition, most show a talent for reinventing themselves in response to changing market demands and member needs, or in response to crisis. In a context of resource constraints, price volatility and climate uncertainty, continuous adaptation is key. In the course of such evolution, they often come to offer a diverse basket of services. Some successful organisations start by meeting a specific, immediate need among poor people and expand to a broader marketing mission. One example in the vegetables sector is the Venezuelan Federation of Social Services Cooperatives CECOSOLA, profiled in Section 5.3. CECOSOLA began in 1967 as a funeral service, then added a bus service; only in 1983 did it begin holding the farmers' markets for which it is now known. Since then it has diversified further into health services, creating its own hospital (Michelutti 2012). In the case of the Bukonzo cooperative in Uganda (Box 4.1), the broadening of services allowed flexibility for a variety of farm businesses to make use of different benefits.

As Castillo suggests, the precondition for all this is effective management — based on an entrepreneurial approach, with competent leadership arising either directly from the grassroots membership or from hired professionals closely attuned to emerging concerns among this member base. The Muki milk cooperative in Kenya (Box 4.1) is one example of an organisation that grew from the ground up — starting with a group of ten dairy farmers — and transformed itself along the way. Ultimately the organisation created its own processing company to solve recurring problems for small dairies and take advantage of a newly opened market.

Notably, Muki began not as a marketing collective but as a savings and credit society. This foundation in finance links it to two more success stories, the Bukonzo Joint and Sri Devi groups (Box 4.1), suggesting that financial services may be a central function of agricultural cooperatives in the near future — as important as buying agricultural inputs and selling produce. For most small farms, as for any other business sector, credit is lifeblood. As the Learning Network's Widyastuti points out in her organisational case study, exclusion from formal financial institutions can leave small producers owing much of their harvest as payment-in-kind to informal trader-lenders; they cannot deliver these goods to the local cooperative or any other buyer. Reflecting on the Nyakatonzi and Bukonzo cooperatives in Uganda (Boxes 4.1 and 4.3), Medius Bihunirwa and Mohammed Shariff argue that 'savings and credit schemes are not just complementary structures to support collective marketing or meet cash flow needs of their members, but the actual fabric which holds together and brings to reality the perceived or actual benefits of institutional arrangements.'

If these cases suggest that farmers' economic organisations need to rethink their role in the globalised market, there is evidence that some are doing so. For example, the Eastern Africa Farmers' Federation (EAFB), representing farmers' organisations across five countries, set new priorities in a June 2011 consultation. Financing and marketing are now paired at the top of its agenda. The federation explains, 'EAFB is now placing more attention to strengthening her members to perform their core function — the provision of economic services to producers' (EAFB 2011).

## 4.2.1 Producer organisations facing increased competition and fragmentation

One reason producer organisations need to be ready to adapt and alter their strategies is that globalisation and its impacts on agrifood markets have changed the economic and social environment in which these organisations operate. Although efforts to include small-scale farmers in value chains present new opportunities to 'cooperate to compete', it's also true that individual farmers are encountering more traders and buyers at the farm gate and in local markets. Urban consumers' expanding demands for quantity, quality and variety are driving this spread of business opportunities in the countryside.



## Box 4.2 The problem of rising prices

Lorenzo Castillo, manager of Peru's National Coffee Board, observed in Learning Network discussions that high international coffee prices weaken the cooperatives within the federation. Higher international prices and more buyers competing for supply have raised the volumes that farmers side-sell individually instead of through their cooperative. During a recent rising market in 2009-2011, the share of Peruvian coffee exports sold through the cooperatives fell from about 20 per cent to 15 per cent. In contrast, low prices prompt farmers to return to their organisations to reclaim the advantages of collective bargaining and/or Fairtrade prices and premiums. Thus, with fluctuating prices, farmers shift back and forth between exercising agency individually or collectively through their organisations. This puts organisations under great stress, as cooperatives may then default on their own contracts.

During a field visit in Peru, organisers of the farmers' association CEPICAFE told the Learning Network of a similar pattern. CEPICAFE guarantees a minimum price to members, making it very attractive when markets are weak; but higher prices challenge member loyalty and test the organisation's strength, they said.

Other cooperatives the Learning Network visited in Indonesia and Uganda likewise indicated they had trouble retaining members in the face of changing prices. In some cases, even minor market fluctuations may ripple through an organisation's membership. In India, Shenoy reported to the Learning Network that member loyalty is an internal concern for the CAMPCO cooperative of areca-nut and cocoa growers. CAMPCO has a profitable partnership with Nestlé India, manufacturing cocoa and chocolate products (see Box 4.1). But Shenoy writes that according to the CAMPCO board, members are 'fickle' and 'tend to shift even for marginal benefits'.

The numbers of traders and buyers competing to aggregate and ensure supply can certainly create opportunities for small-scale producers to exercise collective agency and improve their

bargaining power. However, while low prices obviously hurt farmers, a market of rising prices can kill farmers' organisations when members 'side-sell' their produce to traders and break contracts and agreements (Box 4.2). Likewise, increasing demand for labour in some places is raising wages to levels that social enterprises cannot afford — such as the 360 per cent rise in coffee farmworkers' wages in Peru over four years (Section 2.3.4). From the Learning Network, Monterroso reported labour shortages and rising wages in Guatemala, and Asthana noted that rising labour costs in India are making mechanisation more attractive.

Cooperatives have to make large investments in their collective marketing schemes, and may not have the leeway to always offer competitive prices to farmers. Mugoya's Learning Network case study found that a cereal growers' organisation in Kenya, the Marenzo cooperative, keeps farm-gate prices low to ensure the cooperative makes a profit. The group incurs high costs to aggregate products, buying maize from as far away as Uganda, and must also offer an attractive price to buyers in the dynamic Kenyan maize market.

For organisations involved in the fair-trade movement, this competitive environment may deal an additional, indirect blow. The Learning Network's Castillo and others have argued that Fairtrade is becoming more oriented toward keeping prices down. Small-scale producer members have expressed concern that price premiums supporting the empowerment of small-farmer organisations have lost their centrality for the Fairtrade Labelling Organisation (IIED 2010; Clark and Walsh 2011; Fairtrade International 2011; CLAC 2011)

In response to these challenges from increasingly competitive and demanding markets, governments and development institutions have sought to incorporate producers' organisations into value chains, with the aim of giving them more advantageous relationships with certain buyers. Under this value-chain approach, some small-scale farmers are gaining better access to formal financing, technical support and other services provided by private intermediaries or NGOs. But the mushrooming of individual value chains, service providers and financial institutions has not fostered coordination between value chains. This point was raised by some participants in the Knowledge Programme's

7 [www.iied.org/provocation-seminar-series-producer-agency-agenda-make-markets-work-for-poor](http://www.iied.org/provocation-seminar-series-producer-agency-agenda-make-markets-work-for-poor)



first Provocation Seminar<sup>7</sup>; they argued that value-chain approaches often fragment collective action rather than strengthening it.

Yet collective action is needed now as much as ever, to shape the rules of these changing markets and ensure their sustainability. As a solution, the debaters in this Provocation explored 'horizontal' strategies. Unlike 'vertical integration', which seeks to link one group of producers upward through the value chain to a buyer, such strategies would recognise the reality that the majority of producers are not formally organised into marketing groups. Instruments to help unorganised farmers should raise the rewards or inclusiveness of an entire sector, for example through competitiveness agreements or export levies.

### 4.2.2 Technology may redefine the roles of producer organisations

Along with greater demand in the countryside, information technology is allowing individual farmers to take more direct action in markets. In East Africa, for example, farmers have begun using mobile phones to track market prices — closing the information gap between farmers and traders — as well as to negotiate and even receive payments (see Box 3.10). Traditionally, producers' organisations filled these roles. In effect, the cooperatives now have less to offer, unless they adapt by developing new collective benefits.

Of course, technology can also serve farmer groups rather than making them obsolete. And this may change the playing field beyond formal organisations. In the Learning Network, Shenoy pointed to a simple example: an Indian farmers' self-help group that began using electronic scales after an NGO intervention connected them directly with millers. The scales replaced inaccurate measuring tools that middlemen had notoriously used to cheat producers. To remain competitive, local traders resorted to using electronic scales as well, so that farmers outside the organisation also gained the benefit of improved measurement — without any effort to cut out the middleman.

### 4.2.3 Intermediaries may promote organisation, but not agency

When examining how small farmers interact with formal organisations, it is important consider who creates and controls these groups, and what role there is for farmers'

agency to shape activities. Cooperatives in developing countries were mostly created by governments, and were required to become members and to sell their produce through the cooperative marketing organisation — an experience that left many suspicious of cooperatives (reviewed in Magnus and Piters 2010).

Leadership or patronage by an intermediary brings potential conflicts with small-scale producers' agency. And such top-down programmes may be costly. The Learning Network study from Natawidjaja in Indonesia describes how a government push to create formal collectives led to rather large-scale failures. In the 1980s and 1990s, thousands of Village Cooperatives received subsidised inputs and credit support. The policy resulted in trillions of rupiahs (hundreds of thousands of US dollars) in unpaid loans and was abandoned in 1998. A similar policy in 2005 backed a federation of farmer groups known as the Gapoktan. Again, support worth trillions of rupiahs has been absorbed into the groups, and according to Natawidjaja there is no sign that farmers' agency has been developed.

Since the 1980s, market liberalisation and withdrawal of the state have allowed new actors to occupy the space (Murphy 2010). Today, some producers themselves are organising economic groups, but in many cases external forces ranging from civil society organisations to private retail suppliers and other service providers are intervening to start new producer organisations or re-engineer older ones. Sometimes traders set up producers' organisations to aggregate and schedule production, ensuring large and consistent volumes they can sell on to bigger buyers. Some groups are formed in response to market demands, especially for certification — like the Jatirogo organisation in central Java, which started a cooperative to work with an organic sugar exporter who needed to source larger amounts of certified product (see Box 3.8). Transnational businesses seeking supplies of food from the developing world may partner with NGOs who can ensure that small farmers' products are aggregated and comply with the company's requirements; such ventures are often 'subsidised', in effect, by international cooperation funds. Natawidjaja's study of four farmers' groups in Indonesia typified the overall experience within the Learning Network: only one of the four groups was initiated by farmers and developed by internally building members' skills and resources and expanding their market options, without external inputs.

Whether from government, civil society or the private sector, organisations initiated externally may have agendas that do not mesh with small farmers' constraints, needs and aspirations. Intermediaries may see organisation per se as an instrument to achieve their objectives, and fail to consider whether this is supporting or limiting farmers' agency.

Governments and NGOs who set out to support small-scale farmers are also at risk of creating dependency rather than agency. Some small producers express distrust in government-aided cooperatives for just this reason: they see the programmes as handouts intended to foster political loyalty, rather than truly promoting farmers' interests. In the Learning Network, Rwakakamba reported this suspicion among maize producers in Busia, Uganda, who also complained that local farmers' associations were usually headed not by practising farmers but by retired bureaucrats out of touch with smallholders' interests. The local associations are members of the Uganda National Farmers Federation, a politically oriented organisation that, Rwakakamba argues, is out of touch with small farmers and their day to day business needs. An initiative supported by Dutch agency VECO is trying to bring a stronger business focus to the Busia district farmer association. But the effort has an uncertain future, with VECO funding on a finite timeline and many maize growers thriving on their own outside the association.

However, support institutions are becoming more sensitive to the need to build producers' capacity and support their agency rather than create dependency. Many programmes seek to add to participants' skills in dealing with markets, and they may design an exit strategy from the beginning of an intervention that envisions how farmers can take full responsibility for their own organisations and their own destinies. As discussed in Section 4.1.2, a key next step for forward-looking development institutions is to take care that the proliferation of support organisations and service providers — and of individual value-chain initiatives — does not fragment collective action where it is most needed.

#### **4.2.4 Organisations may not represent small producers' interests**

Besides the influence of external organisers, there are other reasons that cooperatives can fail to represent small producers' interests. The more powerful farmers' organisations become, economically and politically, the

more likely they are to be co-opted and controlled by an elite section of the community. The power structure in the cooperatives typically reproduces traditional inequalities along class, ethnicity and gender lines. Those farmers who already have the least resources and visibility are also marginalised and given the short end of bargains within the organisation. Muñoz in the Learning Network pointed to campesino economic organisations (OECAs) in Bolivia, which often seem to serve as a stepping stone for those farmers with the most assets to move up to more powerful and efficient cooperatives or social enterprises. This leaves the poorest producers to be represented by the weakest organisations (Muñoz Elsner *et al.* 2004).

Among the older cooperatives in Africa and South Asia that have survived the transition from government-controlled organisations to a more open market, many no longer have a strong constituency of small-scale producers. In the case of the Nyakatonzi Growers Cooperative Union in Uganda, Learning Network researchers reported that the need for consistent supply has led a farmers' cooperative to purchase its produce largely from private traders, weakening its ties to the producer community and the benefits it offers them (Box 4.3). Mugoya's Learning Network study of the Nkwerwa Taranta cooperative in Tanzania found a similar situation, with the cooperative failing its membership on core functions and left to operate mainly as an agent of traders.

### **4.3 Informal structures for collective agency**

Although the majority of small-scale producers are not organised in formal, market-oriented structures, most belong to traditional and/or social networks that can also serve as a channel to deal with markets. There are many opportunities outside of formal organisations to exercise economic agency collectively and 'cooperate to compete'. These can be as simple and informal as neighbours agreeing to grow the same crop to attract middlemen, or to transport produce to the market together.

On the other hand, sophisticated informal or temporary organisations are also possible. One Learning Network study highlighted the case of small farmers marketing matoke, or cooking bananas, in the Kasenda area of Uganda (Box 4.4). These producers begin coordinating their activities only at the time of the matoke harvest; they then pool their

### Box 4.3 Contrasting cooperatives: the Nyakatonzi and Bukonzo organisations in Uganda

In challenging, competitive markets, many producer cooperatives struggle to keep members selling through the organisation — but some still enjoy a large and loyal membership. In the Learning Network, contrasting case studies from Uganda by Bihunirwa and Shariff explore weak and strong relationships between two cooperatives and their members.

#### Nyakatonzi: cooperative survivor

The Nyakatonzi Growers Cooperative Union is one of the few cooperatives to survive economic liberalisation in Uganda. This union of 63 primary cooperative societies was government-funded until the reforms of the 1980s and 1990s, when it began haemorrhaging members as farmers stopped selling to the cooperative and started selling to private buyers. Now privately managed, it retains something of its traditional top-down approach, but has lost the active participation of over half its 15,000 official members. Bihunirwa and Shariff write, 'The management on one hand is duty bound to keep operational, but with a generally weak membership, the union so far appeals to a relatively small cohort of farmers and traders who can work under the new business model.'

In the new business model, traders supply the majority of the cooperative's stock. The problem in dealing with small farmers, from Nyakatonzi's perspective, is that most cannot afford to let their produce sit in the cooperative's warehouse for two to six months before it sells and they are paid; instead they often withdraw the stock and sell

it to traders for cash up front. A credit scheme formerly offered by the union collapsed due to high default rates, leaving the organisation without a way to meet these farmers' financial needs.

Instead, Nyakatonzi has chosen to largely decouple its business success from farmers' participation. The cooperative's profits are growing, but only a small minority of the farming community accesses the rewards. The authors report a somewhat passive attitude among the member societies that do engage with the union, perhaps a symptom of their weak ties.

#### Bukonzo: coffee and credit

Bihunirwa and Shariff contrast this with the newer Bukonzo Joint Cooperative Society, started in 1991, whose flexible options allow farmers to join savings and credit associations and then trade with the cooperative on a variety of terms (see Box 4.1). Although local coffee markets are fiercely competitive, the authors report that members of Bukonzo's marketing groups do not readily defect for short-term gains from traders. The organisation is seen as having stabilised and raised market prices over time, and recruitment activities are carefully oriented toward developing long-term partnerships. It seems likely that the credit associations make this long-term perspective possible. But beyond this, a culture of local control is evident in Bukonzo. It was pressure from members, for instance, that recently pushed the organisation to experiment with export marketing.

produce, use mobile phones and networks of relatives for market research, and appoint community representatives to negotiate sales and handle money.

Familial networks are important for the informal marketing of matoke, and this is mirrored in Learning Network cases from Latin America. Ranaboldo's research team studied farmers in Argentina, Bolivia and Peru who are marketing products with cultural identity, using the 'value of difference' as a strategy (see Box 3.9). A common element in the cases is that, although the farmers are starting to target 'modern'

urban and tourism markets, extended family and ritual kinship networks (based on relationships such as godparents and godchildren, common in the Andean region) continue to be essential for setting up production and marketing systems. These traditional networks organise exchanges and reciprocity of favours and responsibilities, and they can often be more important than family relationships. Such systems may be at least as complex and sophisticated as their formal counterparts.

In Bolivia, Tassi looked at indigenous Aymara producers

### Box 4.4 Temporary, informal organisation of matoke farmers in Kasenda

Smallholders who grow matoke in the Kasenda area of Uganda have organised to increase their profits. But they do this without a formal cooperative or farmers' association, and they coordinate their activities only in the harvest season.

While the matoke ripen in the field, farmers with relatives in the cities of Kampala and Fort Portal call them to check prevailing market prices. This information passes throughout the area via community informants, preparing everyone to deal with bulk buyers. Trusted community members are identified who will coordinate marketing and negotiate on behalf of other farmers, and these representatives survey households to assess the amount and sizes of matoke expected at harvest.

Next, these negotiators contact buyers to discuss volumes and prices. Once these are set, the farmers establish two collection centres and designate days to bulk their harvest. On these market days, the community representatives conduct the final negotiations and collect payments. They will distribute the money to farmers according to their preagreed terms — completing the cycle of collective marketing until the next harvest.

*(Source: Learning Network, Bihunirwa and Shariff)*

In the context of weak states there may also be no institutions that can effectively guarantee a formal contract, whereas trust-based relationships and social capital in informal networks can be highly effective (Minten 2007). 'Informal' does not mean 'uncoordinated'. Far from being at arms-length, informal and traditional trade is often marked with high degrees of coordination, based on trust-based networks.

Ranaboldo calls for more attention to such informal structures. 'This is in no way to suggest that these networks are immune from conflict or that they are in themselves fairer or more equitable,' she writes; 'It is simply that their rootedness and persistence, their ability to make dynamic internal changes to adapt to new contexts, their widespread social networks and their power imply that they cannot be ignored'.

## 4.4 Factors driving farmer choices about organisations

Whether their organisations are formal or informal, individual farmers will use groups or networks to gain economic benefits and social support. They stay together as long as those benefits remain salient; they can be tempted to drop out when the wider market extends more valuable offers, but they also may choose not to break community ties, reserving this safety net even when they take off-farm jobs in cities. Established ties can include relationships with traders, so that, for example some cocoa farmers insist on selling a portion of the harvest to 'their' trader even if a company is offering more — the mirror image of side-selling.

When they cannot obtain the consistent supply they need, formal cooperatives, like other buyers in formal markets, may label farmers as 'fickle' or 'unreliable' (see Box 3.7). But what farmers really are is entrepreneurs — and social actors — operating under very tight constraints: they will not change their practices unless the incentives outweigh the costs and risk to business and to relationships. These practices usually include a constantly evolving portfolio of multiple activities. Many farmers who use collectives for certain activities will trade other products individually at the same time. And moving in and out of organisations as

whose kinship ties link them to a trading network that extends across the Andes and dominates markets in some major cities — such as the meat market in La Paz, 90 per cent Aymara-controlled. Among the cattle farmers studied, meat is distributed to more than 2,000 butcher shops in La Paz along pathways of kinship. The relationship among different actors in this chain (Aymara producers, traders and retailers) combines economic interest with mutual trust and social policing, so that a series of verbal agreements allows the circulation of considerable volumes of produce. Around the world, this type of social capital is widely used by small-scale traders to overcome obstacles typical of commodity markets in developing countries: poor market institutions and imperfect information (Minten 2007).

pricing, marketing and social benefits shift is consistent with this adaptive approach; in fact, it forms the basis of these farmers' resilience.

A representative of La Florida, one of the cooperative members of Peru's Junta Nacional de Café (see Box 4.1), recently put it this way: 'No one delivers the product simply for love of the cooperative; we deliver the product to the extent that the cooperative can give a better value proposition to the member in terms of prices and additional services.' (Manero 2012). Thus, a small-scale farmer's choice to loyally participate in an organisation, or to exit it, is an expression of individual agency.

Collective structures proposed and financed by the state, NGOs or private companies offer incentives that farmers may respond to. This can often be part of small producers' income diversification strategies. But so can side-selling, one of the most persistent challenges of collective marketing.

Side-selling can be seen as farmers bypassing a power structure that is inefficient or irrelevant for them, or simply acting opportunistically to get the best of a range of possibilities. For the CEPICAFE coffee cooperative in Peru (see Box 4.2), reasons cited for side-selling included heavy bureaucracy, unfavourable internal payment terms, inefficient inputs and services, and lack of incentives for loyalty. In contrast, a local banana cooperative that provided health care and other social benefits reported high loyalty, suggesting that these services were seen to be as important as price incentives. Notably, the more remote farmers are, the more relevant such services become.

This recalls the contrast between the Nyakatonzi and Bukonzo cooperatives in Uganda (Box 4.3). Because its storage and payment system leaves small farmers starving for cash, Nyakatonzi's members are pulling their produce out of the warehouse and their groups out of the cooperative. Bukonzo, on the other hand, has grown its base through popular financial services, and its flexible structure even allows farmers to belong to the organisation while also trading outside it.

Another example of a formal but flexible organisation comes from Learning Network research in Nicaragua. Guharay studied a farmers' market where rural families, especially women, were encouraged to take part in

community groups, which later evolved into 'ecological' producers' organisations (EPOs). EPOs later merged into local business groups, and finally, marketing associations or cooperatives were formed. Not everyone who started on this path joined the cooperatives, but no one was left behind; farmers continue to participate at their chosen level. In general, institutions that afford such leeway for agency can be expected to attract more small farmers.

Other Learning Network findings highlight that some forms of organisation are enforced by the market, especially by demands for certification, which usually can be granted only to groups. In the cases of organic cocoa from Nicaragua and organic palm sugar from Indonesia (Section 3.2.2), export buyers came looking for new sources. But for individual small farmers, changing their practices and running the certification gauntlet would have been unprofitable if not impossible. Pooled resources, economies of scale and collective representation in the cooperatives were the only way to tap this demand. They can also be a route to adopting technologies that farmers are interested in, such as more intensive cropping. But it is important to keep in mind that Indonesian palm sugar producers, for example, while they market sugar for export through a cooperative, also trade the rest of their crops in local markets. For this they depend on other arrangements, both individual and group-based.

Not only markets, but the products themselves can dictate these arrangements. Perishability, for example, is an incentive to quick trade rather than strategic organisation. Kinyua's Learning Network study of passion fruit growers from Kenya explains that the fruit has to reach cold storage within 36 hours of being picked. Small-scale farmers cannot lower the risk of spoilage, so they seek to pass that risk on as soon as possible by selling to local traders. For less delicate commodities, there are more options for sharing risks: for instance, in an organic cocoa value chain studied by the Learning Network's Guharay in Nicaragua, individual farmers assume all risks until they sell their cocoa beans to the cooperative; the cooperative carries the risks until the cocoa has been fermented, dried, delivered and sold to the company producing Ritter Sport, the German chocolate brand; the German buyer takes on the risk of exporting the product from Nicaragua to Germany, processing it and marketing fine-quality chocolates internationally.

Finally, a number of Learning Network members argue that formal organisations are necessary to give small producers a political voice. In Network discussions, these members have emphasised that although informality and short-term manoeuvres in markets may be attractive as immediate options, farmers will not be able to change the rules of markets, or influence other policies crucial to their lives,

without acting collectively and presenting spokespersons the government perceives as legitimate. But are small-scale producers themselves interested in shaping policy this way? Do they see incentives to organise for advocacy, and what impact do they really have? The next chapter takes up these issues, looking at how small-scale producers exercise agency in the context of policymaking and power structures.



## **5 Connects and disconnects between small-scale farmers and policies**



## Reshaping the debate: Small producer agency in policy

### Current arguments

- **Economic empowerment is given much more priority** than political empowerment in the current era of market-based development.
- Small producers are **excluded or not well represented in formal policy processes**. With a few important exceptions, state institutions usually have low responsiveness to smallholders' interests; often, undifferentiated policies and trade agreements treat small farms like scaled-down versions of large farms.
- Therefore, attention in civil society and the development sector focuses on interventions to help small producers **access central state policy and institutions** to defend their rights and shape market rules in their favour. National farmers' federations and civil society organisations are seen as the legitimate representatives of small farmers, and these advocates often argue in highly polarised terms, for example about market-based versus rights-based approaches.

### Questions for a new debate

- Much of the current debate is valid: it is important to make room for small producers in national policymaking and institutions, with **legitimate representation** linked to the grassroots. Are proposed policies responding to where small farmers are, or where leaders wish they were? How can incorporating smallholder voices help ensure policies address the **specific needs of small-scale agriculture**?
- How can civil society organisations and service providers support **knowledge-based advocacy**? What knowledge do small producers need about relevant policies, laws and programmes to make informed decisions and argue persuasive proposals?
- How do political and economic **agency support one another**? Are value chain-based development programmes missing the need to shape the market institutions and modalities that make markets work for the poor? How can advocates for farmers' rights connect their proposals with smallholders' day-to-day business needs, and ally themselves with more entrepreneurial actors?
- Where the government is weak or distrusted, how do small producers carve out political and civic **agency independent of the state**, or at its edges? How do informal institutions and formal state institutions compete with each other for legitimacy and power?

In this chapter, we look at how small producer agency in markets connects with agency in civic and policymaking spaces — spaces where producers can shape markets that work for them. In the current era of market-based approaches to development, economic empowerment is often given much more priority than political empowerment.

But there are crucial links between political and economic agency (Box 5.1). Producers must not only be able to assess and act in changing markets, but to influence the rules of their markets in line with their interests.

The complex and evolving marketing options for small producers arise within an equally dynamic political context.

## Box 5.1 Empowerment and political agency

Agency is often described in terms of expanding people's choices through economic gains, such as obtaining access to lucrative markets. Phrases like 'empowerment in the market' embody this line of thinking. But small producers are both economic and political actors. Economic agency, when defined narrowly as cooperating to compete in value chains, misses the whole agenda of shaping the market institutions and modalities that make markets work better for the poor — especially for the majority who are not formally organised. Without political agency, policies will focus only on the 'viable' sectors. Even the institutions of fair trade, which have been both market mechanisms and political vehicles for small-scale producers, were described in the Knowledge Programme's first Provocation Seminar<sup>8</sup> as being 'in need of urgent defence against market pressures that are weakening its political role'.

Peter Utting (2012) describes the risks of one-sided 'economic empowerment' and the importance of a political perspective on poverty reduction:

*In the struggle over ideas in the development arena, terms that are associated with more radical perspectives are often picked up by mainstream actors and organisations. And this has been the case with 'empowerment'. But such mainstreaming can cause original meanings to be modified or become obscure. From the perspective of strategies that aim to improve the wellbeing of small-scale farmers, there are various risks inherent in the way the term 'empowerment' has been taken up by international and bilateral development agencies.*

*Such agencies increasingly emphasise the importance of economic empowerment. However, unless accompanied by the access to resources and opportunities that foster political empowerment, a focus solely on economic empowerment runs the risk of misreading the causes of poverty – and will prove wanting as a poverty reduction strategy.*

Heavy state involvement in agriculture and national food markets has given way to liberalised trade policies, but food price spikes in 2008 and beyond sent shivers through many governments about domestic food security. And as aid becomes a smaller proportion of national budgets in the developing world, the nation-state is a stronger actor in the definition of public policies for agriculture. Meanwhile, decentralisation brings more attention and funding to local

markets, and regional trade agreements seek to encourage cross-border and South-South trade.

At international levels there is increasing interest in inclusive policies that support small farmers and create opportunities — for example, Brazil has spearheaded a South-South cooperation initiative in which it finances equipment for small producers in several African countries (Fraysinnet 2010); and the Mercosur trade alliance in South America funds a consultative body on family farming (REAF). In the Andean region, 'the left turn'— the rise of socialist governments — comes with strong calls for empowering small farmers and promoting food sovereignty through local agriculture. On both the rights-based and market-based sides of the debate over farming futures, there are internationally organised farmers' groups claiming to speak for millions of small farmers.

These pushes toward inclusion have been triggered by the widespread recognition that small producers are ignored or poorly represented in central policy processes. The UN's decision to make 2014 the International Year of Family Farming is a bid to draw attention and policy support to these farmers. With a few recent exceptions (such as Brazil's focus on family farmers), state institutions show little responsiveness to small farmers' interests. Therefore, civil society and development organisations have put their attention on helping farmers access central state policymaking and institutions in order to defend their rights and shape market rules in their favour.

Learning from the Knowledge Programme reflects the barriers to producers' political agency around the world — their weak voice in central policymaking and the resulting rules and institutions that don't meet their needs. Addressing these gaps is not only a matter of getting advocates of small farmers to the policy table; there is a record of other groups speaking on behalf of small producers, and often missing the full picture of small farmers' economic agency — of how they are making markets work for them.

We also draw attention to more local and informal arenas where farmers may have very strong civic influence. Despite their frequent difficulties and frustrations in dealing with the state, producers have found a variety of pathways to exercise political agency and shape their markets.

<sup>8</sup> [www.iied.org/provocation-seminar-series-producer-agency-agenda-make-markets-work-for-poor](http://www.iied.org/provocation-seminar-series-producer-agency-agenda-make-markets-work-for-poor)

## 5.1 Obstacles to small producer agency in policymaking

Current debates on small-scale producers rightly see them as marginalised and excluded from key policy processes that affect their lives, and call for more space at the table. On the other hand, the Learning Network also observed that the policy space farmers do have is often not used to the best advantage. National farmers' federations and civil society are seen as the legitimate representatives of small producers, but they may present farmers' interest in polarised terms of rights versus markets, and avoid alliances with other perspectives; they may also lack technical capacity in designing policy proposals or arguing over laws and regulations that affect them. It is important that representatives understand producers' economic interests and push for improvements to the business environment for small farms. And small farmers also need to be seen by policymakers as important economic, as well as a social or political, actors. These facets of the relationship between political and economic agency are discussed below.

### 5.1.1 Weak representation of small-scale producers in the policy process

Stories of poor and marginalised farmers lacking a voice in government are ubiquitous in development circles, and the Learning Network's experience bears this out (Box 5.2). When small-scale farmers are represented at policy tables, their advocates are formal farmers' organisations and federations, or NGOs advocating for farmers. Beyond the national level, there are also international farmers' organisations advocating both market-based and rights-based approaches to develop the sector. But farmers' groups as well as NGOs can have gaps in their ability to represent many smallholders.

NGOs who see themselves as political groups are generally most familiar with rights-based arguments and defensive politics. They tend not to understand or trust market-based approaches, and have little skill at understanding and representing the real economic interests of farmers.

Farmers' associations can speak for some producers, but the majority of small farmers in the developing world do

not belong to such groups. And those organisations that gain a measure of political influence are all the more likely to be co-opted and driven by elite interests at the expense of smallholders. The Nyakatonzi Cooperative Union in Uganda, studied in the Learning Network by Bihunirwa and Shariff (see Box 4.3), is a longstanding cooperative originally created by the state. In response to trade liberalisation, which opened competition and improved market efficiency, Nyakatonzi has adopted a fully market-based approach, leaving behind a more collectivist or rights-based orientation. The organisation is concentrating more on economic survival — especially through serving traders, a few active primary cooperatives and larger-scale farmers — than on mobilising their wider membership to have a collective voice in policymaking.

The role of intermediaries such as NGOs in supporting and shaping farmers' organisations can also distance them from their grassroots base. For example, the Uganda National Farmers Federation (UNFFE), which has not been able to translate formal participation in budget consultations into actual changes in the numbers (see Box 5.2), was described in the Learning Network as weak in its ability to speak for small farmers. The Danish aid agency DANIDA funded UNFFE in the 1990s and early 2000s, setting up their own secretariat that came to substantially control UNFFE's leadership. Now largely weaned from DANIDA support, UNFFE is struggling with meagre funds and poor connection to farmers. Rwakakamba reported to the Learning Network that many smallholders within several UNFFE districts say they don't know the organisation, or have little interest in its advocacy work.

So civil society organisations may lack credibility with the small-scale farmers they seek to represent. But they also may lack credibility with policymakers. In India, the Learning Network's Arya and Asthana argued that most NGOs do not make good use of research, relying more often on emotional appeals than evidence-based arguments. This limits their authority and credibility in policy circles.

In addition, civil society representatives often lack a unified political platform. This puts small farmers at a major disadvantage against large, formal economic sectors, which lobby through chambers of commerce and other central advocacy bodies. The Learning Network's Arya and Asthana said that because there are myriad civil society organisations advocating for small farmers in India, their collective voice is fragmented and diluted. They have no organised body equivalent to the Federation of Indian Chambers of



Commerce and Industry — or even the troubled farmers' federation in Uganda. Such a national body makes an obvious partner for policymakers, whereas inconsistent participation is all but guaranteed for a loose assemblage of NGOs.

### 5.1.2 Representation without agency

Socialist governments of Latin America, where social movements and unions representing farmers have significant political sway, might be expected to have more inclusive policies for small-scale farmers. But in the Learning Network, Galleguillos' study from Bolivia describes a disconnect between the apparent political power of smallholders and results on the ground. In 2005 strong social movements, including movements of small-scale farmers, brought to power the Evo Morales government — part of 'the left turn' in Latin America. As noted in Box 5.2, the new national development strategy of 2006 puts small farmers front and centre within its vision of 'Living Well'. President Morales and other legislators come from a rural and farming background themselves and purport to speak for the sector. But even such changes at the top do not necessarily create a constructive environment for small-scale producers, or conditions that better support their agency.

In reality the country has gone against its own development plan, Galleguillos writes, with policies that prioritise the industrialisation of natural resources. The goal of strengthening small farmers' capacities remains on the back burner. And those new policies that have arisen from the 2006 development strategy 'are implemented in line with the 'political opportunity' perceived by those in government and at their convenience, rather than on the initiative of the producers or in response to their demands,' he reports. Under the very general 'Living Well' agenda, leaders are allowing political conditions, rather than economic and social ones, to dictate action. In short, despite the high-profile political representation of small-scale farmers in Bolivia — and the rhetoric around their importance — Galleguillos sees little sign that small producers' political agency is being translated into concrete policies and programmes that strengthen their economic agency in markets where they operate.

In the Knowledge Programme's first Provocation Seminar, Diego Muñoz of Mainumby in Bolivia argued that while the government does seek to work with farmers' organisations that make up social movements, 'it does not go down

deep to see what the real market problems are for those small producers' (IIED 2010). Such problems include price fluctuations, accessing markets as individuals and transporting their produce. It's easier to discuss the political agenda related to big organisations, Muñoz said, than it is to tackle day-to-day economic problems of small farmers.

In the case of Venezuela, examined in the Knowledge Programme by Michelutti (2012), it is also not clear that producers' economic interests and agency are supported. After oil transformed the Venezuelan economy, agriculture was neglected and food imports to ensure food security became the rule (del Pozo-Vergnes 1999). Responding to this, the Chavez government that came to power in 1999 has become one of the leading voices in the defence of 'food sovereignty'. The state has massively promoted and funded cooperatives to meet this goal, and in addition, the ALBA trade agreement aims to ensure food security through an alliance of left-wing governments in Latin America. But Michelutti notes that many of ALBA's pro-farmer policies, as well as the national policies of member governments, emphasise the social and political aspects of development rather than small producers' business needs and agency in markets.

### 5.1.3 Lack of capacity for knowledge-based advocacy

While small farmers need legitimate and credible representatives at policy tables, this is still not enough unless those representatives are also skilled at framing policies in farmers' economic interest. This is another deficit in some countries of the Learning Network — especially evident, again, in Latin America but also in India. Here, smallholder advocates may protest about threats from multinational agrifood companies or demand subsidies, but Network researchers say the groups rarely have the capacity to propose new laws or new policy implementation systems, backed with a convincing rationale.

For example, in the Learning Network study on free trade negotiations in Nicaragua (Box 5.2), Guharay reported that small-farmer advocates who participated did not affect the outcome of negotiations because they did not master the complex trade issues involved. The short timeline of negotiations left little time for them to learn and to seek support from NGOs in building their proposals, or for policymakers to probe their position and needs.

## Box 5.2 Small-scale producers shut out of the policy process

Learning Network members from Bolivia, India, Indonesia, Nicaragua and Uganda noted policymaking processes that prevent small-scale farmers from having meaningful input and influence. In some cases, small farmers are excluded from key government bodies or from the development of agricultural policies, either at the subnational/state or federal/national level. Although there are usually some strong farmer lobbies with significant impact on policy, they rarely serve the interests of smallholders; instead they tend to represent only the largest, most industrialised farms' interests. Elsewhere, smallholder representatives are officially given well-defined spaces to shape policy, but these consultations do not really work to understand and prioritise small farmers' concerns — and the resulting policy instruments show little mark of their influence.

**India:** Arya and Asthana described the lack of space for smallholders to participate in shaping Indian agricultural policy. There is no official process for consulting small-scale producers at state or national level, he said, and no organisation that represents their interests is formally involved in policymaking. For example, the Committee on Physical Markets (a subgroup of India's national planning commission that deals with wholesale markets) comprises mostly large business interests, including chambers of commerce and major industries, and does not involve even small-to-medium enterprises. There is also no formal channel for small-farmer input into India's highly influential Planning Commission.

**Uganda:** Uganda has set out to transform the extension services the government offers to farmers. The ambitious mandate of the country's National Agricultural Advisory Services (NAADS), launched in 2002, includes farmer control of the services. Despite this, Rwakakamba argued, smallholders have not had the opportunity to shape NAADS into the type of programme they want. Although farmer complaints have led to repeated suspensions and reviews of the programme, small producers have still had little influence over the evolving NAADS model. The outcome, as Rwakakamba reported based on interviews and secondary data, is that farmers serviced by NAADS 'are not better off than those who have never seen a NAADS extension worker.'

Representatives of small-scale farmers have also struggled

unsuccessfully to change Uganda's budget, Rwakakamba said. The Uganda National Farmers Federation (UNFFE) participates in budget consultations, and for the last 14 years has called for 10 per cent of spending to go towards agricultural programmes. Instead, while business associations such as the Uganda National Chamber of Commerce have received increases they advocated, agriculture continues to be dealt the same 3 per cent to 5 per cent allocation.

**Indonesia:** Since the start of the decentralisation process in Indonesia in 2000, planning has nominally been done from the bottom up. The process for formulating the budget each year begins with hearings called *Musrembang* at the subdistrict level and works up through district and provincial levels to the central government. But Natawidjaja described local hearings as 'mainly a ceremonial process' centred on speeches by local bureaucrats, where small-scale producers are not allowed much scope to voice their concerns and create change. The forum is a formality, he concluded — not really designed to collect ideas from farmers or others at the grassroots.

**Nicaragua:** Nicaragua's constitution explicitly states that farmers have the right to participate in shaping agrarian policies through their organisations. When negotiating free trade agreements in the last decade, the Nicaraguan government has consulted a board of inquiry that included various labour groups representing small-scale farmers. But according to Guharay, farmer and union leaders, state officials and academics agreed in interviews that small-scale producers have had no direct influence on the final content of the agreements. Reasons for this include the complexity of the negotiations and their short timelines, which don't allow for in-depth consultations and preparation of solid arguments from small farmers and their allies.

**Bolivia:** Although Bolivia's National Development Plan frequently mentions small-scale producers as key players, the process of implementing the plan leaves them in the background, writes Galleguillos. Officials do not consider small-producer perspectives in designing the plan's policy instruments — even though, Galleguillos argues, small farmers on the ground have the best perspective on how to win more acceptance and participation in policy implementation.

Such high-stakes, high-pressure policy processes highlight the need for knowledge-based advocacy, Guharay argues. Nicaraguan producers need a strategy to fill their knowledge gaps, he suggests, and a shift in leadership to a younger, more globalisation-savvy generation may be part of it. Further research from Guharay reflected that in recent years

farmer organisations have helped shape legislation in key areas — including, for example, a law passed in 2011 to support organic and sustainable agriculture, the outcome of a social movement of more than 8,000 producers. In this and other legislative achievements, farmer groups have relied on partners and alliances with civil society organisations and



some government officials, who have the necessary skills in legislative advocacy, research and economic analysis. These cases reinforce the view that pro-farmer policies are more effectively shaped by knowledge-based advocacy, with good evidence and detailed proposals, rather than by ideological arguments, rent-seeking or blocking change. Expanding political agency may mean building farmers' capacity to take on this advocacy themselves; the Nicaraguan study's respondents noted that farmers' groups are usually represented by professional staff of their own or their partners' organisations, rather than by farmer leaders. Politically active producers also need the capacity to push the government for adequate implementation and monitoring of programmes. In Nicaragua, some milestone laws in small farmers' interest have not been carried out at local levels (see Box 5.4).

Learning Network studies beyond Nicaragua add to this picture. In Bolivia, some producers' organisations are able to interact directly with national and state leaders, but Galleguillos argued strongly that the Bolivian groups are not developing coherent proposals to improve small farmers' bottom line. The most politically powerful organisations representing farmers are the traditional rural unions, who are vigorously opposed to neoliberalism and globalisation; these groups also lack the technical capacity to steer policy implementation in favour of their grassroots members. Some other farmers' economic associations are interested in reaching more markets, Galleguillos added, but these are not engaged in political advocacy.

Monterroso, a sociologist and vegetable exporter in Guatemala, echoed the observation that producers lack capacity to make policy proposals towards their goals. He offered a basic example at a Learning Network meeting, explaining that one group he worked with succeeded in gaining a political voice in the central government, but instead of trying to change their competitive playing field, they simply demanded a new government handout of 42 to 84 kilograms of fertiliser per farmer.

### **5.1.4 Lack of coherence and coordination in policymaking**

Effective advocacy is made more difficult when small-farmer representatives must affect an array of uncoordinated and sometimes competing institutions and programmes. In Uganda, for example, the Learning Network's Rwakakamba reports that strengthening smallholder agriculture has been a

goal for decades, but erratic efforts to bring this about have produced an array of often conflicting policy documents and institutions. There is no central policy framework for small farms, and major initiatives have arisen from several different unlinked government bodies.

This picture is common across the Learning Network. Government departments in charge of agriculture, trade, food, water and other relevant sectors fail to coordinate their activities on behalf of small farmers — or to harmonise the bureaucratic requirements that may stand in the way of new markets. If small-scale producers are to shape the policies that determine fair market access, their organisations have to be heard by a plethora of institutions. In India, for example, Arya and Asthana pointed out a range of departments at both the federal and state level regulating trade policy, subsidies, and the sale of produce at new farmers' markets instituted by recent legislation. Small-scale producers' organisations do not have the resources or expertise to engage with all these bodies.

### **5.1.5 Policymaking driven by large numbers, political opportunities and short-termism**

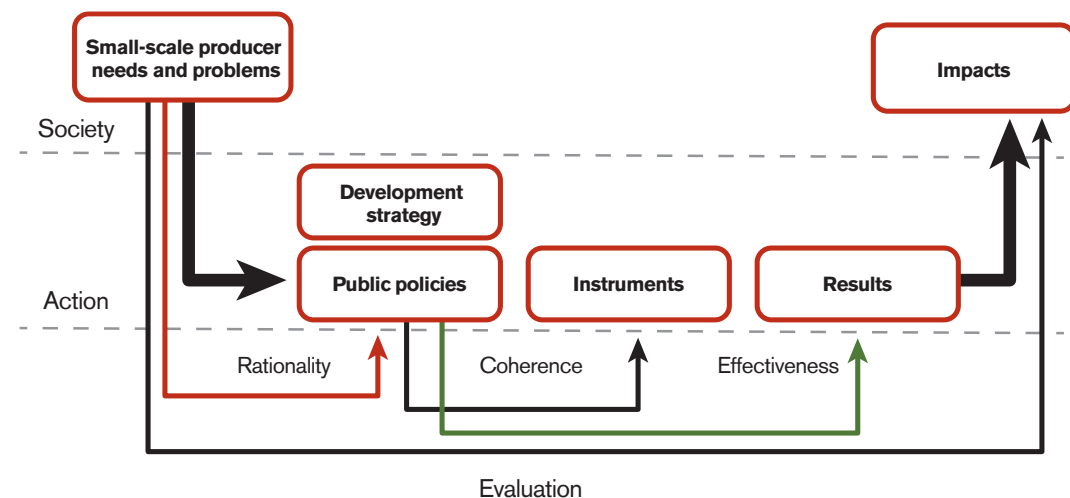
Ultimately, policymakers may not give much weight to the business interests of small producers because of how these farmers are seen within the larger policy landscape. National priorities are usually based on large numbers — in the case of economic policy, on the contributions of different sectors to GDP. In developing countries, agriculture as a whole usually contributes a much smaller fraction to GDP than to employment — the Learning Network reflected this pattern in Uganda (Rwakakamba) and Indonesia (Natawidjaja), for example — and farmers are thus seen as surplus labour, an economic inefficiency.

While some governments use cash transfers to low-income farmers to try to ensure food security or fight poverty, states may also have political goals in offering such lump-sum payments. This also makes farming look more relevant to social policy rather than to economic policy that improves marketing options and tools.

Government views of smallholders can change, however, in response to different metrics — like food supply — that reframe farmers' economic role. In Nicaragua, the Learning Network's Guharay noted that officials committed to

**Figure 5.1 Diagram of the analytical framework for evaluating public policies**

Source: Osuna and Márquez 2000



supporting smallholders after recognising that, in spite of lack of investment in the sector over decades, small-scale producers still contributed 66 per cent of agricultural production as well as 36 per cent of agricultural GDP, according to central bank data. In-depth studies of small-scale farmers' contribution to the national and local economies, carried out by national civil society organisations such as CIPRES, helped to push the case for small-scale producers in the national policy matrix.

## 5.2 Policies not supporting economic interests of small-scale producers

When small-scale producers have little agency in policy processes, it is no surprise to see problems in the resulting instruments or in the way programmes are implemented. These may try to reach out to smallholders without meeting their real business needs, or may end up putting smallholders second to large, modernised and politically vocal producers.

Figure 5.1, used by Galleguillos in the Learning Network to evaluate agricultural policies in Bolivia, suggests some of the ways these policies can fail small farmers. Policy frameworks and development strategies may fail to understand and respond to the needs of smallholders in the first place ('irrationality', in Figure 5.1). This would include policies inherently biased towards large producers, or those that fail to differentiate the specific interests of smaller farms. There can also be problems with designing instruments in line with policy goals (incoherence) or with implementing them to get the desired results (ineffectiveness).

### 5.2.1 Bias in trade agreements, national and local policy

Studies in almost all the Learning Network countries looked at recent regional free trade agreements (FTAs), which have proliferated across the developing world in the last two decades. These agreements are usually seen as essential to national development in general and rural development in particular, as Guharay noted in Learning Network research on Nicaragua. But the country lacks policies advocated by small farmers' and workers' organisations that would soften the harshest impacts of these agreements on small farmers. For larger players both inside and outside developing countries, FTAs have met demands to facilitate trade, investment and extraction of natural resources. For small-scale producers, they have also brought price volatility and influxes of cheap agricultural products grown in other countries with subsidies and other advantageous economic conditions.

These problems are not necessarily being offset by new opportunities in regional or global markets. Mugoya's Learning Network study of maize trade in the East Africa Community's common market concluded that farmers aren't seeing higher prices as a result of cross-border trade, and that increased regional maize trading is probably driven more by demand than by the FTA. In a case study of the Muki dairy cooperative, Mugoya observed that the regional free trade area appears to affect this Kenyan farmers' organisation mainly by strengthening the position of a major competitor. Unlike Muki, Brookside Dairies, a large private milk processor, already has a line of powdered milk and other technically sophisticated products with long shelf lives suitable for long-distance trade.

Furthermore, while some agricultural commodities receive special treatment under trade agreements, those grown mainly by the smallest farms (with the weakest political voice) are apt to get short-changed. In Guatemala, for instance, Monterroso noted that the sugar sector, dominated by big agribusiness, has been given specific protection. Maize, in contrast, is a smallholder crop, and its trade has been completely liberalised — allowing imports to surge in from subsidised growers in the United States.

Smallholder-grown commodities are equally neglected at the national level in some Learning Network countries. As seen with industrial chambers of commerce, big-commodity interests have powerful lobbying organisations, and subsidies often go to these crops rather than to maize, millet, and other staples of rural communities. In some countries such as India, there are politicians who claim a farming background, but in effect directly represent large farms, subsidised commodities and cash crops. The situation is similar for other policy sectors where small-scale producers need support, such as in water infrastructure, fisheries and forestry. The influence of large interests can play, out locally as well, in tensions over access to and control of local natural resources. The interests of small farmers and other residents are often pitted against those of transnational oil, gas, mining or agribusiness companies, and these territorial battles affect the implementation of laws and local policies on resource management, as well as decisions about how to provide services and for whom.

## 5.2.2 Policies fail to differentiate between small- and large-scale farmers

One way policymakers can neglect small farmers' interests is by treating them like smaller-scale versions of large farmers. Programmes for the whole agricultural sector, or for major commodities, often take farmers as a uniform block who need the same types of support — except that smallholders need it at smaller scale.

Government extension services, for example, are usually designed to promote the high-yielding crop varieties and farming techniques of the Green Revolution, designed for monoculture and requiring intensive irrigation and capital investments in chemical fertiliser, pest control and mechanisation. For the vast numbers of small farmers cultivating multiple crops on rain-fed pastures with little

## Box 5.3 Treating small farmers like large farmers

**'All-round development' in India.** In the Green Revolution in the 1960s and 1970s, India addressed its growing reliance on food imports by promoting water- and capital-intensive technologies to raise yields of rice and wheat. As government extension services became standardised around the Green Revolution varieties and techniques, they benefited only larger farms in the few Indian states with ample irrigation infrastructure.

The country's New Agriculture Policy, a major attempt at agricultural reform in 2000, states growth, sustainability, efficiency and equity as its goals — but never mentions the specific needs of smallholders. 'All-round development' of agriculture is a key objective, reflecting a uniform view of the sector. Arya and Asthana argued in the Learning Network that if the policy explicitly recognised that 80 per cent of India's cultivators have small-scale, marginal farms, it would have to look at how to tailor technologies, policies and institutions to this context. Instead, they write, the framework 'fails to recognise that smallholder agriculture requires specific solutions in terms of farm inputs and social support systems.'

### **Misfit extension services in Uganda and Bolivia.**

When Uganda first designed an ambitious new extension service, NAADS (see Box 5.2), they took an omnibus approach without specific support for the needs of small-scale producers. The result was that this government assistance readily reached larger farms but left many smallholders unaware that NAADS exists. In Learning Network discussions, Muñoz pointed out similarities with Bolivia's state-driven technology assistance. These programmes are often funded and advised by international donors and modelled on extension services in wealthy countries where big agriculture dominates. Galleguillos added that the Bolivian state promotes a type of farmer's organisation based on specialising in a single commodity — a practice of many large farms, but few small ones. When governments assume that what works for large producers will work just as well at smaller scale, smallholders lose out.

Notably, Uganda is now rethinking this assumption in its revamped 'NAADS 2' programme. Rwakakamba pointed out that unlike the first NAADS, this one aims to improve food security by specifically targeting subsistence farmers, offering cassava cuttings, tools and other basic inputs.

## Box 5.4 Legislative successes, implementation failures

In Nicaragua, writes Guharay, milestone laws and policies have failed to be implemented to the benefit of small farmers.

- Small-scale producers' groups lobbied successfully during the 2000s for the creation of a new state bank for rural financing, which came into operation in 2007. Yet few small producers have been able to access suitable financing through this institution, which in practice operates like a commercial bank.
- Small farmers joined with a variety of other organisations in opposing the privatisation of water. But in spite of a clear mandate to uphold the right to water, the General Water Law (2006) left communities vulnerable by allowing the National Water Authority to put their water sources under concession. Local water committees and rural organisations then pushed for a new 'CAPS' law, passed in 2010, which protects community water sources for local consumption and use. Two years later, many of the 5,000 local committees have still not been able to register with municipalities to gain the financial benefits due under the law.
- The Food Sovereignty and Security law was passed in 2006, yet only a third of municipalities have established a municipal commission to oversee food security, and the national commission is not functioning — even though the law mandates establishment of these bodies within 90 days of its passage.

access to bank loans, these programmes have little to offer. And if the unique needs of small farmers often seem invisible, this is even more true of farmers dealing in informal markets. Agricultural and rural development policy focuses heavily on modernisation and building value chains — even though, as discussed in Chapter 3, opportunities in traditional, informal markets are more accessible for most producers, and sometimes more lucrative for them.

The Learning Network explored cases of governments

viewing agriculture through a large-farm lens (Box 5.3). One such case, in Uganda, also found policymakers have noticed that small, subsistence farmers were being left behind. Newer instruments there aim to offer more targeted support. Guharay in Nicaragua also highlighted needs for national initiatives to better define and characterise small producers, support development of different types of small-scale producers, and create special programmes and institutions that respond specifically to this sector.

## 5.2.3 Institutional weakness and inadequate policy implementation

Where policies do seek to meet small farmers' economic needs, they may not be implemented in ways that match the stated goals. In the Learning Network, Guharay noted that a number of impressive lobbying efforts by small producers and their allies have resulted in new laws that are now stalled in implementation (Box 5.4). Galleguillos also summarised how this looks in Bolivia. From the start, he writes, 'Public policy instruments are not designed in coordination with the beneficiaries [i.e. small-scale producers] and their organisations' — those who may know most about what systems would be practical and effective. For example, the Bolivian government approved the creation of agricultural insurance in 2011, in response to political pressure from producer organisations. But although small-producer representatives participated in drafting the law, the government used an external consultant to design its implementation, leading to shortcomings on the ground.

Galleguillos adds that 'there is no analysis to select instruments that would complement each other; there is no evaluation of the impact of the instruments used; and the implementation of the wrong policy instruments can lead to results contrary to those expected.' Behind these inconsistencies, he says, are major institutional weaknesses — in the government as well as in farmers' organisations who might theoretically act as watchdogs on how policies play out.

An Indian Learning Network study illustrated how large a gap can occur between creating pro-smallholder policies and implementing those policies effectively. India's constitution puts certain policy areas (such as trade and energy) under the control of the central government, but agriculture is a sector reserved for the states to manage. Nevertheless,

agricultural subsidies, budgets, and long-term plans and priorities are all set nationally. In effect, agricultural policy is formulated at the national level but left to states to implement. The consequences include fragmented markets and inequality among states, as well as disconnects between New Delhi's priorities and on-the-ground realities.

The system also allows various interest groups to prevent the proper implementation of pro-farmer policies — and this, of course, happens in countries with a range of political structures. As a result, bold interventions that in principle foster small-scale producer agency at national and international scales do not translate into real benefits. Another example from the Learning Network is the EAC free trade region in East Africa. For farmers transporting produce to cross-border markets, a gauntlet of non-tariff barriers still persists despite the FTA's intention to harmonise and simplify border procedures. Ugandan farmers also told Bihunirwa and Shariff they are routinely harassed at the border when transporting produce to regional markets. The border officials impose haphazard charges — in effect, unofficial tariffs perpetuating corrupt practices.

Some in the Learning Network argued that such problems with institutions and implementation are likely to be a greater challenge than inserting small-farmer voices into policy dialogues. To effectively influence the rules governing markets, producers' representatives must also be able to affect how plans are carried out and monitor policy implementation.

## 5.3 Pathways for political and civic agency

In the face of obstacles to influencing central policy and institutions, small producers still need to exercise power to make markets work for them. The Learning Network reflected on several ways different groups have done this — finding arenas for their political agency at various levels of government, and in informal as well as formal power structures.

In cases where producer organisations have successfully lobbied for meaningful policy change, the links between political and economic agency are central to the outcome. In Ethiopia, the Oromia coffee cooperative successfully advocated for liberalisation of the national coffee market in 2001. Mugoya describes how the organisation brought a clear and specific economic agenda to a long series of

meetings with policymakers: the change allowed Oromia to target speciality markets such as Fairtrade and organic coffee buyers (see Box 4.1).

In Peru, Castillo noted, the political capital of the national federation of coffee cooperatives, built over years of struggle, allowed them to challenge tax laws that put small farmers and cooperatives at a disadvantage compared with private businesses. The strength of the federation arises in part from its emphasis on transparency and accountability to its membership — that is, from addressing the question of who the cooperatives really represent. The claim that cooperatives must work for their members — and avoid cycles of corrupt or autocratic management — has arisen from the small producer members themselves, said Castillo. Many cooperative members have what they call 'vigilance committees' with rights to review the directors' and managers' transactions.

The Provocation Seminars also looked at how political-economic links empower small producers, and discussed the possibility for economically oriented producer groups to get beyond a competitive stance and work together for political goals. Markets are sites of contestation, with actors throughout value chains fighting to retain and build value. But if the interests of chain actors can be aligned, it was suggested, then a value chain can help create something approaching civic-driven change — not just to make markets 'inclusive' but to push for reformed market institutions that challenge entrenched interests and raise the performance of the whole sector. In Peru, for example, farmers' groups have joined with buyers in the private sector — especially businesses based on traditional Peruvian cuisine, which is now a booming industry — to oppose entry of genetically modified crops.

The Learning Network research in Nicaragua likewise called on this potential for political alliances. Guharay concludes there is a need to link small, medium and large producers as political allies with common interests and strategies. Colombia's coffee federation, supporting producers sector-wide via a non-governmental institution, is one such coalition (see Section 3.2.3). Key to successful alliances, Guharay argues, is an outlook more pragmatic than ideological, aiming to find solutions that work for all. It has been suggested elsewhere that strongly rights-based politics, as seen in the Via Campesina peasant movement and likeminded groups, have got in the way of useful alliances (Green 2012b).



## Box 5.5 Battle for the street market: capturing physical market space in Bolivia

Tassi observes that Aymara producer-trader networks in Bolivia do not rely on public policies or development projects to facilitate market access. Instead, Aymara groups who have achieved economic success and political recognition have gone through a confrontational process of market building.

Market building follows a common pattern, starting with a small group of producers and/or traders occupying a space on the public sidewalk, where they sell products without the city's permission. When repeatedly confronted by police, they at first claim to be there only temporarily, firmly maintain their conquered territory, and react verbally to physical threats from the authorities. A series of protests, demonstrations and roadblocks is then staged to claim the right to sell on the sidewalk. Finally, sellers form a civic association and begin negotiating with authorities, until they are formally granted their market space.

Officials in the cities of La Paz and El Alto have their own ongoing campaign to prevent such 'illegal' markets from taking hold. But the numbers and organisation of sellers can grow beyond the ability of the weak state to oppose them. Often the expanding marketplace is located miles away from sellers' community of origin, and is shared by different ethnic groups from different regions. For example, Tassi studied farmers from the rural town of Toloma who formed a trade union with producers from three different provinces to seek permission to sell in the El Alto market. On the evening of the market, he writes, 'you can count up to sixty trucks coming from the tropical

valleys of Loayza province, the temperate valleys of Murillo and from the high plateau, [loading] products on the sidewalk and beginning exchanges and negotiations.'

Controlling territory is not only a matter of occupying physical space; it can also involve expertise with the territory's cultural capital, such as traditional marketing practices, culinary traditions or folklore. Accordingly, another way Aymara groups strengthen their power base is through the use and manipulation of specific cultural codes. Tassi described networks of Aymara meat producers and butchers who share an established set of negotiation practices, criteria for quality, and understanding of the cultural meaning of livestock. The trade guild for indigenous butchers also has a religious counterpart, the Vacunos fraternity (Cows guild), which organises the annual Fiesta del Gran Poder (Celebration of the Great Power), one of the largest religious festivals on the continent. At such fiestas, rural livestock producers and resellers invest lavishly in rituals and test the wealth and generosity of their economic allies.

Although large commercial meat enterprises have recently emerged in La Paz, indigenous producers have refused to trade with them. The methods and demands of these enterprises are at odds with Aymara strategies for raising livestock and selling meat — and for maintaining control over their economic activities. These sorts of cultural forces can sometimes fill the place of formal regulations, giving smallholders a shield against the powerful competitors that globalisation introduces.

Where agricultural policy is formulated from the top down, producer agency may nonetheless find distinct ways of working either within or around central institutions. In Venezuela, a study for the Knowledge Programme looked at how two different producers' groups have responded to the state-run cooperative system that the Chavez government has instituted since 1998 (Michelutti 2012). CECOSOLA, a highly successful independent cooperative dating back to 1967, is seen both internally and externally as being in opposition to Chavez's programme. Members contrast

their own process as a collective with that of the state, and new state-subsidised farmers' markets are now competing with marketplaces run by CECOSOLA. Nevertheless, the organisation remains an independent, thriving business — and has collaborated with government officials to develop workshops on the cooperative movement. Michelutti also profiled a government-backed cooperative in the village of Chuao. Despite the top-down structure of the organisation, local farmers and workers have been able to use its spaces and the socialist rhetoric to exercise their own agency.

The community councils in Chuao 'are not poisoned by clientelism and corruption,' as one local woman put it, but have given rise to fresh leadership. Villagers have used this institution to criticise Chavez, campaign against an allegedly corrupt mayor, and seek funding and infrastructural projects from the central government.

Local policies are easier for small farmers to influence, especially large groups of farmers in a formal organisation that local officials consider legitimate. As national agricultural plans and budgets are implemented locally, this offers an opportunity to redirect priorities. In Bihunirwa and Shariff's Learning Network case from Uganda, a coffee cooperative working at the local level was able to reallocate international cooperation funds from a central government plan. Instead of backing a new scheme of potato cultivation, the money went towards electrical infrastructure that contributed to the cooperative's goals of adding value to their successful coffee enterprise.

As smallholders make extensive use of informal markets (Section 3.1), which by definition are outside government control, there is also scope for farmers to create and shape these markets. When weak states do not defend the interests of small producers or provide infrastructure to meet their needs, this may induce farmers to carve out their agency independently of the state, further strengthening the informal sector.

In Bolivia, the Learning Network's Tassi studied the parallel economy where indigenous Aymara farmers do business. Aymara informal supply chains, based on networks of producers and traders closely linked by kinship and culture, form a sophisticated international trading system. One means of building this system is appropriating physical public space. To set up local street markets where indigenous producers, traders and consumers can do business, sellers first claim a small area of urban pavement, then gradually strengthen their control through an ongoing struggle with local authorities. Thus, rather than lobbying for access to markets, Aymara communities conduct a slow-motion territorial campaign to build and expand markets (Box 5.5). Especially in remote areas or other spaces far removed from the conventional economic and political axes, forms of local power can emerge linked to specific territories and the ability to control them politically and economically.

In other cases, smallholders are mobilising territorial resources, cultural identity and traditional knowledge to control the formal rules of the market. In the Learning Network, the case study by Ranaboldo's team from Argentina looked at family farmers who make traditional salami that is specific to the town of Caroya, and thus linked to the history, cuisine and resources of this territory. A group of Caroya producers has been working to establish an official mark of origin for the sausage, and in the process they have built a territorial coalition involving producers, local authorities and civil society, in both formal and informal relationships. This network is negotiating a geographical indication label for this salami with the central government, but also is becoming interested in broader territorial development strategies at local and international levels (Box 5.6).

The concept and practice of a 'territorial approach to development' emerged in the late 1990s as an alternative to the failure of more classical agricultural sectoral approaches to reduce poverty, particularly in rural areas. A new reading of changes in rural areas, particularly in Latin America where rural was no longer synonymous with agriculture, has certainly contributed to this conceptualisation. 'The Food and Agriculture Organization in its 26th Regional Conference for Latin America and the Caribbean (FAO, 2000), proposed a territorial approach to rural development that would shift the focus from the small farmer to the wider rural family; from farm work to multiple forms of work; from a general agricultural policy to specific policies geared towards different kinds of family units; from agricultural production to its links with agro-industry and services; and from market/State divisions to the rebuilding institutions to act as mediators between civil society, the State and the market' (Schejtman and Berdegué 2004).

The United Nations Development Programme has made the Territorial Approach a key tool of its Cooperation strategy as this is expected to be more effective in addressing the real needs of people. It valorises sub-national actors as key stakeholders within the new Global Partnership for Effective Development Cooperation, highlighting that 'Taking the territory as the referential space for development efforts also allows greater coherence among those development actors operating in the same space, instead of each actor working in his silo/sector'<sup>9</sup> If today the UNDP is signing

9 UN Third Biennial High Level Development Cooperation Forum - Territorial answers to global challenges, innovative multi-level partnerships for development effectiveness. New York, 2012. [www.un.org/en/ecosoc/julyhls/pdf12/dcf\\_art\\_report.pdf](http://www.un.org/en/ecosoc/julyhls/pdf12/dcf_art_report.pdf)

## Box 5.6 Cultural codes, markets and power

In 2006 a group of family farmers who produce Caroya salami began working with the municipality to gain protection for the 'Caroya' label. Imitations of Caroya salami had begun appearing in Buenos Aires markets, threatening to devalue what was special about this community's products — the traditional practices and recipes that give the salami a unique cultural and geographic identity. To fight these imitators, the producers are developing an official mark of origin to be registered in the South American free trade area Mercosur. With support from local officials as well as academic experts and other civil-society allies, they are negotiating a certification standard with the Argentine national government, based not just on location but on traditional methods, ingredients and taste. For all of Caroya's salami-makers — including those who choose not to apply for the geographic mark — this tool can help protect the sausage's value and prevent the erosion of local heritage.

In the process of organising towards geographic certification, new spaces have been built for dialogue among small farmers, and a strong territorial coalition has formed among producers, local government and civil society. Rather than being formal public-private partnerships, these alliances often involve informal relationships and dialogues, and they help spread a sense of shared heritage and cultural identity. The new spaces and networks can now be used to pursue other priorities in the community, including more complex strategies for territorial development, such as promoting gastronomic tourism.

This process is also having effects on higher-level policy advocacy. REAF, the body representing small-scale farmers at the level of the Mercosur, has focused in the past on subsidies and commodity standards. But REAF is now beginning to work towards standards that promote and protect products with distinctive geographic and cultural origins.

*(Source: Benedetto, coordinated by Ranaboldo, Learning Network)*

a series of partnerships around the world, it is in Latin America where the Territorial approach has been the most dynamic in its conceptualisation and practice (de Janvry and Sadoulet 2004). In 2005, within the framework of conceptual and operational advances relating to rural territorial development, a little-known and studied facet of it was identified: the 'cultural identity' (CI) element and its valuation in rural areas (Ranaboldo and Schejtman 2009). Marketing products with 'cultural identity' as a way of benefiting from all possibilities a territory can offer was also inspired by the European Union LEADER+ programme, created to support rural development.<sup>10</sup>

Thus the territorial approach for rural development is viewed not only in terms of its physical and sectoral dimensions, but also as 'a locus where the interaction of a set of social relationships creates and gives expression to an identity and to society's capacity to lead and manage its own development' (de Miranda, Renault Adib 2007).

Using all the tangible and intangible assets of a territory as competitive economic advantages for income diversification offers an alternative logic to the commodity-based strategies that governments usually pursue in development programmes. Similarly, through strategies of influencing or appropriating local institutions and informal markets, small producers can make use of spaces where they have particular understanding and power. Through these spaces, although small-scale farmers are often excluded, ignored or misunderstood in mainstream policy arenas, they still have options for exercising political or civic agency to support their economic interests in their own territories.

<sup>10</sup> This programme has been running since 1991. Leader+ today is one of four initiatives financed by EU structural funds and is designed to help rural actors consider the long-term potential of their local region. - [http://ec.europa.eu/unitedkingdom/about\\_us/office\\_in\\_northern\\_ireland/funding/leader.pdf](http://ec.europa.eu/unitedkingdom/about_us/office_in_northern_ireland/funding/leader.pdf)



## **6 Conclusion: meeting small-scale farmers in their markets**



International expectations for the world's half-billion small farms are growing, against a very dynamic backdrop. Small-scale farming is expected to contribute solutions in areas ranging from poverty reduction and food security to climate change adaptation. Meanwhile, farmers themselves are facing and effecting changes in markets, in land and other resources, and in the demographics of rural communities. With agriculture rising to the top of development agendas, there are opportunities for smallholders to gain real benefits from globalised markets, but also the risk that poorly designed policies and business strategies — or implementation failures — will exclude many farmers from those benefits.

The IIED-Hivos Knowledge Programme on Small Producer Agency in the Globalised Market was designed to contribute the type of learning needed at this turning point:

- We focused on agency — how small farmers actively make and act on choices in their evolving context.
- We sought to stir debate and challenge assumptions, asking how policies, business and development interventions can be better informed of the current and future realities for small producers.
- To better understand these realities, we pursued co-learning based on evidence from different regions and professional backgrounds. We integrated knowledge among researchers and practitioners working or trading directly with small producers.

Looking at where small producers are — and not where we think they should be — has challenged participants' own thinking, as well as some of the conventional wisdom, arguments and recipes in the current global debate over small-scale farming. Viewpoints and case studies from Africa, Asia and Latin America, and from agribusiness entrepreneurs, leaders of farmers' organisations, service providers and academic researchers, fed into a broad and complex picture of how small producers are exercising agency in a globalised world. In the programme's open spaces for reflection outside of institutional or ideological silos, 'grey zones' repeatedly emerged where polarised views gave way to an understanding of multiple forces, needs and narratives playing out side by side.

## 6.1 The new reality

The majority of small producers live in countries undergoing rapid economic and social transformation; China alone has some 189 million farms of under two hectares, representing 98 per cent of all farms in the country. But the reality of economic transformation is more complex than the globalisation narrative often has it. Informal food markets still predominate across most of Africa, Asia and Latin America. Flexible informal channels link poor producers with poor consumers. Many modern retail supply chains in emerging economies also have roots in informal deals between farmers and traders. By some measures, informality is growing, not shrinking.

Such growth is in part driven by demographics: globally, there is a large cohort of rural youth who often aspire to leave agriculture but may encounter few formal jobs. At the same time, farm sizes have fragmented in many developing countries. All this has reinforced one of the most basic strategies of the rural poor: multifaceted livelihoods that use diversity of economic activities to hedge risks and make the most of scarce land, cash and other resources. Farmers may rent various plots and grow multiple crops; move in and out of different informal (and sometimes formal) markets; and combine farm income with off-farm jobs and remittances from migrant family members. With more rural people, especially youth, moving back and forth from farm to city, there are fluid frontiers between urban and rural markets, boosting the vibrancy of local economies.

Indeed, dynamic local, national and regional markets are giving farmers increasing options beyond global supply chains. Growing demand for food — including the growth of urban markets, cross-border and South-South trade, and middle-class consumer groups demanding more quality and safety — fuels increasing competition for supply and pulls more traders into the countryside. The decentralisation of many developing-world governments has also directed more resources towards creating and strengthening local markets.

While local market opportunities are likely to proliferate, for many producers full-time commercial farming will not be the way forward in coming decades. The next generation is likely to see fewer farmers, and many fewer full-time farmers, as rural youth pass a demographic peak in most regions (with Sub-Saharan Africa an important exception) and seek jobs off the farm.



China's turbocharged economy may offer a foretaste of this transformation. A 2008 survey found that over half the rural labour force were either partially or fully employed off the farm in 2008, compared with 15 per cent in the early 1980s; among rural labourers aged 16-24, about half worked full-time off-farm jobs. Remaining farmers in the country are renting and consolidating land left unused by urban migrants, combining very small holdings to obtain a sustainable livelihood. In other developing countries, youth migration is already driving labour shortages and rising wages, adding pressures on small-scale farms.

## **6.2 From 'inclusive business' to agency**

Despite regional differences, there are commonalities in how small producers, as active economic agents, are finding pathways to survive and perhaps even prosper through modernisation and rapid rural change. But the ways that most farmers make markets work for them are strikingly disconnected from the way most development and business interventions try to 'make markets work for the poor' (Table 6.1).

Conventional market-based development interventions aim at upgrading producers into 'high-value' formal and modern markets. Organisation and technical assistance allows small farmers to be integrated into value chains linking them vertically to large buyers. The organisations used are formal structures, often specialised on one commodity, and may be driven by traders or processors rather than grassroots farmer groups. The associated policy goals usually involve 'getting the institutions right' to make markets work for smallholders in value chains, such as oversight of contracts between smallholders and agribusiness.

These kinds of 'inclusive business' schemes can offer good opportunities for agrifood firms, and for some small-scale farmers. But they tend to benefit only about 2-10 per cent of farmers — those with the greatest assets and a strong orientation towards commercial production. A much larger segment of small-scale farmers trade in markets, but rarely formally. For these farmers, agency in the globalised market looks quite different: they are acting around and outside the borders of formal policies, formal farmers' economic organisations and formal markets — where they find advantages in access, flexibility, and social and civic power. Indeed, in countries with weak central authority,

those 'cracks' where small farmers can find spaces for economic and political agency may be so large that the informal economy becomes the mainstream, as in Bolivia. Inclusive policies targeting a broader base of farmers would appreciate the benefits of these spaces, while seeking to mitigate the dark side of informality — corruption, abuse, cartels and monopolies, lack of transparency, and food safety issues. Such policies would also need to open channels for smallholders' political voice.

**In markets,** producers playing at the border of formal value chains may reject formal arrangements or combine them with their informal and/or traditional trading relationships. Though often demonised, the 'middlemen' increasingly competing for supplies can play a positive role in small producers' strategies to access markets and get good deals. And many small producer communities are modernising on their own terms: rather than either resisting or fully assimilating into modern, globalised markets, they may incorporate aspects and benefits of modern markets into informal structures, tradition and culture.

**In organisations,** cooperatives that succeed in growing and benefiting their grassroots membership have often shown a great capacity to adapt to market demands while providing services to their members. As competition increases, their entrepreneurial and social objectives drive them to reinvent themselves repeatedly. Still, most small producers are not members of cooperatives or other formal economic organisations, which they may see as serving the interests of larger-scale farmers or as demanding high participation costs for uncertain profits. Beyond the borders of these formal social enterprises, small producers may cooperate economically through sophisticated informal arrangements or traditional social networks. But such informal organisations are rarely recognised as legitimate and have limited ability to shape the policies that affect them.

**In policymaking,** therefore, small producers remain largely outside central state institutions, which they may see as distant, inaccessible, irrelevant, and there to serve someone else's political or economic interests. Without political agency to change the rules of the game, small-scale producers remain vulnerable to policies that don't differentiate their interests from those of larger-scale producers, such as trade agreements and the opening of national markets. Where small-farmer advocates have effectively influenced the state, understanding the links between farmers' economic and political interests has been key, along with strong

Table 6.1 Development expectations versus smallholder realities

	Expectations for the 2-10% visible and accessible to business, policy and NGO interventions	Realities for the majority of small farmers in the market
Markets	'Upgrade to high value markets' Formal single-product market, value chains, certified production	Informal trade works better for smallholder realities, and remains the dominant link between small-scale farmers and urban poor
Organisations	'Cooperate to compete' Specialised cooperatives Trader and processor-driven producer organisations	The majority of small-scale producers, especially poorer households, are not formally organised in the market
Policies	'Create an enabling environment' Get the institutions right to make markets work	State policy is often viewed with distrust as a force of exclusion and extraction

transparency and accountability to the grassroots. Moreover, small farmers are finding important ways to shape their markets as political or civic agents at the borders of central policymaking — in the local and informal spheres where they do much of their trading.

### 6.3 Rethinking the agenda for small-scale farming

To design more appropriate policies and interventions, we need to perceive the complexity of markets of the poor — the ways that informality and formality coexist, interact and sometimes clash — and understand how small producer agency negotiates the mix in global, national and local markets. Private business initiatives, social enterprises and development interventions must reconsider assumptions about ‘upgrading’ small-scale producers through formal organisations and upscaling one value chain at a time.

These approaches may need to give way to more effective action across an entire agricultural product sector — as seen in Colombia, for example, where a not-for-profit organisation represents the majority of the nation’s coffee growers and has a mandate to stabilise producer incomes and invest in social and infrastructure programmes in coffee-growing communities.

A few governments have begun to appreciate how small-scale producers use informal markets, and have adapted policy to accommodate this reality — seeking to educate informal vendors on food safety practices, for example, or make licensing more accessible and flexible. Through ‘inclusive formalisation’, the benefits of informality — access, flexibility, resilience — can be built into policy and business frameworks that overcome its dark side.

Informality matters particularly in the present context of increased youth unemployment; and it presents an urgent challenge for developing and emerging economies. We are starting to become more conscious of the links between decent job creation, the informal sector, political stability and economic democracy, without which sustainable development is at risk. China has shown that better

employment conditions can be built when policies look to the long term and support diversification, mobility and new skills, mainly, for the rural youth.

Poverty is increasingly turning from an international to a national distribution problem, and as governance and domestic taxation and redistribution policies become more important than overseas development assistance, there is great opportunity for national and local governments to support innovative agrifood policy. Inclusive formalisation could be accompanied, for instance, by investments in market infrastructure, risk insurance, market reforms to bust cartels and fight corruption, and appropriate measures to support family farms, such as government procurement within Brazil’s Food Acquisition Programme. In the private sector, efforts towards greater inclusiveness have helped many farmers raise their incomes, but they should also look at more traditional instruments of corporate responsibility such as decent labour standards, which may have more impact among the poorest rural households.

Overall, Knowledge Programme learning suggests we should not continue to expect multiple wins — on poverty reduction, food security, security of supply, ecosystem services and rural development — from the single-minded approach of including farmers and their organisations in value chains and ‘empowering’ them in markets as beneficiaries of external initiatives. To get the future right for the majority of small-scale producers who cannot readily participate in modern value chains, or for the many youth with aspirations out of farming, we must recognise other layers of the picture.

Globalisation and modernisation are not sweeping away informal and local economies, but spreading in parallel with them. And the current debate has paid too little attention to small farmers as active economic agents making choices in multiple markets, under multiple resource constraints. Understanding farmers’ own strategies, interests, expectations and limitations will contribute to better-informed policies that do more for truly inclusive economic growth, social cohesion, business profits and small-scale farmers’ wellbeing.

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# Appendix: Knowledge Programme products and contact information

Websites for the Knowledge Programme on Small Producer Agency in the Globalised Market

[www.hivos.net/Knowledge-Programme2/Themes/Small-Producer-Agency](http://www.hivos.net/Knowledge-Programme2/Themes/Small-Producer-Agency)

[www.iied.org/small-producer-agency-globalised-market](http://www.iied.org/small-producer-agency-globalised-market)

[www.mainumby.org.bo/en/nuestro-trabajo/pequenos-productores-y-mercados](http://www.mainumby.org.bo/en/nuestro-trabajo/pequenos-productores-y-mercados)

## Learning Network

Executive summaries of most papers are translated and available in both English and Spanish.

Name	Institution	Country	Paper titles	E-mail
Satender Arya and Sanjeev Asthana	National Skills Foundation of India (NSFI)	India	<ul style="list-style-type: none"> <li>• Policies, Regional Trade Agreements, and Small Producers' Agency</li> <li>• Public and private institutional arrangements that promote small-scale producer agency in their economic organizations and value chains</li> </ul>	<a href="mailto:projects.nsf@gmail.com">projects.nsf@gmail.com</a> , <a href="mailto:satender.arya@nsfindia.org">satender.arya@nsfindia.org</a> <a href="mailto:sanjeevasthana.india@gmail.com">sanjeevasthana.india@gmail.com</a>
Medius Bihunirwa and Mohammed Shariff	Kabarole Research and Resource Centre (KRC)	Uganda	<ul style="list-style-type: none"> <li>• Public policies in regional trade agreements and national scenarios and their impact on SP wellbeing and their agency to get better deals</li> <li>• Bukonzo Joint Cooperative Society and Nyakatonzi Cooperative Union</li> <li>• The 'other markets': informality, economic rationalities and smallholder agency</li> </ul>	<a href="mailto:meddie20052005@yahoo.com">meddie20052005@yahoo.com</a> <a href="mailto:shariffmadi@yahoo.com">shariffmadi@yahoo.com</a>
Lorenzo Castillo	Junta Nacional del Cafe	Peru	<ul style="list-style-type: none"> <li>• Productores de Pequeña Escala como Actores en el Mercado Globalizado</li> </ul>	<a href="mailto:jncperu@terra.com.pe">jncperu@terra.com.pe</a>
Luis Galleguillos	Audita consulting	Bolivia	<ul style="list-style-type: none"> <li>• Políticas públicas y privadas aplicadas en Bolivia para el fortalecimiento de las capacidades de los pequeños productores</li> </ul>	<a href="mailto:lfgalleguillos@gmail.com">lfgalleguillos@gmail.com</a>
Falguni Guharay	SIMAS	Nicaragua	<ul style="list-style-type: none"> <li>• Free Trade Agreements and their impacts on the capacity of small producers in Nicaragua to make sound decisions in globalized markets</li> <li>• Institutional arrangements in the value chains and their influence on small producer's ability to make decisions in local and global markets</li> <li>• National Policies and their impact on Small Producers agency in local and globalized markets: Case of Nicaragua</li> </ul>	<a href="mailto:fguharay@gmail.com">fguharay@gmail.com</a> , <a href="mailto:coordinacion@simas.org.ni">coordinacion@simas.org.ni</a>
Henry Kinyua	Technoserve	Kenya	<ul style="list-style-type: none"> <li>• Passion Fruit Value Chain Analysis: Case of Uganda and Kenya</li> </ul>	<a href="mailto:hkinyua@technoserve.or.ke">hkinyua@technoserve.or.ke</a> , <a href="mailto:hkinyua@tns.org">hkinyua@tns.org</a>

Name	Institution	Country	Paper titles	E-mail
Alberto Monterroso	OPCION/Aj Ticonel	Guatemala	<ul style="list-style-type: none"> <li>Pequeños Agricultores en Centroamérica: desafíos y retos frente a mercados globalizados y su participación en los procesos de negociación de tratados comerciales</li> </ul>	albertomm@intelnett.com
Diego Muñoz	Mainumby	Bolivia	[Network coordinator]	ogeid@mainumby.org.bo
Mainza Mugoya	East African Farmers Federation	Kenya	<ul style="list-style-type: none"> <li>Policies, Regional Trade Agreements and Small Producer Agency: The Case of Small Producers in the East African Community</li> <li>Policy formulation and implementation process at COMESA</li> <li>Mapping Agricultural Policies and Protocols in Kenya</li> <li>Public and Private Institutional Arrangements that Promote Small Producer Agency in their Economic Organizations and Value Chains: Case study – Muki Cooperative Society, Kenya</li> <li>Public and Private Institutional Arrangements that Promote Small Producer Agency in their Economic Organizations and Value Chains: Case study of Oromia Coffee Farmers Cooperative Union, Ethiopia</li> </ul>	mmainza2001@yahoo.com, mmainza@eafu.org
Ronnie Natawidjaja	Padjadjaran University	Indonesia	<ul style="list-style-type: none"> <li>Business Strategy of Modern Retail in Respond to Regional Free Trade Agreement (China-ASEAN Free Trade Agreement): Opportunity or Threat for Small Producer</li> <li>Roots of agency: Aggregating volume and technology, Best Practices of Small Producer Agency Development in the Face of Globalized Market</li> <li>The Role of Intermediaries in Dynamics Change of Food Market Restructuring</li> </ul>	ronnie_sn@yahoo.com, ronnien@msu.edu
Claudia Ranaboldo	RIMISP/ Desarrollo Territorial Rural con Identidad Cultural	Bolivia	<ul style="list-style-type: none"> <li>Racionalidades Económicas y Estrategias Diferenciadas de los Pequeños Productores: Argentina – Colonia Caroya (Córdoba)</li> <li>Racionalidades Económicas y Estrategias Diferenciadas de los Pequeños Productores: Bolivia – Valle Central de Tarija</li> <li>Racionalidades Económicas y Estrategias Diferenciadas de los Pequeños Productores: Perú – Region Móche</li> </ul>	ranaboldo@megalink.com, cranaboldo@rimisp.org
Morrison Rwakakamba	Agency For Transformation	Uganda	<ul style="list-style-type: none"> <li>Epileptic agricultural policy landscape in Uganda</li> <li>Agency Power: The mixed story of Kumi and Busia smallholder farmers' quest for rewarding and sustainable markets</li> </ul>	rwakakamba@yahoo.co.uk, mrwakakamba@gmail.com
Srikantha Shenoy	Initiatives for Development Foundation (IDF)	India	<ul style="list-style-type: none"> <li>Public and Private Institutional Arrangements that Promote Small Producers Agency</li> <li>Sri Devi JLG Farmers Welfare Society</li> </ul>	srikantha.shenoytv@gmail.com
Nico Tassi	University College London	Bolivia	<ul style="list-style-type: none"> <li>The Other Side of the Market: Indigenous Economies in the Global Arena</li> </ul>	altoplanico@gmail.com
Caecilia Widyastuti	Indonesian-Benelux Chamber of Commerce	Indonesia	<ul style="list-style-type: none"> <li>Shifting from Advocacy Organization to Business Organization: a Case Study on Small Producer's Ability to Adopt Global Standard</li> </ul>	caeciliaaw@gmail.com

## Provocation seminars

Reports, articles, blog posts, videos and lists of co-organisers and speakers from the Provocation Seminars can be found at these links:

### About the series:

#### **Making markets work for small-scale farmers?**

[www.iied.org/making-markets-work-for-small-scale-farmers-series-provocation-seminars](http://www.iied.org/making-markets-work-for-small-scale-farmers-series-provocation-seminars)

### **Provocation 1:**

#### **Producer agency and the agenda to make markets work for the poor**

[www.iied.org/provocation-seminar-series-producer-agency-agenda-make-markets-work-for-poor](http://www.iied.org/provocation-seminar-series-producer-agency-agenda-make-markets-work-for-poor)

### **Provocation 2:**

#### **Rights-based versus market-based development: a false dichotomy?**

[www.iied.org/provocation-seminar-series-rights-based-versus-market-based-development](http://www.iied.org/provocation-seminar-series-rights-based-versus-market-based-development)

### **Provocation 3:**

#### **Making markets work for the poor — contents and discontents**

[www.iied.org/provocation-seminar-series-making-markets-work-for-poor-contents-discontents](http://www.iied.org/provocation-seminar-series-making-markets-work-for-poor-contents-discontents)

### **Provocation 4:**

#### **Making markets work for smallholders or wage labour?**

[www.iied.org/provocation-series-making-markets-work-for-smallholders-or-wage-labour](http://www.iied.org/provocation-series-making-markets-work-for-smallholders-or-wage-labour)

### **Provocation 5:**

#### **Pro-poor business, development and smallholder empowerment**

[www.iied.org/provocation-series-pro-poor-business-development-smallholder-empowerment](http://www.iied.org/provocation-series-pro-poor-business-development-smallholder-empowerment)

### **Provocation 6: Rural youth today, farmers tomorrow?**

[www.iied.org/provocation-seminar-series-rural-youth-today-farmers-tomorrow](http://www.iied.org/provocation-seminar-series-rural-youth-today-farmers-tomorrow)

## Commissioned Research

Huang, J., Wang, X. and Qiu, H. 2012. *Small-scale farmers in China in the face of modernisation and globalisation*. See <http://pubs.iied.org/16515IIED>

Michelutti, L. 2012. *Small-scale farmers under socialist governments: Venezuela and the ALBA People's Trade Agreement*. See <http://pubs.iied.org/16516IIED>

Murphy, S. 2010. *Changing perspectives: Small-scale farmers, markets and globalization*. See <http://pubs.iied.org/16517IIED>

Proctor, F. and Lucchesi, V. 2012. *Small-scale farming and youth in an era of rapid rural change*. See <http://pubs.iied.org/14617IIED>

Patkar, S. et al. 2012. *Small-scale farmers' decisions in globalised markets: Changes in India, Indonesia and China*. See <http://pubs.iied.org/16519IIED>

Medius, B. et al. 2012. *Innovating to compete: Smallholder farmers' agency and markets in East Africa*. See <http://pubs.iied.org/16520IIED>



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International expectations for the world's half-billion small farms are growing, against a very dynamic backdrop. Small-scale farming is expected to contribute solutions in areas ranging from poverty reduction and food security to climate change adaptation. Most of the 'inclusive business' models and value chain interventions already set up to do that are reaching only a narrow minority of farmers. To get the future right for the majority there is a need to ask the right questions. Instead of thinking about how to 'make markets work for the poor', we must look at how small-scale farmers make markets work for them. Farmers themselves are facing and effecting rapid changes in markets, in land and other resources, and in the demographics of rural communities.

This book presents the results of a three-year Knowledge Programme led by IIED, Hivos and a global Learning Network, it integrates knowledge of researchers and practitioners working or trading directly with small producers across three continents. It focuses on agency — how small-scale farmers navigate formal and informal, global and local markets, their strategies, interests, expectations and limitations, and how they make choices in the dynamic context of a restructuring agrifood sector. From this perspective, globalisation and modernisation appear not to be sweeping the world economy clean, but spreading in parallel with vibrant informal and local economies.

This book challenges our institutions and the development community, both in terms of our assumptions on the roles of smallholders and agribusiness and how we go about the process of generating knowledge and developing effective policies and interventions.

*A vital source of information and analysis to question mainstream narratives about 'making markets work for the poor' and to rethink development priorities and strategies in a crisis-ridden world.*

**Peter Utting, Deputy Director, United Nations Research Institute for Social Development (UNRISD)**

*Responds to the diversity of small farmers, and celebrates their flexibility in face of the challenges of rural transformation. In emphasising the agency of small farmers operating in informal markets, the book treats them as economic actors rather than as the passive recipients of poverty programmes.*

**John Conroy, Crawford School of Public Policy, Australian National University**

*An extremely valuable, timely and useful contribution to the extraordinarily complex debate of how to connect the small, informal and unsupported agricultural unit to agricultural markets.*

**Julius Sen, International Trade Policy Unit, London School of Economics**