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**Linking smallholders to
markets: issues and responses**



Contents

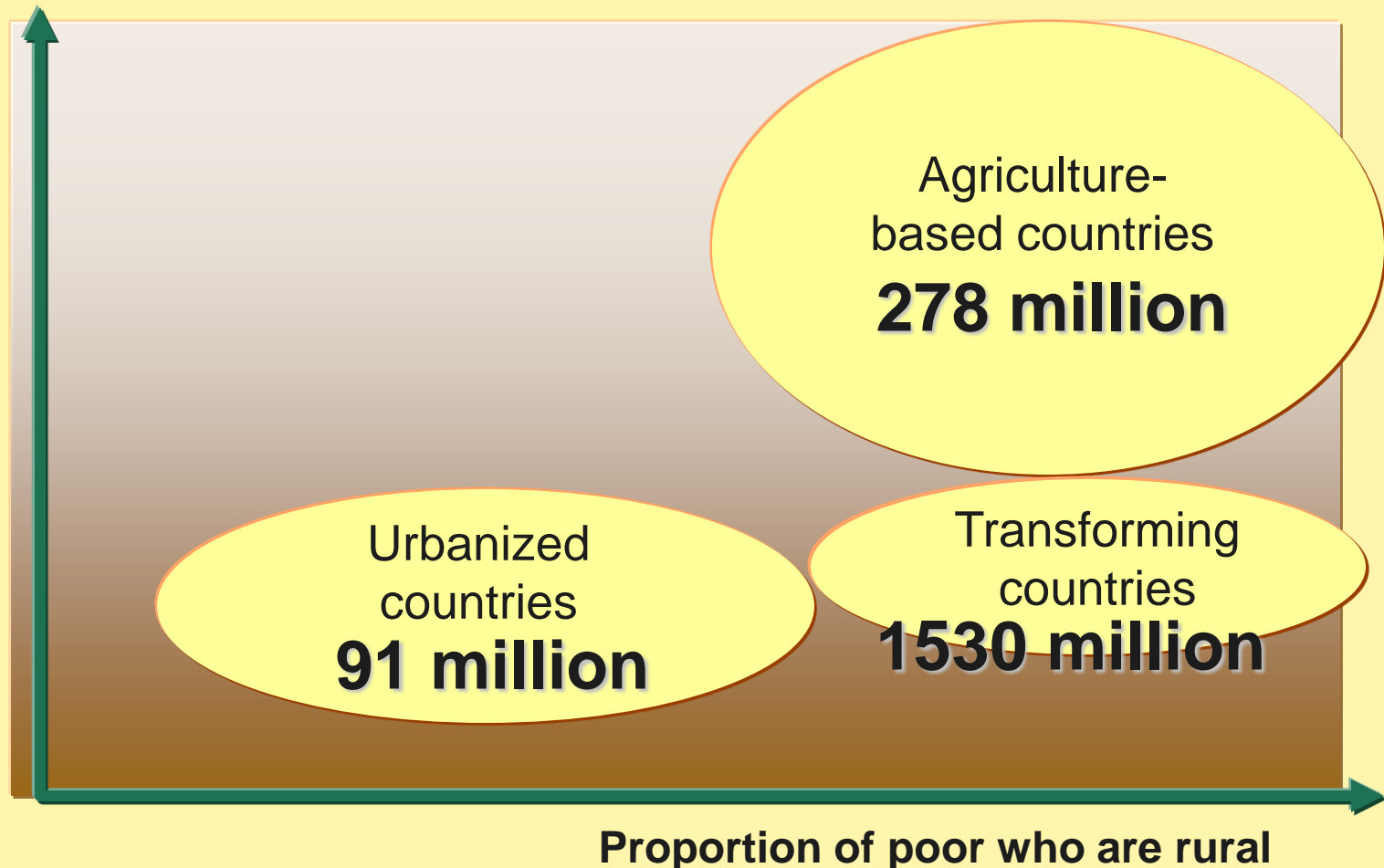
- A few words about FAO and the AGS division
- Smallholder agriculture, poverty and food security
- Accessing markets and value chains – the challenges
- Accessing markets and value chains – approaches
- Contract Farming – a mechanism of choice?
- Overcoming the challenges
- Conclusions





Where are the rural poor? Agriculture's three worlds (WDR 2008)

Agriculture's contribution to growth





Smallholder agriculture is predominant: essential for livelihoods

Region/Country	Average Farm size (ha)	Smallholders (10 ⁶)
Africa	1.6	33
Asia	1.6	351
Latin America & Caribbean	67.0	5
Europe*	27.0	32
North America	121.0	—
China	0.4	193
India	1.4	93
Ethiopia	1.0	9
Indonesia	0.9	17
D.R. Congo	0.5	4
World	—	404

•Data include Eastern Europe for farm size only

•Source: von Braun (2005), FAO World of Agriculture, Nagayets (2005), and Altieri (2009).



Small farms predominate worldwide

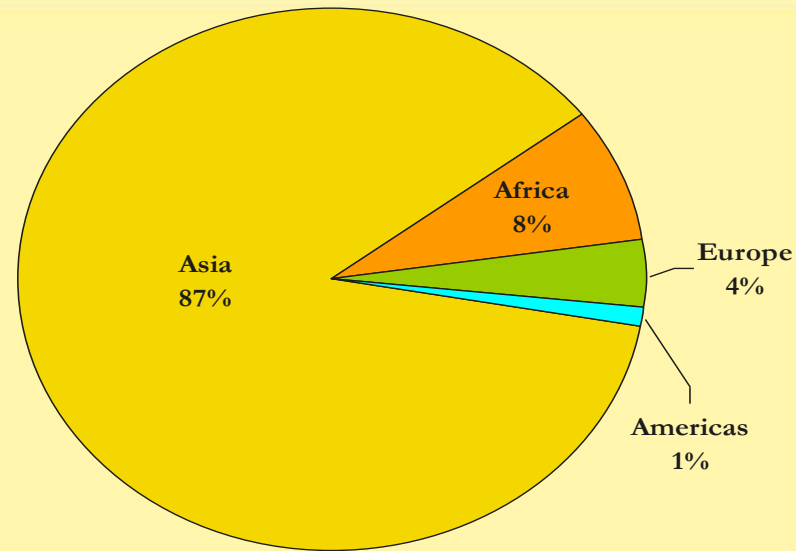
Region / Country	Farms with less than 2 Ha	(%)
ASIA		
China	189,394,000	98
India	92,822,000	80
Indonesia	17,268,123	88
AFRICA		
Ethiopia	9,374,455	87
Nigeria	6,252,235	74
D. R. Congo	4,351,000	97
AMERICAS		
Mexico	2,174,931	49
Peru	1,004,668	58
Brazil	983,330	21
EUROPE		
Russia*	16,000,000	98
Ukraine	6,214,800	99
Romania	2,279,297	58

* Less than 1 ha.

Source: Nagayets, O. (2005). Small Farms: Current Status and Key Trends.



Regional Distribution of Small Farms



Smallholder farmer - Myanmar



Smallholder farmer - Malawi

Data source: Nagayets, O. (2005). Small Farms: Current Status and Key Trends.



The setting: recent changes in agrifood systems

- Dramatic changes
 - ◆ the “industrialization of agriculture”
 - ◆ the rapid rise of the supermarket
 - ◆ the new consumer
 - ◆ safety and quality standards
- Changes driven by
 - ◆ demographics
 - ◆ income growth
 - ◆ technology advances
 - ◆ globalization
 - ◆ others



Impacts on smallholders and food security

- Changing agrifood systems
 - ◆ increased chain alignment
 - ◆ need for efficiency
 - ◆ need to achieve scale economies
 - ◆ strict norms and standards
- Smallholders face increased challenges to link to supply chains
 - ◆ risks of exclusion for modernizing chains are large
 - ◆ opportunities to increase incomes and reduce poverty and food insecurity



Photo: GTZ

Challenges for smallholders

- High geographical dispersion; high assembly costs
- Are many and not well organized
- Tend to market small volumes
- Deal with dysfunctional input markets (lack of certified seeds, fertilizers, etc.)
- Lack services: credit, information, technical assistance
- How to address these issues?



How is FAO working on this?

- Strong interest in promoting linkages
 - ◆ Learn, disseminate, act
- How?
 - ◆ Case Studies
 - ◆ Workshops
 - ◆ Publications
 - ◆ Information provision
 - ◆ Field projects supporting smallholder linkage promotion



What have we learned?

- Main approaches to link farmers to markets
 - ◆ Producer driven
 - cooperatives
 - lead farmers
 - organized farmer groups
 - ◆ Buyer driven
 - contract farming
 - specialized wholesalers
 - traditional traders
 - ◆ Third party driven
 - NGOs,
 - Governments





Contract farming: a mechanism of choice?

- Formal or informal agreements that specify the general conditions to be followed by buyers and sellers of agricultural production (the producers)
- Not new, but increasingly adopted worldwide
 - ◆ much interest in the recent past, mostly driven by changes in agrifood systems
- Not a panacea, but evidence suggests that advantages for farmers and buyers tend to outweigh disadvantages
 - ◆ success stories exist in many parts of the world
 - poultry, tobacco, cotton, spices, F&V, hogs, etc.
- Challenges to make it work are well known
 - ◆ both successes and failure cases tell us a lot about what to do and what to avoid



Making contract farming work

- Need for an enabling environment
 - ◆ policies, institutions, infrastructure, support services
- Planning, planning, planning
 - ◆ the feasibility of contract farming needs to be assessed at the outset
- Farmer organization and capacity building
 - ◆ it is often best to work with farmer groups
- Finance and risk mitigation instruments
- Trust building
- Properly designed agreements
 - ◆ clear, concise, transparent, fair, flexible, etc.
 - ◆ dispute resolution mechanisms are needed
- In sum: win-win
 - ◆ it has to be much better than the next better alternative, for all involved





Conclusions

- Smallholder agriculture will remain important
 - ◆ Food security and development goals make it desirable to promote chain inclusion
- Linkages are challenging in a scenario of rapid agrifood system transformations
- Better organized linkages
 - ◆ contract farming as a workable linkage instrument
- Roles for the public and private sector and international organizations exist
- FAO has developed a knowledge center on contract farming issues
 - ◆ Contract Farming Resource Center (www.fao.org/ag/ags/contract-farming)
 - ◆ Draft code of conduct
 - ◆ UN special rapporteur on the right to food will present to the General Assembly on CF
- Your views, experiences, cases, sample contracts, etc, are of great interest to us





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Obrigado!