

IS SMALL FARM LED DEVELOPMENT
STILL A RELEVANT STRATEGY FOR
AFRICA AND ASIA?

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A polarized debate

- Despite its proven success, the small farm development paradigm is widely challenged today and there is considerable debate about its continuing relevance for Asia and Africa.
- Despite all the challenges they face, small farms are proving remarkably resilient and continue to increase in number across much of Asia and Sub-Saharan Africa.
- There are nearly 450 million farmers today who farm less than 2 hectares of land, and many more family farms larger than 2 ha who struggle to make an adequate living from farming

A “reverse” transformation

- Although there is a lot of country and regional variation, the overwhelming story is one of more small farms, shrinking farm sizes and increased income diversification.
- Despite growth, sometimes quite rapid growth, in national per capita incomes, there is little sign yet of a shift to the patterns of farm consolidation that occurred during the economic transformation of most of today’s industrialized countries.
- Rather, relatively few workers are leaving their farms for the cities and instead are diversifying into nonfarm activity from a small farm base.

Challenges to the conventional small farm development paradigm

- Are small farms still the more efficient producers?
- Can small farms compete in today's more globalised value chains?
- Is a new breed of large commercial farm emerging that is about to displace lots of small farms?
- Can small farms generate the marketed surpluses needed to feed growing urban populations?
- Are small farms still win-win for poverty alleviation and growth

Are small farms still the more efficient producers?

Most farm level studies still show an inverse relationship between farm size and land productivity. But there are reasons to be concerned:

- Many of the poorest small farms are to be found in marginal areas where land is being degraded
- Poverty and malnutrition reduce labor productivity
- Farmers are becoming older
- We do not know much about the relative cost structures of large commercial farms

Can small farms compete in today's more globalised value chains?

- Small farms are facing growing challenges in accessing modern inputs, credit and markets, whereas large farms seem able to capture economies of scale in linking to value chains.
- Some small farms are successfully linking to value chains through collective action of various types or through contract farming relationships, whereas many others are being marginalized.
- The challenge is greatest for high value markets, but in Africa it is also prevalent for food staples.

Is a new breed of large commercial farm emerging that might displace small farms?

- Competition is growing from corporate sized farms that can exploit entirely new types of farming technologies, such as GPS-controlled precision farming, minimum tillage, GM seed and agrochemical packages, and back this with investments and political connections that give them privileged access to markets, modern inputs, insurance and credit, resulting in yields and cost structures that small farms simply may not be able to beat (Derek Byerlee)
- A good example is the development model of Brazil's Cerrado region, which is being successfully transplanted by private investors to parts of Angola and Mozambique.
- Large farm models are driving much of the "land grabbing" that seems to have the support of many policy makers in Africa and Asia

Can smallholders generate the marketed surpluses needed to feed growing urban populations?

- Small farms provide for the food security of huge numbers of rural poor. But many small farms are net buyers of food and contribute little to marketed surpluses.
- Urban population shares are projected to grow strongly across the developing world (from 40% to 60% in Asia and Africa by 2050), and the marketed surpluses to feed these populations will need to come from commercially oriented farms.
- It follows that a national food security agenda will need to walk on two legs. One leg is to provide support to the many smallholders who farm largely to meet their own subsistence needs. The other leg is to invest in large farms and commercially oriented smallholders that can produce marketed surpluses for the cities.

Are smallholders still win-win for poverty alleviation and growth?

- Small farms today are less than half the size of the small farms of the green revolution era, and many are subsistence rather than market oriented.
- The possibility arises that it is now the medium to large sized farms that are best able to compete in modern markets and feed the growing urban populations -- but they are not the poor.

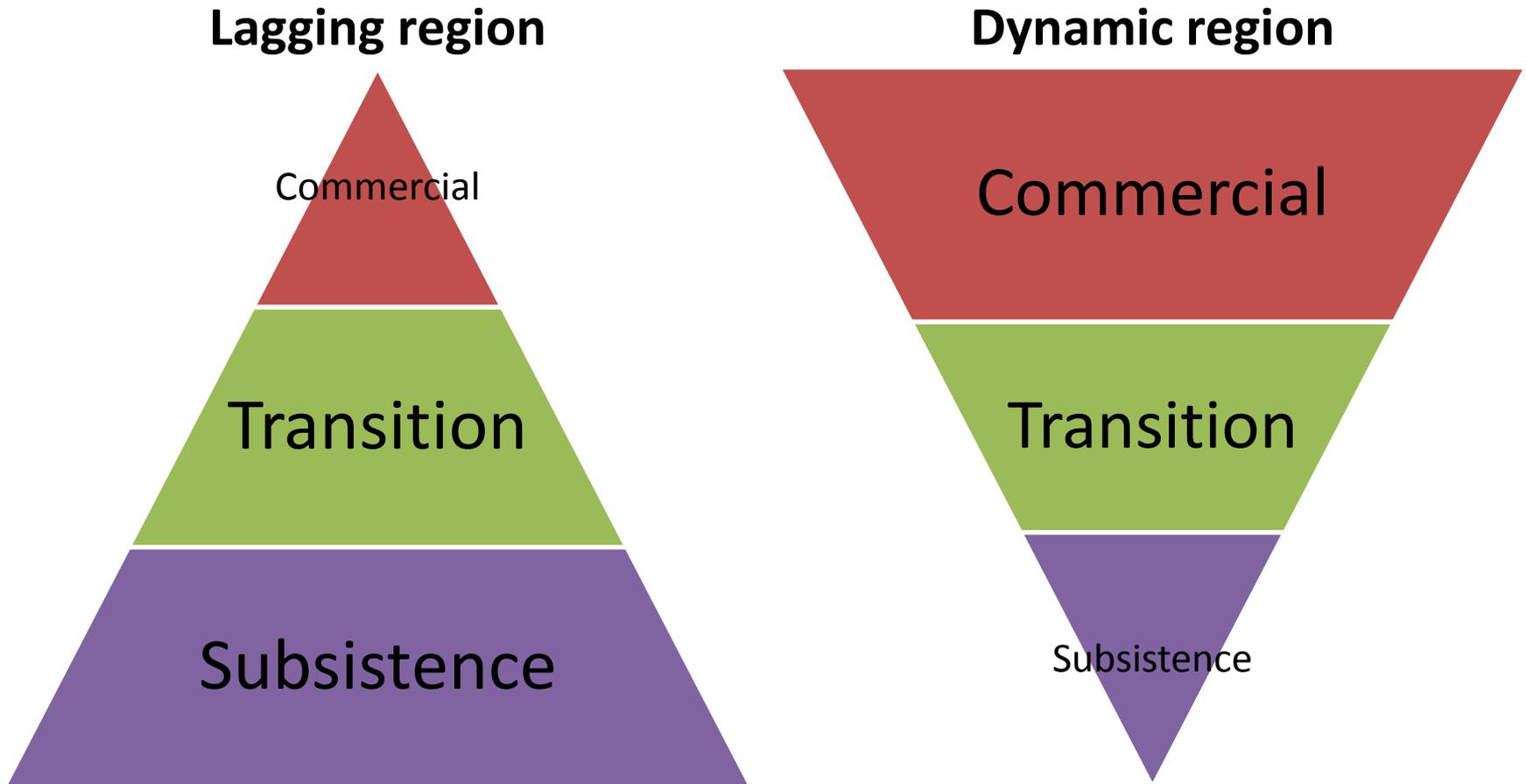
Implications for small farm assistance policies

- There is greater diversity of small farms today in terms of their size and livelihood strategies.
- There is less complementarity between poverty, growth and food security goals.
- This implies a greater need to target assistance by type of smallholder and by goal.

Three types of small farms

1. Business oriented small farmers who either are already successfully linked to commercial value chains, or who could if given a little help.
2. Smallholders in transition who have favourable off-farm opportunities and would do better if they were to either exit farming completely or obtain most of their income from off-farm sources. Most transition farmers are likely to leave farming, and it is just a question of when and how. Those that remain will farm part time and may not be very market driven.
3. Many subsistence oriented small farmers are marginalized for a variety of reasons that are hard to change, such as ethnic discrimination, affliction with HIV/AIDS, or being located in areas with limited agricultural potential. Many of the same factors also prevent them from becoming transition farmers.

Figure 2: Relative importance of the three small farm groups



Types of assistance relevant for different small farm groups

Type small farm	Types of assistance
Commercial	<p><u>Farming as a business</u></p> <ul style="list-style-type: none"> Better technologies and NRM practices Organizing small farmers for marketing purposes Incentivizing large agribusiness to link with small farms Accessing seeds, fertilizer, finance and insurance Securing land rights and development of efficient land markets Encouraging entrepreneurship Empowering women and other vulnerable groups Building resilient farming systems Safety nets
Transition	<p><u>Stepping out of farming</u></p> <ul style="list-style-type: none"> Training and support for nonfarm activity, including development of small businesses Encouraging entrepreneurship Empowering women and other vulnerable groups Securing land rights and development of efficient land markets Better technologies and NRM practices Safety nets
Subsistence	<p><u>Social protection</u></p> <ul style="list-style-type: none"> Safety nets and transfers Better technologies and NRM practices Subsidized inputs for own food crops Securing land rights Building resilient farming systems Empowering women and other vulnerable groups Support for nonfarm diversification

Conclusions

- Unlike the green revolution era when small farm led development was a clear win-win-win proposition for growth, food security and poverty alleviation, a new situation has arisen in which policy makers need to differentiate more sharply between the needs of different types of smallholders, and between growth, poverty and food security goals.
- This requires the design and targeting of three types of assistance programmes: business support to commercially oriented farmers; social protection for subsistence farmers trapped in poverty; and exit strategies for transition farmers.
- There is a widening fault line between the food security needs of large numbers of poor, subsistence oriented smallholders and the food needs of growing urban populations that will require many countries to pursue a two pronged strategy for achieving national food security.