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# SMALLHOLDER AGRICULTURE IN THE SOUTH PACIFIC

## A FEW FURPHIES AND SOME HOME TRUTHS

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'Furphy' is an Australian word meaning a false story. According to the *Macquarie Dictionary*, it is derived from John Furphy, manufacturer of water and sanitation carts, which became centres of gossip during World War I.

The persistence of a number of misconceptions of the true nature of smallholder producers in the South Pacific is seriously misleading some politicians and policy makers. The purpose of this short paper is to challenge and, it is hoped, demolish, some of these furphies, then to examine briefly what really needs to be done to get agriculture to become the engine of general economic growth and development in South Pacific nations.

### **Furphy 1 - Smallholders are bad managers**

This rumour has been about for a long time but was given greater credibility by being repeated in the South Pacific Agricultural Survey.<sup>1</sup> Certainly some smallholders are poor managers, but others are excellent. Moreover, the same can be said about plantation managers, as shown by the very mixed success of large-scale agricultural ventures in the region. The main difference is that when a large-scale farming operation goes sour, someone loses

a lot of money, and usually it is the public purse that has to foot the bill. When a smallholder gets into financial strife, some tightening of the belt is usually all that is needed to rectify matters.

The comparison with well-run plantations, which have often been used as the standard of good management, is both unreasonable and misleading. It is unreasonable because plantations are often much more favourably located than most smallholders in terms of such factors as soil and environment and access to facilities. It is misleading because, too often, the wrong things are being compared. Plantations may look to the uninitiated to be better managed than smallholdings simply because they are so much tidier. Also, crops on plantations may be better grown, with higher yields, than on smallholdings, but these differences are not the end of the story. Economic and technical efficiency must not be confused. The highest yields may not (and generally will not) give the best net returns. What is agronomically optimal may not be economically optimal, especially to a smallholder who faces very different resource constraints from those of a plantation manager. Thus, the economic

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<sup>1</sup>R.G. Ward and A.S. Proctor (eds), *South Pacific Agriculture: Choices and Constraints*, Manila, Asian Development Bank, 1980.

optima will be different for the two types, at least until the marketing disadvantages faced by smallholders are removed, which explains many of the observed differences in management.

In addition, smallholders in much of the South Pacific must struggle to grow their crops with poor access to markets for inputs and outputs, making real input costs high and real output prices low. Moreover, because they are poor, they have little capital of their own to invest and seldom have the chance of borrowing from a bank. The farming systems that smallholders have developed over the years reflect the end point of a long process of adaptation to difficult production conditions. If the plantations seem to do better, it is because they are able to spend more to ameliorate those selfsame conditions. This is not a solution for South Pacific countries as a whole, as such spending on a wide scale could not be afforded within limited national budgets. For the time being, the management methods of so-called 'backward' smallholders are usually more attuned to national needs and circumstances than those of plantations.

### ***Furphy 2 - Smallholders refuse to take up improved technologies***

The transportation of South Pacific agriculture requires the introduction and uptake of better ways of doing things 'down on the farm'. It has been argued that plantation systems, including systems of nucleus estates that have associated satellite smallholder growers whose actions are closely directed, are best placed to tap into the international knowledge network to find solutions to technological problems.<sup>2</sup> This is no doubt true, but there are many things that could be done, and need to be done, to reduce the information gap faced by smallholders. National and regional agricultural research systems need to be upgraded and given a sharper focus on the things that really matter to smallholders. For too long too much of the agricultural research done in the region has been focused on the needs of larger-scale growers.

The capacity of smallholders to adopt innovations that really fit their circumstances has commonly been badly underestimated. Some people speak of South Pacific smallholder production as 'traditional', implying that little has changed since the days of the pure subsistence systems. This is simply not so. New crops and new ways of growing traditional crops have been adopted everywhere. It is only necessary to note the wide range of exotic crops now grown by smallholders to see that this is true. Many other examples of change can be cited and, without doubt, the pace of adaptation of smallholder agriculture is quickening.

Of course, smallholders do not always take up the new methods that planners and others would have them adopt. The reason, quite often, is that the proposed 'improved' method is actually no such thing. Smallholders who have followed such advice have so often had their fingers burnt that they are understandably wary. Many proposed innovations are unsuitable because they are too costly and/or too risky for the smallholders to adopt. Sometimes they will take up part of an innovation, adapting it to their needs.

The types of improved methods that appeal to, and are taken up by, smallholders are more likely to be those that make use of just those national resources that are relatively abundant (usually labour and sometimes land), and that will economise in the use of the scarce resource of capital.

### ***Furphy 3 - Smallholders are not responsive to economic incentives***

One form of this furphy is the backward-sloping supply curve. It is argued that producers have fixed income aspirations so that, when prices are high, they sell less than when they are low.

The empirical evidence, at least so far as export cash crops are concerned, shows that this is not true.<sup>3</sup> In fact, smallholders seem to respond to price changes at least as much

<sup>2</sup>E. Fleming and J.B. Hardaker, *Agricultural Supply Response in the South Pacific Region*, Islands/Australia Working Paper No. 86/16, National Centre for Development Studies, Australian National University, Canberra, 1986; and article in *PEB*, July 1986.

<sup>2</sup>Ward and Proctor, op. cit.

as farmers in other parts of the world. They are more price responsive than South Pacific large-holders.

The situation in regard to suppliers to domestic food markets in the region is less clear because so little reliable information is available to permit careful economic analysis. The indications are that there may indeed be target income suppliers operating.<sup>4</sup> However, there are also commercial suppliers who respond to price changes in the conventional way. It seems clear that, as commercial attitudes spread through the rural areas, the commercial instincts will increasingly predominate, for better or for worse, and that the responses of smallholders to incentives will become sharper still.

***Furphy 4 - Smallholder agriculture in the South Pacific cannot meet the development needs of the people and nations***

This is the most dangerous furphy of all, since it encourages policy makers and planners to look for some alternative quick and easy way to development. There is none! By turning the blame for past disappointments in development efforts on to smallholders, the failures of previous policies are excused. Yet any study of the history of agricultural policy in the region soon exposes so many mistakes that it is hardly surprising that results have not been better. Moreover, there is a tendency to over-emphasize failed rural development schemes and to undervalue grossly the progress that has been made in the agricultural sectors, usually by the smallholders themselves, and often despite rather than because of the efforts of governments.

**Some home truths**

The truth is that it is the development of the smallholder sector that offers the only prospect for overall economic growth and development in most South Pacific nations, as in most other less developed countries. There are several reasons. First, most people still depend on agriculture (including fishing) for their livelihoods. If they are to

experience higher incomes, agriculture must be improved. Second, at least in those countries that do not have the safety valve of out-migration, no other sector offers the possibility of creating productive employment opportunities at a pace that will match the already set growth in labour force. The capital required to develop the industrial or service sectors to the required extent would be many times more than could be afforded without unacceptable and unrealistic levels of foreign investment. Third, a prosperous agriculture can provide the purchasing power to enable other sectors to grow. Moreover, the buying pattern of rural people from increased incomes is likely to encourage the development of relatively low-capital, labour-intensive industries that match the present resource availabilities of South Pacific nations. A dynamic agricultural sector that is advancing technologically can progressively release both labour, and capital from the savings of rural people, to go into the expanding industrial and service sectors. Finally, growth in agricultural production keeps local food prices within bounds, limiting inflation and so maintaining international competitiveness.

Fortunately, contrary to furphy 4, there is no difficulty in prescribing what needs to be done to get smallholder agriculture moving. There is accumulating evidence from the South Pacific Smallholder Project and from other economic investigations that South Pacific smallholders are little different from small farmers in other developing countries, so we can learn from the successes and failures in those countries. The difficulty is not in finding the cure but in administering it.

There are five main elements to the cure that can only be outlined in this short note. The first is to find really effective improved farming methods that smallholders can and will take up to bring about a substantial rise in resource productiveness and incomes. Such improvements are mainly achievable through more and better agricultural research and extension, although it is not just a question of throwing money at the problem. Rather it is important to give the research a sharper focus on what really matters and to make the system more

<sup>4</sup>Fleming and Hardaker, op. cit.

effective. A sharper focus can come through forging closer links than have existed in the past between the researchers and their smallholder clients, for example, by more on-farm work.<sup>5</sup> Effectiveness can be improved by tapping in more fully to the international knowledge network so that researchers do not have to try to re-invent the wheel. This requires more regional and international cooperation. Australia, as a major aid donor in the region with good skills in agricultural research, should be able to contribute here if some of the petty rivalries between nations that presently inhibit cooperation can be overcome.

The second area where improvements are needed is in the development of infrastructure (including transport systems). It is pointless for smallholders to have improved farming techniques available if they cannot get access to the needed inputs of information, materials and credit, or if they cannot get the output to market at reasonable cost. The capital involved in improving infrastructure will be large, but the South Pacific nations are lucky in being recipients of aid flows that are high on a per person basis by international standards. It is time that these flows were more carefully directed to projects of long-term benefit to rural people.

Third, social development is also important. Basic literacy will be necessary in those countries where levels are still low for smallholders to be able to use new technologies: reading the instructions on the pesticide pack may be important not only to get the required result, but also to protect health. Similarly, problems such as unacceptably high rates of debilitating diseases or major problems of law and order will need to be addressed to facilitate agricultural growth. In Melanesia the farmers are mostly women who still often occupy a disadvantaged place in society. This inequality too must be redressed.

Fourth, getting general economic policy right has to be part of the story. Because the potential contribution of smallholders to

overall development is undervalued, governments often discriminate against the sector. For example, over-valued exchange rates disadvantage farmers. Large aid flows that go into urban-based projects compound the problem. Artificially low interest rates discourage rural savings and investment and introduce serious distortions into the allocation of rural credit. Trade policies and other price policies also often bring negative effects on agriculture, as do taxation policies in some countries. This is not a case for the introduction of large agricultural subsidies or high degrees of trade protection. More often the need is to remove existing economic distortions that conflict with a goal of encouraging agricultural development.

Finally, appropriate institutions serving agriculture need to be developed. Probably the greatest problem is in agricultural marketing. Most nations have opted for statutory marketing boards. Too many of these have now grown lazy and inefficient, and there have been some cases of corruption uncovered. It seems that the costs of market failure that can occur when marketing is left in private hands have not been properly balanced against the costs of political and administrative failure from too much intervention by governments.<sup>6</sup> Moreover, this applies to many aspects of agricultural administration, not just marketing. The time has come to see the role of government as primarily facilitative rather than as overly regulatory or executive. This truth is being appreciated in countries as diverse as New Zealand and China but the news has not yet spread to several of the South Pacific nations where an excessively interventionist style of public administration still persists. The inevitable failings of this approach impede progress and stifle initiative.

In summary, for too long furrphies about the smallholders of the South Pacific have been used as excuses for politicians, policy makers and administrators not to recognize the home truths about what has to be done to get their economies moving. It is time to

<sup>5</sup>See, for example, A. Gyles and H. Petelo (eds), *Proceedings of the Workshop on Farming Systems Research and Extension*, South Pacific Smallholder Project, University of New England, Armidale, 1988.

<sup>6</sup>E. Fleming and J. B. Hardaker, *Analysis of Agricultural Marketing Performance in Five South Pacific Countries*, Occasional Paper 6, South Pacific Smallholder Project, University of New England, Armidale, 1986.

look at smallholder agriculture in the region with new eyes and to see its potential. Drawing out that potential will not be easy,

but the way is known. That way is not only the best road ahead: in most cases it is the only road.

**Tailpiece**

John Furphy's carts used to carry a rhyme that went something like:

Good, better best,  
Never let it rest  
Till your good is better  
And your better best.

Not a bad paradigm for those whose job it is to help South Pacific smallholders to get moving!