

The Future of Smallholder Agriculture in Eastern Africa – The Roles of States, Markets, and Civil Society

Conference of the IFPRI Eastern Africa Food Policy Network

May 2-3, 2005, Imperial Resort Beach Hotel, Entebbe, Uganda

Summary of Proceedings and Conclusions Steven Were Omamo¹

The principal aim of this conference was to disseminate results of research funded through the IFPRI Eastern Africa Food Policy Network (the list of presentations is in the attached annex). 79 participants mainly from Eastern Africa, comprising a mix of senior policymakers, research leaders, and other stakeholders, participated actively in the conference through presentations and discussions.

The title and main issue for the conference were drawn from a stakeholder consultation undertaken in 2003-04 aiming to identify priorities for food and agricultural policy research in Eastern Africa.² The consultation revealed that two issues dominated all others: (1) the future of smallholder agriculture, and (2) the roles of states, markets, and civil society in agricultural development. The conference was hence organized under these topics.

Discussion

Smallholders

Two quotes from the conference illustrate the range of viewpoints among participants regarding smallholders and their future. At one extreme was the following statement that envisioned a potentially bright future for smallholders:

“The future of smallholder agriculture will be defined by the degree to which smallholders are able to embrace farming as a business. Integrating smallholder farmers into commodity chains must be the priority. Only then will they be able to respond to market incentives, adopt technologies, uplift incomes, and deal with food and nutrition insecurity.”

At the other extreme lay this much less optimistic assessment:

¹ Steven Were Omamo, Senior Research Fellow and Program Coordinator, International Food Policy Research Institute, w.omamo@cgiar.org

² Omamo, S. W. and K. Nyombi. 2004. “Strategic Priorities for IFPRI in Eastern and Central Africa: Insights from an Electronic Stakeholder Consultation.” Unpublished manuscript. Washington DC: International Food Policy Research Institute.

“The future of smallholder farming in this region is bleak. We should not continue to promote it. We should be preparing for the transition, which is already underway.”

These differences appeared to stem in part from underlying divergences in viewpoint regarding how to define smallholders. One participant offered the following set of characteristics typically associated with smallholders: small land holdings; lack of cash; semi- or complete illiteracy; minimal access to information on potential markets for farm produce; minimal access to information on technologies that can boost production and meet the needs of consumers. All of these factors contribute to the defining characteristic of smallholders: a subsistence-oriented mindset. While broadly in agreement with this characterization of smallholders, some participants noted that smallholders’ “subsistence mindset” were perfectly rational responses to extant conditions in smallholder areas. The “micro-efficiency” of smallholders was not in question. The “macro-inefficiency” of those micro-efficient decisions was the issue, suggesting that the search for pro-smallholder policy reforms might fruitfully focus on “meso-level” institutional arrangements in agricultural sectors that provide requisite incentives and coordination for productivity growth in smallholder areas.

In defining what constitutes a smallholder, a key consideration was seen to be the nature of constraints facing smallholders. What were the most binding among those constraints? One participant noted that to him, “A 2-acre poultry farm is larger than a 50-acre maize farm. And a 10-acre zero-grazed dairy farm is larger than 60 acres planted to traditional food crops.” For him, small land size was the defining characteristic of smallholders. In many cases, limited access to credit and working capital, or limited access to information were often more robust factors for use in defining smallholders.

Finding ways to help smallholders come to view “farming as a business” was generally accepted as a valuable target for research and policy, albeit with full recognition that such a target drives to the core of all problems in smallholder farming.

States

Evidence presented at the conference illustrated that microeconomic conditions extant in smallholder areas render agricultural production and trade risky and costly, militating directly against growth and poverty reduction. Private solutions to the underlying coordination problems are not working well in the region. The public sector clearly has a significant role to play.

The participants expressed a general view on the need for states in the region to do more, not only as “facilitators” of agricultural development, but also as proactive “participants” in agricultural sectors. The challenge of doing so under extreme human and financial capacity constraints facing most of the region’s governments was unclear, however. Answers to questions about “what” governments should do appear to be more plentiful and detailed than do those to questions about “how” governments should go about becoming proactive agricultural sector participants.

One participant noted that the economic history of today's rich industrialized countries teaches that lasting change for the better in rural societies often hinges on the efforts of rural communities themselves—i.e., without any important role for governments. Perhaps, he suggested, it was misguided to be expecting so much of governments?

Markets

A number of paper presentations focused on trade liberalization, conditions in markets, and on the implications of those conditions for smallholder decisions and welfare. Agricultural trade was shown to be risky, personalized, and cash-based, with limited long-term investment by private traders in transport or storage. Limited storage capacity and poor access to formal financing mechanisms renders prices volatile, with huge post-harvest losses compounding the costs to farmers. Other important institutional constraints identified include a general lack of adequate market information, lack of grades and standards and thus low levels of market transparency, and frail legal environments governing property rights and contract enforcement. Quite remarkably, the “ugly middleman” was never mentioned, either in the presentations or in the ensuing discussions. Rather, the problem in markets was seen as one of lack of organization in markets, and lack of preparedness for serving the needs of smallholders. “Markets are disorganized and they have disenfranchised the farmers,” said one participant. “Market institutions have to be nurtured,” said another.

Vertical integration and globalization were also mentioned on a number of instances, citing in particular the difficult linkages between producers and markets in the case of high-value agriculture. The consensus among participants was that for markets to meet the needs of smallholders, they need help from governments, particularly by making available forms of market stabilization that only governments can provide. But from the presentations and discussions, it was clear that for participants such assistance was viewed to be justifiable only where traders were committed to investing in pro-smallholder organizational forms and practices. Especially crucial would appear to be new ways of managing risk, and new ways of mobilizing collective action among farmers.

Civil Society

The question of farmer collective action was addressed throughout the conference. “Smallholder farmers are always better off when they are organized,” said one participant. But the author of a study of collective action in Eastern Uganda cautioned that, “to stimulate greater participation in collective action requires stronger and more effective laws governing private contributions to collective goods, more effective collection procedures, more efficient use of resources, and clear evidence of improved services and benefits from collective efforts. Achieving this requires sustained investment of public (state and civil society) and private sector resources in transforming agriculture and improving market responsiveness.” The message was that, while

localized collective initiatives tended to work quite well for solving local problems, larger-scale “macro-level” (i.e., regional or national) initiatives within countries have a bad track record. “Cycles of failure” emerged featuring low rates of participation and contribution, low levels and quality of service provision, low benefits, and low participation and contribution.

Despite these problems, participants noted that farmer organizations (especially cooperatives) remain attractive to policy-makers and politicians, for obvious populist reasons. Cooperatives also represent theoretically consistent institutional responses to market failure. But it was also noted that the very word “cooperative” is anathema to farmers across the region, for cooperatives have been used by several past and current governments as tools to extract resources from rural areas. Yet it was clear from a number of contributions that the absence of cooperative-type arrangements in the region’s agricultural sectors would render the future of smallholder farming quite bleak. Farming as a business will be out of the question. Fully open, however, is the question of how operationally relevant and institutionally feasible the cooperative idea is in the region.

Conclusion

The discussions confirmed that the future of smallholder agriculture in Eastern Africa will depend on how well countries address a range of problems and opportunities specific to smallholders. The future of smallholder agriculture in the region is therefore highly uncertain and contingent on many policy-related factors. On the roles of states, markets, and civil society, one participant summed it up as follows:

“It should be noted that whoever the actor is, the primary objective is to integrate smallholder farmers into markets, increase their incomes and reduce poverty, improve food and nutrition security, and promote sustainable use of natural resources in the region. So whether it is the state, markets, or the civil society, all actors must act synergistically and complementarily to help the smallholder undertake farming as a business.”

The studies presented at the conference confirm that there are no easy answers. For there would appear to be no “natural” processes at work moving smallholder agricultural production and trade toward paths featuring sustainable growth and poverty reduction. Such paths must be carved out of territory that is at once difficult, ambiguous, and devoid of reliable maps and guidelines. The studies make available a fresh body of information that should prove relevant and useful in efforts to develop and utilize such maps.

Emerging Areas for Research

Issues identified for further research fell into three broad categories: (1) the role and impact of research in food and agricultural policy processes; (2) policy and regulatory frameworks; and (3) options for financing and delivery of rural services (e.g., research, extension, and credit).

On the role and impact of research in food and agricultural policy processes, the following questions were posed:

1. How can interaction and mutual understanding among researchers, policy makers, and policy implementers be promoted?
2. How can the strategic relevance and policy impact of research be increased?
3. How can research be integrated into the development process?

On policy and regulatory frameworks, the following questions were put forward:

1. At what stage should policy reforms be reviewed, adjusted or abandoned?
2. When do you declare a policy a success or failure?
3. What are indicators of policy success and failure?

On options for financing and delivery of rural services, the following questions were thrown up:

1. What can smallholder systems bear? Which options work in the Eastern African context? What are the appropriate institutional arrangements? Are there transferable blueprints and best practices?
2. Given the nature of smallholder agriculture, which public-private funding and delivery combinations work, where, and why,? At what stage should non-public actors enter, in what magnitudes, in which areas?

Annex: Paper and posters presented during the conference

The following papers were presented in plenary:

- Agricultural Productivity Constraints in Uganda: Implications for Investment, *Godfrey Bahigwa, Economic Policy Research Center*
- The Effects of Liberalizing Trade on Kenya's Economy with Special Focus on Agriculture and its Implications for Poverty Reduction Efforts: A General Equilibrium Analysis, *Stephen Karingi, United Nations Economic Commission for Africa*
- The Critical Triangle Relationship between the Diversity of Wetlands Utilization, the Enhancement of Agricultural Productivity and Food Security in Uganda, *Beatrice Okello, Uganda Ministry of Agriculture, Animal Industries, and Fisheries*
- The Role of Infrastructure and Government Policies in Determining the Efficiency of Kenya's Maize Marketing System in the Post-Liberalization Era, *Joseph Karugia, African Economic Research Consortium*
- Collective Action in Canal Irrigation Systems Management: The Case of Doho Rice Scheme in Uganda, *Dick Sserunkuuma, Makerere University*
- Effects of Land Tenure on Agricultural Productivity, and the Environment, A Case Study of Suba and Laikipia Districts, *Paul Obunde, Kenya Ministry of Agriculture*
- The Influence of Social Capital on Sustainable Agriculture in Marginal Areas in Kenya: A Case Study of Machakos and Taita-Taveta Districts, *Samuel Mwakubo, Egerton University*
- Is Failure to Enforce Management Regulations Really the Cause of the Decline of Chambo Fishery? A Policy Agenda, *Emmanuel Kaunda, Bunda College of Agriculture, Malawi*
- The Performance of Grain Marketing in Ethiopia: The Case of Addis Ababa Central Market, *Tadele Ferede, Addis Ababa University*
- Animal Health Service Delivery Systems in Kenya's Marginal Areas Under Market Liberalization: A Case for Community-Based Animal Health Workers, *Lawrence Mugunieri, Kenya Trypanosomosis Research Institute*
- Post-Harvest Grain Management Practices and Food Security in Ethiopia: Farmers' Perception of Risk, Post-Harvest Management Choices and its Impacts on Household Food Security, *Gabriel Hundie Abebe, Ethiopia Civil Service College*
- Rural Service Provision and Agricultural Productivity in Ethiopia, *Gezahegn Ayele, Ethiopian Development Research Institute*
- Rural Service Provision and Agricultural Productivity in Uganda, *Marios Obwona, Economic Policy Research Center*

The following were presented as posters:

- The Impact of Rice Production on Food Security and Women in Uganda, *Theodora Hyuha, Makerere University*
- Rural Household Transitory Food Insecurity: Bridging Inter-Seasonal Food Gaps in Kenya's Arid and Semi-Arid Lands, *Milu Muyanga, Egerton University Tegemeo Institute*

- Assessing Micro-Finance Services in Agricultural Sector Development: A Case Study of Semi-Formal Financial Institutions in Tanzania, *Dennis Rweyemamu, Economic and Social Research Foundation*
- Institutional Arrangements for Provision of Market Infrastructure Resources in Uganda's Horticultural Industry: Implications for Female and Male Farmers and Exporters with Limited Resources, *May Sengendo, Makerere University*
- Analysis of Gender Roles in Livestock Production for Smallholder Crop/Livestock Farming Systems in Malawi, *Fanny C. Chilera, Bunda College of Agriculture*
- The Effects of Social Capital on Food Security in Kisarawe District. Coast Region, Tanzania, *Jeremia Makindara, Sokoine University of Agriculture*
- Business Skills and the Entrepreneurial Success of Rural Women in Commercial Agriculture: The Case of Mukono, Mpigi, and Wakiso Districts, Uganda, *Warren Byabashaija, Makerere University Business School*
- Malnutrition in the Face of Plenty: An Assessment of the Factors Responsible for the High Levels of Childhood Malnutrition in the Western Region of Uganda: The Case of Bushenyi District, *Joyce Kikafunda, Makerere University*
- Demystifying Urban Agriculture: Status Analysis and Policy Implications for Urban Livelihood and Food Security, The Case Of Addis Ababa City, Ethiopia, *Solomon Fisseha, Ethiopian Civil Service College*