

Empowering Smallholder Farmers in Markets

“Farmers organizations and researchers in a strategic partnership”

Update 2011

EDITORIAL

Strengthening smallholder farming begins by creating an enabling policy

By Jack Wilkinson, Chair of the ESFIM Steering Committee

Smallholder farming is a crucial economic activity in developing countries. It is widely recognized that strengthening smallholder farmers activity is a key driver to reduce poverty, ensure food security and enhance economic development.

With that said, smallholders are still too vulnerable to shocks which include price and weather fluctuations; the risk of entering new markets for many is an overwhelming challenge. The impact of climate change and increasing market volatility will make agriculture even more exposed to these risks in the

future, hampering much-needed investments.

Agricultural policies and poverty reduction strategies clearly need to be more focussed. They won't work without an explicit inclusion of the support for smallholders, to get them into local and international markets

Why ESFIM? The Empowering Smallholder Farmers in Markets programme is a remarkable example of action to generate a demand-driven research supportive to the policy activities undertaken by farmers' organizations. To remove impediments that prevent subsistence farmers from becoming small scale commercial farmers and that restrict farmer groups in developing into viable and dynamic enterprises is a major focus of this programme. (...)

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ESFIM and the challenges of “Making markets work for the poor”

by Giel Ton, ESFIM Research Leader

The “Making Markets Work for the Poor” (M4P) initiative supported by the UK Department for International Development and the Swiss Agency for Development and Cooperation focuses on the sustainability of service provision in markets. Its approach emphasizes that subsidies, preferential policies and special treatments to certain value chain actors are part of the ‘conventional’ (=‘bad’) tradition and it highlights the importance of ‘commercially viable’ service providers that manage to survive in competition. On the policy side, the M4P approach tends towards privatization and liberalization of markets. It supports the opening up of factor markets, making them more competitive, more agile and more efficient. They do this with the intention: to make the market more pro-poor and more inclusive.



In ESFIM, we take a different stance. We do not aspire to have a ‘grand design’ for markets. We analyze real markets, real efforts and real frustrations of our partners - organized farmers. We want to help them (...)

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UGANDA

Fireplace conversations with farmers' groups and households to discuss effectiveness of advisory services

In 2001, the National Agricultural Advisory Services (NAADS) programme was established. Although large sums of money have been pumped into this programme, its impact on farmers is still wanting. Therefore, the Uganda National Farmers Federation (UNFFE), a body of farmers in alliance with both horizontal and vertical partners decided to conduct an action research programme supported by ESFIM to audit the performance of the NAADS programme in order to investigate its effectiveness in relation to farmers in Uganda. The research also focuses on the institutional and legal set-up as key foundations of NAADS delivery.



The study involves a number of stakeholders not only farmers and farmers' organizations but also the NAADS secretariat officials, relevant ministries, other development partners, and the media. It is also linked to a policy working group which include credit institutions, companies, and training and knowledge institutions promoting farmer entrepreneurship in developing countries.

Field ‘fireplace conversations’ with farmer groups and individual farmer households will be conducted. On February 11, 2011 as a kick off to this study, UNFFE conducted a dialogue with stakeholders at the national level to seek their views, opinions and inputs of what they think the NAADS programme should focus on, what the action research should look out for, and what can be done to make the NAADS programme a better programme for farmers in Uganda. ●

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www.unffe.org and www.naads.or.ug



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(...) to grasp the problem and design pro-active proposals to resolve key obstacles in the market system. Our analysis, carried out with farmers' organizations, indicates that they need the provision of services and the enabling institutions put in place in a coordinated manner including links to financial services, logistic infrastructure and market access opportunities.

This coordination can only result from collective action, joint negotiations with buyers, explanation of quality requirements to members and lobbying government and financial institutions. This collective action can take different forms; be it within one organization, like the coffee exporting cooperatives in Peru; in new partnerships between buyers and sellers in contract farming arrangements; in hybrid organizations or partnerships; or by active government policy with sector policies or commodity specific development plans.

"Our analysis shows the fragility of collective action. Farmer organizations need to have the resources to travel, to meet, to discuss, to analyze, to write ideas down...."

As membership organizations they need the resources to resolve problems of leadership change, and create a dynamic and appropriate organizational structures and governance that gives both vision and mission, and generates a long-term advocacy agenda. Most economic farmer organizations need the market to gain a margin that they can use to cover their core organizational expenses. Often they have to create a niche market where they can get this premium.

The Making Markets Work for the Poor, may work contrary to the efforts of farmers' organizations in their attempts to create a protective niche that enables the farmers organizations to cost these expenses. ESFIM explicitly teams up with existing farmers' organizations. It wants to help them improve and strengthen their institutional capacities in



"PROVOCATIVE SEMINAR" PARTICIPATION

On 28th of September 2010, the ESFIM programme was presented in an introductory statement to the event organised by the International Institute for Environment and Development (IIED), HIVOS (Netherlands) and LEI-WUR "Producers agency and the agenda to make markets work for the poor".

advocacy and chain coordination. It supports with research the initiatives of farmers' organizations to create or protect their market niches including for example preferential government procurement policies, Fair Trade, collective marketing and identity branding. ●

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www.mmw4p.org

www.iied.org/sustainable-markets



KENYA

Importance of private sector involvement for sustainability of government interventions in grain input and output markets: study by Kenyan farmers reveals

In an effort to increase food production to ensure food security, the Government of Kenya launched the National Accelerated Agricultural Inputs Access Programme (NAAIAP). The Programme targeted smallholder farmers and included the delivery of farm inputs at subsidised prices to the farmers. The package delivered to the farmers consisted of maize seed, fertilizers and pesticides. The total value of the package ranged between the equivalent of US\$72 (Kenya Shillings 5,600) and US\$100 (Kenya Shillings 7,500), depending on the region in Kenya. A subsidiary of the Kenya National Federation of Agricultural Producers (KENFAP) – KENFAP Services Ltd (KSL) – was appointed through open competition as

distributor, delivering the package to target farmers through its rural network of farm input shops. KENFAP is the umbrella farmers' organization in Kenya with membership of over 1.8 million family farmers, predominantly smallholder farmers. One year after the launch of NAAIAP, KENFAP carried out a study to review the impact of the programme. This study was undertaken as part of the ESFIM Programme. A sample of 350 respondents drawn from 34,140 farmers who benefited from the package were interviewed. Preliminary results from the study indicate that government subsidies on fertilizer and certified seeds helped reduce the cost of production for ben-

eficiaries. However, other important production costs were unaffected and remained very high, for instance, cost of land preparation, planting and weeding. Post-harvest costs such as the cost of transporting grains to the market and compliance with quality standards in the formal markets as well as local taxes continued to rise or, at best, remained constant.

The overall impact of the subsidies on farmers' production cost was rather marginal.

The study further reveals that interventions in input markets trigger need for more private sector involvement and sub sector players to improve output markets.



WHAT CONSTRAINTS FACE KENYAN FARMERS TODAY?

"Smallholder farmers in Kenya often have limited access to affordable or appropriately packaged inputs, lack access to appropriate commodity storage facilities and are therefore compelled to sell primary commodities which are highly perishable. Other constraints faced by Kenyan farmers include poor market infrastructure, which often imply that the environment in which they operate is considered far too risky by financial intermediaries and other private providers of credit and other business services. They are also vulnerable to risks and uncertainty associated with the climate as well as to high levels of price volatility"

Edward Kateiye, Policy Advisor KENFAP

ESFIM supports farmers' contribution to the establishment of an Agricultural Commodity Exchange System

The Filipino agro-food situation is rather singular in the East-Asian region, with a persistent high deficit for the major staple crops and rice in particular. Mainly, there are two causes: agro-climatic hazards such as typhoons and droughts, but also evident inefficiencies in the food staple markets. ESFIM activities assisted stakeholders in discussing and sharing their views on how these market constraints affect their business and which action could be taken to address it. A consensus has been established on the mutual benefit that an effective Agricultural

"...An Agricultural Commodity Exchange System (ACES) to support farmers, directly or indirectly, to attain better income opportunities by providing market information updates, promoting more efficient system of post-harvest, processing and marketing, and educating farmers in the workings of the market thus, preparing them for the realities of global competition..."
National Food Authority of the Philippines

Commodity Exchange System (ACES) could bring by improving coordination among market participants scattered across the archipelago, including the position of smallholders and their marketing organizations. A preliminary version of the ACES has been established by the National Food Authority (NFA), the state agency undertaking food security and price stabilization functions for major staples, for the corn sector. This will initially be tested in a few provinces. This pilot phase will be monitored by a multi-stakeholder platform where issues related to the ACES integration into current marketing practices will be extensively discussed. This platform includes farmers' organization, traders and agro-food companies as well as officials from the NFA and the Department of Agriculture. The on-going efforts and contribution of the various parties involved in the establishment of the ACES, in spite of a changing institutional environment associated by the changes in the government administration after the election, is an evidence of stakeholders' commitment to the project.

WHAT ARE THE EXPECTED RESULTS OF THE ESFIM ACTION IN THE PHILIPPINES?



"At present, most smallholders have no choice but to sell their harvest to local traders and accept the prices offered to them. The ACES frees them from this system and will give them more options on where and to whom to sell their products. In the same way, corn users will have a wider variety of sources for their input requirements. Even local traders can take advantage of the system. The ACES will enhance transparency and competition in the market which will result in better efficiencies which can benefit the farmers in terms of better prices. Farmers Organizations will have direct involvement in the technical discussion on the ACES implementation and may adapt the system as much as possible to the needs of smallholder farmers."
Raul Montemayor
Federation of Free Farmers Cooperatives of the Philippines

A task group has been put in place to improve and adapt the design of the system, develop an operating manual, and start the initial training and advocacy activities.

ESFIM activities supports the involvement of farmers' organizations in this development process in order to incorporate institutional arrangements that will ensure that the ACES benefits smallholders.

These activities include the establishment of a monitoring and evaluation system targeting the impact of the ACES on smallholders corn producers' position in corn markets.

STAKEHOLDER WORKSHOP

The emerging conclusions of the KENFAP study are to be validated during a Stakeholder Workshop in Nairobi on March 15, 2011. The outcome will provide the evidence basis for policy advocacy by KENFAP, and other farmers' organizations as well as representatives of the private sector in Kenya.



Edward Kateiye, (KENFAP) speaking at the Global Conference on Agricultural Research for Development (GCARD 2010) during the parallel session on "Improving partnerships"

Many of the beneficiaries reported significant increase in grain output. However, they did not report commensurate increase in household income. This is attributed to inefficiencies in the grain marketing system in Kenya, as in many other African countries, which makes it difficult for farmers to optimize gains from sale of staple grains.

Due to lack of efficient on-farm storage facilities as well as acute household liquidity constraints, most Kenyan smallholder farmers are compelled to sell during the harvest season, often below production cost. In part

to address this problem and also stabilize grain prices the Government of Kenya continues to offer a minimum guaranteed price for maize, which farmers can obtain if they sell to the state-owned National Cereal Produce Board (NCPB). However, most farmers report delays in payment when they sell to NCPB, leaving them no option but to sell to traders offering very low prices in particular during the harvest season. Consequently, the potential gains from increase in output and lower production cost is lost to farmers as a result of marketing problems.

Efforts to promote sustained increase in grain output through improving access to affordable inputs need to be complemented by policies and investments to enhance the efficiency of the grain marketing system. ●

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A baseline survey will be implemented to provide benchmark information and indicators on how the system reaches poor farmers and to generate ideas for improving its empowerment capacities. ESFIM resources will also be mobilized for developing training tools for enhancing farmers' and small scale rural traders' capacities to benefit from the ACES. Pilot training will be conducted in the provinces where the system is currently tested. ●

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(...) ESFIM offers considerable added value to other projects on smallholder access to market. It has a prime focus on the strategies of farmers and farmers' organisations with an "insider" vision on markets and policies.

The ESFIM objective is not only to link farmers to the market but to make this profitable for the producers.

The time is ripe to make farmers and their organizations the focus of agricultural devel-

opment and make them a crucial partner in the "research for development" agenda. The farmer focus approach is the only one that will work. ESFIM is a collaborative effort; it follows and supports broad consultation process of farmers' organizations with its members and with other stakeholders.

The ESFIM Programme is opening a new way of utilizing research as it is based on smallholder farmers' leadership and collaboration. Farmers' organizations



participating in ESFIM have now made huge progress, developing important partnerships, and reinforcing a "farmer-led participatory policy formulation process" at national level. ●

PERU

Lucila Quintana Acuña: "With CONVEAGRO we're going to promote associativity"



Lucila Quintana, coffee producer and leader of the National Coffee Board, was elected president of the Convención Nacional del Agro Peruano (CONVEAGRO, National Convention of Peruvian Agriculture) for 2010-2012. She said she's going to work primarily to strengthen unions

Former President of Latin America Regional Committee of the International Federation of Agricultural Producers (IFAP), Lucila Quintana of JNC became the new president of CONVEAGRO

and insist on constructive dialogue with Central and Regional Governments as well as with business associations with the aim of promoting small and medium scale producers. In the ESFIM workshops preceding the CONVEAGRO Assembly, several unions were present and agreed on a common agenda for policies in favour of the associative sector. Lucila was also the president of the Latin America regional committee of the International Federation of Agricultural Producers - an organization of farmers worldwide. ●

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COUNTRIES INVOLVED IN THE ESFIM PROGRAMME

- Benin
- Costa Rica
- India (Andhra Pradesh)
- Kenya
- Madagascar
- Malawi
- Peru
- Philippines
- South Africa
- Uganda
- Uruguay



Main Partners in the ESFIM PROGRAMME

- IFAD – International Fund for Agricultural Development
- Dutch Ministry of Economy, Agriculture and Innovation
- AGRICORD – Alliance of Agri-agencies
- CTA – Technical Centre for Agricultural and Rural Cooperation ACP-EU

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