

OCTOBER 2012

OVERVIEW

IIED Sustainable Markets Group

Project name:
Small Producer Agency in the Globalised Market

Project leader:
Bill Vorley

Time frame:
2009 – 2012

Cost:
Approximately €2 million

Objective:

To reshape the debate on how small-scale farmers are facing changes in markets due to globalisation and modernisation, and thereby contribute to better-informed policies and practices.

PROJECT SUMMARY

Since the 2007–2008 food crisis, expectations of small-scale farmers have expanded — along with often contradictory proposals on how small farms can deliver food security, poverty reduction and sustainability in the face of rapid economic change. This Knowledge Programme, a partnership with Hivos and Bolivian NGO Mainumby, sheds light on the issues through commissioned research, a travelling debate series and a global Learning Network of researchers, farmers' representatives, practitioners and agribusiness leaders from Africa, Asia and Latin America. We used the lens of 'agency' to focus on how farmers make choices and shape markets — learning that will inform an upcoming workshop and new research.

THEORY OF CHANGE

Debates over the future of small farms are polarised and rarely informed by ground-level knowledge. For a more nuanced and realistic view, we brought together diverse actors who work directly with small-scale producers and agrifood markets in Asia, Africa and Latin America. Through this Learning Network, we facilitated a space for integrating different perspectives and evidence to co-generate global knowledge. In this and other components of the

Small-scale farmer strategies to make markets work

Have efforts to link poor producers to modern markets lost sight of rural realities?

For years, efforts to lift small-scale farmers out of poverty through 'market-based development' have followed a steady drumbeat. The mantra is that globalisation and modernisation are sweeping the world's food systems, and farmers must connect with new markets and value chains to survive and prosper.

Experts argue that innovative business models can deliver more profits to poor producers and can link rural livelihoods to the growth of modern enterprise. Corporate giants such as Unilever and Walmart have responded to calls for 'inclusive business' by setting goals to bring small-scale producers into their supply networks.

Although there have been notable successes in connecting smallholders to global business, in reality many of these initiatives cannot sustain large-scale operations once external support is withdrawn. Meanwhile, traditional and informal trade flourishes, mostly outside the control of state regulation or large businesses.

We can continue to search for the key to scaling up successful value-chain projects, or we can refocus on small farmers' real-life strategies. In 2009, IIED partnered with the Dutch institute Hivos and the Bolivian NGO Mainumby for a three-year 'Knowledge Programme' examining how small-scale producers exercise agency in globalised markets — how they analyse their options,

manage risks and make decisions. Instead of trying to 'make markets work for the poor', we looked at how the poor are making markets work for them.

Modernisation on farmers' terms

First, we needed to understand the changing context for farmers' choices. In many developing countries, not only market forces but demographics are shaking up agriculture. Two global reviews considered changes in attitudes towards small-scale producers and in the prospects and aspirations of the next generation of farmers. Another commissioned study used data from China to paint the details of agriculture in rapid transition.

These and other Knowledge Programme sources suggest globalisation is not crowding out small farms. Rather, rural economies are diversifying. Most rural households don't live solely off the land, but also rely on off-farm jobs and remittances from migrant relatives.

These options are multiplying as food systems change and cities grow. In China, people moving away from farming are often younger and better educated, and half of rural workers aged 16–24 have full-time off-farm jobs. Some farmers have begun to rent and consolidate land left unused by migrants, combining very small holdings to obtain a sustainable livelihood.

Small-scale farmers are also taking advantage of other aspects of

Knowledge Programme, we used the concept of agency to understand the choices farmers make in the face of uncertainty, limited assets and changing social and economic contexts. The findings may challenge theoretical constructs and current practices; change the mindsets of the participants and other actors whom they influence; reshape global debates on agriculture; highlight knowledge gaps for future research; and inform and influence policies and development interventions to address the real constraints, opportunities and aspirations of small-scale farmers.

KEY LESSONS LEARNT & INNOVATIONS

- Globalisation is not crowding out small farms. Rural economies and farm households are diversifying with additional income sources, including off-farm jobs and migrant remittances. Rapid rural change moves youth out of farming but liberates land for other farmers.
- Small-scale farmers are active economic agents using complex strategies to confront the changes that have accompanied globalisation and modernisation. But those strategies often diverge from policy recommendations that emphasise formal organisations trading with modern value chains.
- Dynamic markets are thriving at the borders of the formal economy. Informality is expanding, and this blurry space is central for both poor producers and poor consumers.

PARTNERS' VIEW

Working mostly on value chains, at the beginning I did not understand the themes of 'markets of the poor' and 'other economic rationalities in markets'. But during our second global meeting in Uganda I realised that informality has been always there and is present in modern value chains where social networks and social control still matter more than formal contracts. I see its importance more clearly now as most poor farmers depend on it, and governance of traditional systems has become my main research interest.

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IIED SUSTAINABLE MARKETS GROUP

The Sustainable Markets Group drives IIED's efforts to ensure that markets contribute to positive social, environmental and economic outcomes. The group brings together IIED's work on market governance, business models, market failure, consumption, investment and the economics of climate change.



Photo: Neil Palmer/CIAT

Dynamic markets that are thriving at the borders of the formal economy are central for both poor producers and poor consumers.

modernisation and globalisation — from increased food demand and more buyers to better roads and communication technologies. But in contrast with top-down plans to enfold farmers into 'inclusive' supply chains, many producers have appropriated modernity on their own terms and helped create new market spaces.

In Uganda, for example, some growers of 'matoke' — cooking banana, an East African staple — coordinate their marketing activities through ad hoc local organisation. The farmers use mobile phones and networks of relatives to research markets in nearby towns, and appoint community representatives to assess crop volumes, contact buyers, organise collection centres, negotiate prices and handle money. In the Knowledge Programme, this case was discussed by a Learning Network of leaders and practitioners from academia, farming and agribusiness in Africa, Asia and Latin America.

Another case study highlighted indigenous Aymara producers in Bolivia. Kinship ties link Aymara farmers with a trading network that extends across the Andes and dominates markets in some major cities — such as the La Paz meat market, which is 90 per cent Aymara-controlled. Neither the state nor foreign companies have been able to dislocate this parallel economy.

Rethinking informality

As these cases show, small-scale farmers often find lucrative niches outside the formal economy, or at its borders. Flexibility and accessibility make informal and traditional food markets a resilient but messy system that only a few national policies recognise. One example is Kenya, where officials have switched

from cracking down on traditional milk vendors to advising them on better hygiene. For some of the 800,000 dairy farmers who supply this informal market, the results include lower transaction costs and greater volumes sold.

The benefits that draw farmers to the informal economy are offset by downsides of poor food safety and traceability, corruption and criminality, poor environmental performance, and inequities along caste, class and gender lines. Governments who choose to work with the informal sector rather than declare war on it may be better able to contain these problems.

But we still have much to learn about supporting dynamic traditional markets, and how to balance this support against modernisation campaigns and high expectations from big business. IIED and Hivos are tackling some of these issues in an upcoming workshop. The event will pull together scarce research on informal and traditional agrifood markets worldwide, and is expected to seed a new research programme.

Our updated view of how farming communities are evolving will also be important for other work at IIED, such as the institute's new Forum on Food and Agriculture. Questions about small farms are central to inclusive growth and food security, and we need to continue bringing evidence to ground policy and development efforts in farmers' real constraints, expectations and choices.

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