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> INVESTMENTS IN "SMALLHOLDER" FAMILY FARMING

## Towards a New Deal

Pierre-Marie BOSCH

Investment in agriculture has declined since the 1980s, and public policies are needed to ensure smallholder farmers are able to invest in their farms. The priority objective is to create a secure, enabling environment so that these farmers can free up the necessary resources, in terms of both time and money. These policies span several different sectors and must therefore be integrated.

This is the condition on which smallholder family farmers will be able to reach their full potential in contributing to food and nutrition security, job creation, the reduction of poverty and inequality, and territorial development.

In 2014, the International Year of Family Farming gave rise to a number of events that focused attention on this means of organising agriculture, which represents 88% of the world's farms according to FAO, well ahead of firms and businesses.

Within this category, family smallholders with less than 2 hectares of land represent almost 85% of farms; they account for around 40% of the world's workforce. Consequently, and because of their understanding of the often marginal lands they work, they have considerable potential in terms of food security and nutrition, job creation, the reduction of poverty and inequality, and territorial development, providing they have access to investment, whether public, private or collective, and are supported by public policies.

However, since the implementation of the structural adjustment policies in the 1980s, public investment in and for agriculture has considerably declined: the closure of agricultural banks and loss of extension services; a

reduction in agricultural research; and the degradation of transport infrastructure. Other stakeholders, especially in the private sector, have not filled this gap.

In order to boost investment, coordinated public policies are needed, as demonstrated by the report "Investing in smallholder agriculture for food security" produced by the Committee on World Food Security High-Level Panel of Experts in 2013 (see box p. 4).

The report highlights the following paradox: smallholders are the first to invest in their farms, whether individually or collectively through organisations, but they are the most disadvantaged when it comes to access to public mechanisms promoting investment. The challenge is therefore to identify the policies that would unlock their initiative, which is dependent on their economic and institutional environment. How can this be done? Considering the family dimension of these farms provides avenues for research and action.

## Improving livelihoods

Family farmers make the majority of their investments through their labour, since their financial investments are limited and uncertain due to a lack of resources and the priority given to meeting their families' needs. Since they use family labour either exclusively or primarily, their main sources of capital are human and social capital. Human capital, in other words labour – in quantity (size of family, age, gender) and also quality (health, level of education) –, is often invested to improve land with a view to increasing its productivity: contour terraces and mountain paddy fields in Asia and Madagascar; fish ponds; and agro-forestry, etc. Social capital, on the other hand, is built on family ties or community relationships, in the context of formal and informal organisations created to meet needs that are beyond farm capacities. Developing and maintaining this kind of capital require investments in time and are constrained by farmers' precarious living conditions.

Smallholder investments in their farms and organisations is encouraged by public investments that address local needs. Policies must therefore prioritise increasing the quality and availability of human and social capital, by reducing the level of expenditure borne by family budgets and the time allocated to certain domestic tasks: access to drinking water and energy (fetching firewood for heating and cooking); sanitation; healthcare; and education. These are just some of the areas of public investment, of expenditure on public goods, that can be seen as support for families' private and collective investment capacity. This support is all the more critical when monetary income is low. In particular, the arduous nature of agricultural work calls for solutions that are adapted to suit the needs of smallholdings, reducing drudgery without necessarily encouraging farm expansion.

The SEWA (Self Employed Women's Association) in India, for example, creates formal self-help groups that combine assistance for individual productive activities and support for the collective resolution of constraints in the domestic sphere. This organisation, which is based on local initiatives, is structured on different scales in the States of the Indian federation, and benefits from a number of public programmes.

> Public investment fosters private investment, both individual and collective

> Improving the quality and availability of labour; reducing difficulties

> Safeguarding precarious economies in order to improve family diets and to supply local markets

## Focusing on self-production...

The family nature of this agriculture also highlights the non-market element of productive systems in family diets and in reciprocal trade. Market-oriented agricultural productions clearly remain strategic in the majority of monetised economies. However, the capacity to develop and improve output for family consumption should not be overlooked, especially in a context of food price volatility (both sales price, and purchase price during the hunger gap), particularly on national markets. Indeed, non-market output is strategic in stabilising the economy for agricultural and rural families and strengthening social ties, and therefore resilience. Not only does self-production of all or part of family consumption reduce dependence on markets and improve diets, but it also safeguards market insertion strategies. Reducing this production to backward-looking or even outmoded attitudes means foregoing policy options to increase food and nutrition security and economic and social safety nets.

Experiments such as the ProHuerta public programme in Argentina show that it is possible to support self-production among farmers and to promote the development of kitchen gardens in towns. Safeguarding precarious domestic economies helps to increase output and to thereby improve quantity and quality in family diets, and also to supply local markets with any surplus output. In addition, by limiting spending on food consumption, families free up resources that can be invested either in new activities or in improving livelihoods and outputs.

## ...and on the functioning of markets

For family farms, which are often in a vulnerable situation, market-oriented production and market linkages can be a way out of poverty, providing they increase the share of value added remaining on the farm. Investment in production will be more effective if supplemented by investment in food processing or preservation facilities. Value added will thus be increased, and better paid family jobs will be created.

This kind of investment is all the more attractive if based on markets that function efficiently. This implies mobilising public and

> Capturing and redistributing value added to ensure better paid family labour

collective investments, with three objectives. The first objective is to improve the functioning of markets (market facilities and infrastructure) by creating sanitary conditions for merchants and products: safe water, cold chain, and sanitation. The second objective is to increase the efficiency of operators (collectors, wholesalers and retailers, etc.) by reducing their operating costs. The third objective is to limit the economic and financial risks linked to price fluctuations, by setting up systems to inform producers, merchants and consumers about market prices. This also requires the development of rules and regulations, collective capacity building in order to apply these rules, and the consolidation of marketing organisations (cooperatives or producer groups). Family labour could thus be better paid, which would incite farmers to invest.

> Non-farming activities to diversify risks and increase resilience.

The example of the Cafeteros in Colombia demonstrates the role collective action can play in controlling production and marketing conditions. This organisation, which brings together the country's coffee producers, 95% of whom have plantations of less than 5 hectares, has succeeded in capturing and redistributing value added either directly, through prices, or indirectly, by improving public services in rural areas (roads, schools, collective infrastructure, etc.). Another example is the modernisation of the dairy sector in Kenya, which combines the development of producer organisations (cooperatives) and the reform of the milk market.

> Breaking with past policies.

Another characteristic of family farming throughout the world is the predominance of pluriactivity, whether this concerns the head of the farm, the farming household or the family group. Special attention must therefore be given to the development of non-farming activities and employment in rural areas. Far from contradicting agricultural dynamics, these activities generate income that stabilises the family workforce, diversify risks and increase resilience, which can improve the capacity to invest in agriculture.

It is now essential for research systems and support mechanisms to understand the complexity of the rural strategies being deployed in different sectors, rather than in the agricultural sector alone. Looking beyond agriculture may help to fine-tune knowledge and action in order to improve agricultural systems.

## Integrating different sectoral policies and scales

Fostering investment in family farming thus implies mobilising scales other than farms and stakeholders other than farmers. This means moving away from a purely agricultural approach to the rural world and coordinating policies at the international, national and regional levels, taking into account the potential of each level.

Indeed, since they pursue multiple objectives – social protection, territorial development, environmental protection, natural resource management, agricultural production, etc. –, these policies remain segmented. Moreover, they are marked by sectoral approaches resulting from institutional divisions. They fail to provide a holistic picture of family farms, their multifunctionality, and in particular the pluriactivity of their members.

Integrating different sectoral policies and scales will help to create synergies, as illustrated by the white revolution in India. International aid (surplus dairy products from the European Union in the 1970s-80s, World Bank loans) and sources of national public investment (National Dairy Development Board) encouraged private and collective investment in the regions of the federation via the cooperative system. With family herds of just a few heads, most often fewer than 10, India thus became the largest milk producer in the world, surpassing the United States.

This kind of integration demands that policy makers explicitly voice their political will to support smallholder family farming and that they break with past policies. This will to achieve a New Deal for smallholder farming does not yet exist, especially in Africa. Policy makers follow the dominant modernist thinking, which prioritises farm size expansion, extreme specialisation and exclusively market-oriented approaches as the drivers of agricultural progress. This echoes the structural transformation of agriculture in the OECD countries. Yet it is now accepted that this modernisation is neither reproducible nor desirable because of its negative environmental impacts, the concentration of farms and the growth in inequalities it generates. Moreover, it would fail to meet the challenge of youth employment facing African agriculture.

## A few words about...

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is an agro-economist in the MOISA joint research unit (Markets, Organisations, Institutions and Operators' Strategies, <http://umr-moisa.cirad.fr/>).

Since the 1990s, his research has focused on innovation processes, rural and farmer organisations, and changes in family farming in the face of agricultural firms. He is at the origin of the World Agriculture Watch.

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• However, policy makers are struggling to design an agricultural system based on small family farms. They disregard their capacities, which nevertheless underpin agricultural success stories on both export markets and domestic markets, and fail to take into account the huge number of small family farms and the strategic importance of their non-market and market outputs.

• A change of perspective is therefore needed to break with past policies, which focused on the growth and concentration of productive structures to the detriment of diversity, rural agricultural employment, the reduction of inequalities, and the distribution of food processing activities in these areas. To achieve this, policy makers must consider that invest-

ments in public goods (drinking water, electricity, health, sanitation, education, etc.), particularly including social protection and the development of output for domestic consumption, increase food security and safeguard market insertion by reducing risks. By helping to reduce constraints on family budgets, this public investment makes individual and collective investment possible.

Smallholder family farming is at the heart of the challenge of developing new diversified and sustainable agricultural models, which must be repositioned within territories to be co-developed with other activities. This is an economic and social challenge for both public policy and research. <

This *Perspective* is a reading of the report entitled "Investing in smallholder agriculture for food security" by the Committee on World Food Security High-Level Panel of Experts. The team that prepared the report included Pierre-Marie Bosc, its coordinator, Julio Berdegué, Mamadou Goïta, Jan Douwe van der Ploeg, Kae Sekine and Linxiu Zhang. The report was discussed during the 40<sup>th</sup> session of the Committee at FAO in October 2013.

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Other publications by the author and CIRAD's family farming team provide insights into the issue addressed in this edition:

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## perspective

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