

INSIGHTS

FROM THE 1ST
OF A SERIES OF
PROVOCATIVE SEMINARS

Producer agency and the agenda to 'make markets work for the poor'

The Hague

28 September
2010

This report summarises the discussion held in the first of a series of 'provocations' designed to stimulate critically constructive debate around the agenda of 'making markets work' for small-scale farmers.

This provocation aimed to inject new knowledge and insights into the topic of 'producer agency' and the agenda for 'making markets work for the poor'. Much of the renewed interest in small-scale agriculture has focused on connecting producers to markets. This reflects the prevailing consensus in development policy¹ that markets can and should play a central role in meeting the growing list of expectations of smallholders — as drivers of rural economic development and food security, as suppliers for agribusiness, as managers of natural resources, as providers of environmental services, and as adapters to climate change.

ABOUT THIS PROVOCATION

This provocative seminar was held in The Hague, Netherlands on 28 September 2010, in association with the Hivos Knowledge Programme Small Producer Agency in the Globalised Market and with a local partner, Empowering Smallholder Farmers in Markets (ESFIM)².

The provocation followed a meeting on 'Value chain governance and endogenous economic growth', held at the Institute for Social Studies (ISS) in the morning of 28 September and organised by the Development Policy Research Network, ISS and Wageningen UR. It was also a side event of the Hivos Dialogue Knowledge & Change: Theory and practice of development dilemmas, held in The Hague from 29 September – 1 October 2010.

The debate was kicked off by a number of invited speakers — largely from a global learning network led by Bolivia-based Mainumby Ñacurutú Research Centre. These speakers were: Lorenzo Castillo (Junta Nacional del Café, Peru), Mohamed Shariff (Kabarole Research and Resource Centre KRC, Uganda), Diego Muñoz, Mainumby, Bolivia, Sudhirendar Sharma, Knowledge Networking for Rural Development in Asia/Pacific Region ENRAP, India, and Falguni Guharay, Servicio de Información Mesoamericano sobre Agricultura Sostenible SIMAS, Nicaragua. The debate was continued by an invited audience representing policy, business, producer and civil society interests as well as international participants who joined in through the web, thanks to web streaming in collaboration with OneWorld Media.

1. For example, DFID is recasting itself as a "government department that understands the private sector and brings the wealth, knowledge and creativity of the world of business to support the UK's development efforts" www.dfid.gov.uk/Media-Room/News-Stories/2010/Mitchell-Private-sector-holds-the-key-to-tackling-global-poverty. The "Roadmap for Action" of the recent Global Conference on Agriculture, Food Security and Climate Change sees a "role for partnerships between small and large scale farmers and enterprises as regards technology transfer and access to markets throughout the whole value chain." www.afconference.com

2. www.esfim.org

POLARISED PERSPECTIVES?

Two apparently contradictory worldviews on development priorities for small-scale producers often coexist within development agencies.³

The first revolves around market-based development and value chains. It asserts that the huge expectations of smallholder agriculture can be met by bringing organised producers into trade with inclusive business supported by the right policies and market institutions. In this worldview, 'producer agency' is largely described as a means for producer organisations to link to private buyers and value chains. The idea is that producer organisations will succeed by aggregating and upgrading their production, often supported by external agents, especially nongovernmental organisations.

The second worldview provides a strong counter-narrative to the first, and focuses on citizen empowerment and civic-driven change.⁴ Here, producer agency is described as the capacity of farmers and rural citizens to take charge of their own development. This worldview aligns the interests of small-scale farmers with social movements that resist corporate penetration into agriculture, resist globalisation, and advocate for deeper democracy.

This polarisation of perspectives,⁵ which is also seen in discussions about gender and value chains, presents an obstacle to debate and effective policymaking. One of the key messages to carry forward from this first provocation is the obvious benefits of exploring the links between them.

"The idea... is to develop and deepen existing knowledge and new insights, and seek linkages between the two approaches"

Carol Gribnau, Hivos

INCREASING SMALLHOLDER VULNERABILITY?

There are some clear concerns about emphasising smallholder development through value chains and market linkages, particularly when it comes to their impact on vulnerability.

A value chain analysis can present a picture of collaboration and improved income for small-scale farmers. But the value chain approach can overlook multiple stresses on small-scale farmers and farming communities. The messy reality on the ground is often of communities under stress, rising frustration and tension, unpredictable prices and distrust in leaders.

"There will always be a cosmetic picture of the value chain. But for everyone in the household to benefit [is] a challenge"

Mohamed Shariff, Kabarole Research and Resource Centre (KRC), Uganda

For example, in the Bundibugyo district of Uganda, small-scale farmers grow cocoa for global markets. The crop does provide a lot of income but it has also perversely increased food insecurity because little land is left to grow food crops and the prices of staple foods have rapidly increased. More than 45 per cent of children in Bundibugyo are malnourished.⁶

In some cases, a market-driven approach to smallholder agriculture can increase the vulnerability and food insecurity of rural livelihoods at the economic and ecological margins by exposing households to high risk.

But the idea that value chain and market-based approaches can increase vulnerability is by no means universal. At the Hague provocation, Hans van der Veen (Netherlands Ministry of Foreign Affairs) stressed that agricultural

"The market environment is there but the livelihood is questionable"

Mohamed Shariff, KRC, Uganda

development is about smallholders making rational choices including assuring food security through growing and selling cash crops rather than necessarily growing food crops for home consumption. And Dave Boselie (Wageningen University) regretted the way in which smallholders are spoken about in the language of victimhood.

3. This debate is described in a new working paper produced for the KP – see Murphy, S. 2010. *Changing Perspectives: Small-scale farmers, markets and globalization*. Hivos Working Paper. www.hivos.net/Hivos-Knowledge-Programme/Themes/Small-Producer-Agency/News/Changing-Perspectives-Small-scale-farmers-markets-and-globalization

4. See 2010. *Civic Driven Change and policy report*. DPRN seminar report. <http://cdc.global-connections.nl/seminar-report-civic-driven-change-and-policy>

5. See 2010. *Africans Face Competing Visions of Agricultural Development at a Critical Juncture*. Food First blog post. www.foodfirst.org/en/node/2933.

6. See Womakuyi, F. 2010. *Cocoa Boom in Bundibugyo: a Tale of Gloom And Bloom*. allAfrica.com <http://allafrica.com/stories/201003310526.html>

SUPPORT STRUCTURES

A key question to ask in assessing market-based approaches to development is whether they support — or undermine — the policies and institutions that are required to “make markets work” for the rural poor.

On the one hand, there is evidence from the UN Research Institute for Social Development (UNRISD) to support the idea that mobilising producer interests directed at the state can improve rural development. The new UNRISD report *Combating Poverty and Inequality*⁷ examines the experience of countries that have been relatively successful in reducing

poverty over fairly short periods of time. It finds that contestation, social activism and the mobilisation of farmers' movements play a critical role in reducing poverty and improving rural development.

“What smallholders need is a more coordinated means to link infrastructure, financial services and market access in one way”

Giel Ton, Wageningen UR and ESFIM

But on the other hand, while acknowledging that smallholders must organise themselves politically to articulate themselves in the market, some participants at the Hague provocation noted that the institutions that have made space and resources for collective action — such as Fairtrade and cooperative movements — are threatened by multiple value chain initiatives that fragment the enabling environment for smallholders.

The ‘mushrooming’ of different service providers and financial institutions does not naturally foster coordination in value chains.

One option for achieving coordination, put forward by Giel Ton (Wageningen UR and ESFIM), is to use collective action of producer organisations. Yet Ton argued that all the niche markets targeted at supporting and building collective action are under challenge.

One major challenge is that collective action to build political agency for influencing markets requires resources and capacity. “You need to have income for collective action. You do it for the market, but also for political action”, said Ton.

“The Fairtrade system has a built-in mechanism for funding that”, he added. Lorenzo Castillo (Junta Nacional del Café, Peru) echoed Ton's point, saying that Fairtrade, compared with other chain initiatives, has been a vehicle for small-scale producers to set their own agenda for engaging in markets. Other market certification programmes and other market segments do not have a mechanism that really makes collective action possible. But he regretted that “Fairtrade, which was a real opportunity, has become a threat for small farmers” because of the new orientations of the movement, such as certifying gold production. Lorenzo added that the founding principles of Fairtrade must be defended by political agency of producers, against market pressures that weaken that political role.

But that role of Fairtrade must be defended by political agency of producers, against market pressures that weaken that political role.

“We see the alliances between farmers' movements and political parties. And we see bureaucracies which have a certain competency and capacity to address farmers' issues”

Peter Utting, UNRISD

“Fairtrade, which was a real opportunity, has become a threat for small farmers”

Lorenzo Castillo, Junta Nacional del Café, Peru

THE NEED FOR POLITICAL AGENCY...

“Fairtrade is very exclusive. It does nothing for those unorganised farmers that are generally also the poorest”

Don Jansen, DE Foundation

Indeed, one of the big debates at the Hague provocation was the importance of political agency of smallholders to shape market institutions and modalities that make markets work better for the poor — territory that lies firmly between the two prevailing worldviews.

Some participants — including Lorenzo Castillo — stressed the need for smallholders to organise themselves not only in upgrading their production but also in politics. This is essential if they are to effectively articulate themselves in the market and negotiate markets, prices and standards. Otherwise, economic policies will focus only on so-called ‘viable’ sectors or sectors or will be overly influenced by cartels and elites with political clout.

Such political organisation is necessary to level the playing field for small producers, such as the tax discrepancy in Peru which currently sees asparagus agroenterprise exporters paying 15 per cent tax while smallholder coffee cooperative exporters pay 30 per cent.

Producer agency and the agenda to ‘make markets work for the poor’

But, as suggested by Coen van Beuningen (Hivos), governments have not been very serious in providing and facilitating modern producer organisations, and most cooperative laws are not very appropriate for modern producer organisations.

The reality is that, while smallholders may dominate agricultural production in some sectors and countries, they are often poorly organised and do not constitute a strong lobby. One participant of the Hague provocation even reported that in Uganda, farmers in the lead-up to election seem to have no political agenda and simply sell their vote to the highest bidder.

Being unorganised puts producers beyond chain-based assumptions that smallholders will use producer organisations to “cooperate to compete”. Initiatives such as Fairtrade are simply not an option for unorganised farmers.

Making markets work for the poor is not about building individual chains. Rather, it is about raising the performance and inclusiveness of a whole sector through instruments for unorganised small-scale farmers.

Such instruments include competitiveness agreements or export levies such as the one on coffee in Columbia, managed by the National Coffee Fund (Fondo Nacional del Café, FNC), which is run by the National Federation of Coffee Growers of Colombia that includes 500,000 predominantly smallholder farmers.

Market modalities can also be introduced (through producer agency in the policy domain) to protect the position of small-scale producers in markets.⁸ Research done by Iris Monnereau,⁹ at the University of Amsterdam, shows how the government of Belize is already doing this for fishermen in lobster value chains. It has, for example, introduced a restricted access regime for the country’s fishing grounds, which protects the small fishermen from industrialised fishing. The government is also providing preferential access to export markets — by building, since the 1960s, a system of cooperatives and giving them an exclusive monopoly on exporting lobsters.

In conventional value chain terms, the position of these small-scale producers is explained not so much by the structure of the chain, but by these so-called ‘intangible assets’ that are not captured by typical value chain analysis. Although at the Hague provocation, Bert Helmsing (ISS) described how, at least in academic circles, value chain analysis is evolving towards a global network approach that can better describe the way that chains are embedded in a wider policy environment, including the role of the state.

...AND MORE

But political agency is not always a route to making markets work for the poor. Even if the state recognises producer agency and creates a political space for small-scale farmers, they will not always be able to articulate themselves in the market.

“[The government] knows it has to deal with the organisations and the big picture but it doesn’t know how to put policies in place that can work for individual-based interests that have to do with [producers’] .. day-to-day decisions”

Diego Muñoz, Mainumby, Bolivia and convenor of Learning Network

We can put a value on producer organisation without understanding that the term ‘organisation’ covers a huge range of functions, and can miss the needs of smallholders as market actors. Bolivia’s experience provides a good example of how producer agency can become a powerful force, in parallel with the growth of social movements, without the state recognising the position of farmers as individual producer-entrepreneurs.

The Bolivian government is a product of social movements, including movements of small-scale farmers. It seeks to work closely with those organisations. But, says Diego Muñoz (Mainumby), “it does not go down deep to see what the real market problems are for those small producers”. Such problems include how to deal with price fluctuations, how to get into the market as individuals and how to transport their produce. It’s easier to discuss the political agenda related to big organisations than it is to tackle day to day economic problems such as helping the rural poor manage the small amount of cash they have.

Giel Ton felt that what happened in Bolivia can partly be explained by the fact that one type of organisation — the economic organisations of small-scale farmers — has been excluded from policy process, because of their association with an external market-based development agenda.

“If you really want to include the poor in markets you might as well go for a levy on exports, and use that with a very well developed sector development idea”

Don Jansen, DE Foundation

8. Examples of small-scale producers agency to change market modalities are also found in the case study portfolio of the Regoverning Markets programme, such as the control of phytosanitary export standard in Mexico: www.regoverningmarkets.org/en/resources/latin_america/innovative_policy_mexico_mexico_strategy_for_the_inclusion_of_small_and_medium_sized_avocado_producers_i

9. See <http://home.medewerker.uva.nl/i.monnereau/>

THE INTERNATIONAL TRUMP CARD

“This is not about a few pennies. This is about changing the whole system. For the profile of small farmers, for markets to really work for the poor, the first stop has to be trade agreements”

Falguni Guharay, SIMAS Nicaragua

In Nicaragua, producer agency and social movements has given rise to innovative national policies. For example, through much organisational effort, a new law will promote agro-ecological products from small-scale farmers in Nicaragua over the next five years, including through producer-market linkages.

But such successes can be trumped by bigger forces, especially regional or bilateral trade agreements. Farmer organisations can be overwhelmed by the pace and rapidly growing number of these negotiations.

For example, the same new law in Nicaragua states that the country will adhere to all the commitments of free trade agreements including the Central America Free Trade Agreement (CAFTA), bilateral agreements and the Association Agreement with the European Union. This puts the successful maize and dairy sectors in jeopardy from import competition.

COLLABORATING ACROSS THE CHAIN

Sometimes, to get markets working for the poor there is not only a need for producer agency, but for agency of the chain actors as well. Aligning the interests and power of the whole value chain can potentially exert a much larger influence than actions specific to an individual value chain.

One participant at the Hague provocation called for this agency of value chain actors in response to the Nicaraguan case, suggesting that, compared with social movements, organising links within the value chain could have a massive impact.

Collaboration across value chain actors might also challenge entrenched elites and monopolies that systematically keep producers poor.

“In India and Pakistan, we have timber mafia, land mafia, without having value chain organisations or networks. The most important thing is to include [smallholders] in those value chains”

Khalid Chaudry

CONCLUSION

The discussion at the Hague provocation showed the benefits of stimulating debate on the links between market-based development and civic-driven change. Agency to shape the institutions that can make markets work for the poor can be at least as important as agency to get products into a value chain.

It was clear that some of the agenda to link small-scale farmers to markets is undermining the very structures that support producer agency. These problems can be easily missed when we set out to make markets that work 'for' the poor rather than 'with' the poor.

It was also clear that much of the agenda to make markets work for smallholders is built on a heroic assumption that producers will cooperate to compete. This turns a blind eye to the facts that the majority and poorest of producers are not organised in markets, and elites and cartels continue to prevent markets from working in a pro-poor manner.

An alternative approach — that of raising the performance of whole sectors rather than individual chains — uses instruments such as export levies to try and work around these problems.

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, then a value chain can help create something approaching civic-driven change — not just to make markets 'inclusive' but to push reformed market institutions that challenge entrenched interests and raise the performance of the whole sector.

ABOUT THE PROVOCATIONS SERIES

IIED, Hivos and collaborating institutions are organising a travelling series of 'provocations' to take a deeper look at the assumptions, impacts, evidence, benefits and risks of the approach to 'making markets work' for small-scale farmers. The aim is to provoke constructive debate by focusing new knowledge and insights on to this development dilemma.

Between September 2010 and September 2011, six provocations will take place in European cities. Each one will gather invited speakers, local delegates, and international participants (via web streaming) for three hours of debate. Insights will be transferred from one provocation to another.

The series is supported by the Hivos Knowledge Programme Small Producer Agency in the Globalised Market.

- Provocation 1: Producer agency and the agenda to "make markets work for the poor"
The Hague, Netherlands, 28 September 2010
- Provocation 2: Rights-based versus market-based development: a false dichotomy?
Stockholm, Sweden, 3 March 2011
- Provocation 3: Making markets work for the poor: contents and discontents
Paris, France, 30 March 2011
- Provocation 4: Making markets work for smallholders or wage labour?
Manchester, UK, 18 May 2011
- Provocation 5: 'Inclusive business' and producer empowerment
Brussels, Belgium, 22 June 2011

Further provocations are also being considered — on generational change in smallholder agriculture, on informal markets, and on markets for environmental services.

