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SMALLHOLDER FARMING UNDER INCREASINGLY DIFFICULT CIRCUMSTANCES: POLICY AND PUBLIC INVESTMENT PRIORITIES FOR AFRICA

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KEY POLICY MESSAGES

- There is no single "future" of the small farm in Africa. African farms display great heterogeneity in the challenges and constraints that they face.
- However, without renewed attention to sustained agricultural productivity growth, most small farms in Africa will become increasingly unviable economic and social units.
- Sustained agricultural productivity growth will require progress on a number of fronts, most importantly increased public goods investments to agriculture, a policy environment that supports private investment in input, output and financial marketing and provision of key support services, a more level global trade policy environment, supportive donor programs, and improved governance.
- Most of these challenges can be met; meaningful progress will start when there is a critical mass of political commitment and leadership among African leaders and developed country governments.

BACKGROUND: Most small farms in Africa are becoming increasingly unviable as sustainable economic and social units. More so than in other regions of the world, small farmers in Africa suffer from civil disruptions, political turmoil, HIV/AIDS, and weak support from their governments for agricultural science and technology, extension support, health and education. Furthermore, many African farmers are disadvantaged by the global agricultural trading system and the increasing privatization of agricultural research. In addition, there remains inadequate appreciation in current development strategies of the fact that most farm households in eastern and southern Africa control less than 1.5 hectares of land, that average farm sizes are continuing to decline steadily, and that the ability of most households to produce a sustainable livelihood from their farms is declining. Unless the policies of local governments, traditional authorities, donors, and rich country governments are changed dramatically, the world may see increasingly frequent and severe economic and social crises in Sub-Saharan Africa.

Many of these crises are likely to have global repercussions. Thus, even from an insular and self-interested perspective, it is in the interests of the world community to pay increased attention to the challenges facing small farmers in Africa and other low-income regions of the world.

OBJECTIVES: This brief highlights findings from a larger report that identifies major trends affecting the future of the

small farm in Sub-Saharan Africa, and identifies policy responses and public investment strategies by African governments, governments of high-income countries, and multilateral donors that can give African smallholders the chance to be viable in an increasingly globalized and competitive world.

CONCLUSIONS: This work presents evidence in support of four broad conclusions. **First**, without renewed focus on growth in agricultural productivity, improving rural households' access to land and rural education, strengthening agricultural input and output markets, HIV/AIDS, real change in world trade protocols, and increasing investments in agricultural development by donors and governments, many small farms in Africa will face a very uncertain and untenable future, involving major dislocations, migration, growing problems of urbanization, and increasingly chronic crises of hunger and poverty.

Recent commitments under the NEPAD/AU Maputo Declaration, in which African governments have resolved to devote at least 10% of their budgets to the agricultural sector are a good sign. But the poverty reducing and productivity raising payoffs to these investments will depend crucially on how these increased public resources are allocated. A meaningful agricultural growth strategy aimed to support the full range of small farmers will need to match recent promises of support for pro-poor agricultural growth with necessary financial support for high-payoff public investments and policies, including crop and animal science, improved extension systems, and market facilitating investments such as physical and communications infrastructure.

Second, given the existing distribution of landholding sizes within the small farm sectors of eastern and southern Africa, land allocation and land use policy needs to be on the agenda. The evidence suggests that farm size within the small farm sector is continuing to gradually decline with modest rural population growth and the closing of the land frontier in many parts of the region. The bottom 25% of rural agricultural households are virtually landless, having access to 0.12 hectares per capita or less in each of the five countries examined in this study (Table 1). Under existing conditions, the ability of this bottom land quartile to escape from poverty directly through agricultural productivity growth is limited by their constrained access to land and other resources. Even for the top land quartile of households, future income growth will require, among other things, the ability to acquire more land.

Viewed in a static way, one could conclude that the only way out of poverty for the severely land-constrained rural poor is to increase their access to land, and indeed this may be needed in some cases. Viewed within a dynamic structural transformation framework, this group's brightest prospect for escape from poverty (which is by no means a sure thing) is likely to involve being "pulled" off the farm into productive non-farm sectors. For highly land-constrained farm households, education appears to offer a pathway out of poverty, but human capital accumulation is largely a long-term and intergenerational process.

Moreover, the payoffs to education will depend on non-farm job opportunities, which are ultimately dependent on broad-based agricultural growth. Abundant evidence of the transformation process elsewhere indicates that growth in non-farm sectors typically starts from a robust stimulus to agriculture, which generates rural purchasing power for goods and services. Increased commitment to agricultural science and technology development appropriate to small farm and semi-arid conditions is likely to be crucial.

Third, even though the AIDS crisis requires immediate action, dealing with the disease in the most cost effective way will require a better understanding of how alternative interventions affect rural household behavior, under the range of different farming systems found in Africa. At the moment, there is very little knowledge to

Table 1. Mean Attributes by Household Landholding Size Per Capita, Various African Countries

Country (survey year)	Household Attribute	Total sample	Means for household quartiles ranked by per capita farm size			
			1	2	3	4
Kenya	Landholding size per capita (ha)	0.33	0.08	0.17	0.30	0.76
2000	Landholding size (ha)	1.77	0.64	1.18	1.84	3.45
	Gross value of crop sales (2000 US$ per hh)	1,067	485	751	1,420	1,612
	Household income (2000 US$ per capita)	553.9	272.6	379.4	568.2	998.4
	Off-farm income share (%)	30.5	37.3	27.7	29.2	27.9
Ethiopia	Landholding size per capita (ha)	0.24	0.03	0.12	0.22	0.58
1996	Landholding size (ha)	1.17	0.20	0.67	1.15	2.58
	Gross value of crop sales (1996 US$)	145.8	33.7	82.3	120.6	265.2
	Household income (1996 US$ per capita)	71.6	53.1	52.1	88.3	91.0
	Off-farm income share (%)	8.1	13.7	9.0	5.4	4.6
Rwanda[a]	Landholding size per capita (ha)	0.16	0.02	0.06	0.13	0.43
2000	Landholding size (ha)	0.71	0.32	0.63	1.00	1.82
	Gross value of crop sales (1991 US$ per hh)	68.0	34.1	45.1	72.4	169.3
	Household income (1991 US$ per capita)	78.7	54.5	59.4	79.3	139.7
	Off-farm income share (%)	24.8	34.5	24.4	22.2	18.2
Mozambique	Landholding size per capita (ha)	0.41	0.09	0.22	0.37	0.96
2002	Landholding size (ha)	1.66	0.53	1.20	1.76	3.14
	Gross value of crop sales (2002 US$ per hh)	26.7	9.4	20.9	27.3	49.1
	Household income (2002 US$ per capita)	59.5	45.7	46.4	55.4	90.6
	Off-farm income share (%)	27.3	34.3	26.6	24.9	23.5
Zambia	Landholding size per capita (ha)	0.58	0.11	0.27	0.50	1.42
2000	Landholding size (ha)	2.73	0.74	1.60	2.75	5.81
	Gross value of crop sales (2000 US$ per hh)	72.2	32.7	59.2	83.6	113.4
	Per capita income (2000 US$ per capita)	122.3	107.5	107.0	115.6	159.2
	Off-farm income share (%)	28.5	39.7	26.9	25.0	22.2

Source: Compiled from data in Jayne et al. 2003.
Notes: Samples include only agricultural households defined as households growing some crops or raising animals during the survey year. All numbers are weighted except Kenya. Income figures include gross income derived from crop production on rented land. [a] For Rwanda: data is not available for land loaned out, only data on rented land is included.

guide how donor organizations should balance their efforts between mitigation strategies targeted at highly-affected communities vs. long-term pro-poor growth strategies such as investments in agricultural science and technology, extension systems, education, and market development.

Fourth, the issue of how to effectively link African farmers to stable markets is transcended by issues of governance. The aims of promoting producer and consumer welfare can be promoted – in principle – through either direct government marketing operations or through private trade. In actual experience, neither approach has worked very well. Effective governance is central to the effective operation of both state enterprises and markets. Marketing boards have a mixed track record in Africa. But attempts to rely on markets, given a chronic under-provision of public goods investments, often fail too. A comprehensive approach for addressing the problems of food price instability and risk in low-income countries requires a framework that provides a clear understanding of the political economy and institutional context in which food marketing policy making occurs.

A political economy approach is required to move beyond analysis that either attributes failure to implement reforms and encourage market-based risk transfer mechanisms to insufficient "political will", or advocates greater state involvement in marketing and pricing to address market weaknesses without convincingly demonstrating how the failures of past state intervention can be overcome in the future. The strategic interactions between government and private sector and their potential effects on food security underscore the need for greater transparency and consultation between private and public market actors to achieve reasonable levels of price stability within the dual food marketing systems that characterize most of the region.

The **fifth** major priority is to identify organizational arrangements that can concentrate the technical and management know-how, capital and financing, labor, and connections to local and international markets on the small farm. Outgrower arrangements and farmer cooperatives are two such organizational forms that have been tried, with varying levels of success in the past. Notwithstanding their mixed history, it is likely that the future of the small farm will greatly depend on whether farmer-driven organizations (variants of cooperatives or outgrower companies) can succeed in overcoming past difficulties so that their theoretical benefits can be achieved in practice.

The need for group coordination seems clear when considering how the majority of small farms in Africa – working as individual units – can reasonably be expected to acquire the financing required for input purchase, cutting edge technical production know-how, the market clout to access domestic and international markets on favorable terms, and the political voice in domestic politics to garner some influence over public resource allocation.

Promising areas for future research involve how to create the incentives, through attention to the institutional underpinnings of markets, for coordination between farmer organizations (accountable to farmers), multinational input and commodity trading firms, a supportive public sector, and an expanded role for commodity exchanges, forward contracting, and other mechanisms to reduce the costs and risks of investing in the entire food system. Finding workable strategies to implement these scenarios is likely to be the key challenge facing the future viability of the small farm in Africa well into the twenty-first century.

While many factors contribute to poverty, the problems in addressing poverty largely lie in the political-economic environment which structures economic incentives. Reform is required of "developed country" governments and local governments, as well as the international trade environment. This will certainly require enlightened leadership on all fronts, with the honesty to be frank about the incentive problems facing both recipient and donor governments, and the political will to overcome them. In such a political environment, there would be reason to be strongly optimistic about the potential for the small African farm, as well as for the emerging interdependent social and economic systems in the rest of the world.

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See the full paper this brief draws from at:
MSU IDWP 86 Smallholder Farming Under Increasingly Difficult Circumstances: Policy and Public Investment Priorities for Africa. by T.S. Jayne, D. Mather, and E. Mghenyi. 2006.