

# Smallholder Farming and Achieving Our Development Goals

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## Overview

A thriving smallholder farm sector can be an engine for rural development that is more equitable, sustainable, and productive than one based on a large-scale farm model.

Currently, the world's 500 million smallholder farmers, farmers who manage less than 10 hectares of land, produce as much as 80 percent of the food consumed in Africa and Asia.<sup>1</sup> Despite this, smallholder farming is often seen as a source of rural poverty and food insecurity, rather than a solution to those same challenges. As the world looks for ways to improve food security, too often smallholders are seen as the weak link in the food supply chain.<sup>2</sup>

Though counter-intuitive, a large body of research demonstrates that smallholder farms in developing countries can generally be more effective than large-scale farms in helping governments and donors achieve their poverty alleviation, food security, and many other development goals.

Growing global demand for agricultural products for food, fuel, and fodder, together with uninformed conventional wisdom that large farms are more "modern" and productive (as measured by agricultural output per acre) than small farms are creating policy pressure to consolidate small landholdings and convert "unused," "unproductive," or "underproductive" land into large-scale farms.

With the expressed goal of improving food security, addressing poverty, and improving rural economies, an increasing number of countries around the world, from Angola to Cambodia, have adopted policies and practices to replace smallholder farms with

mechanized, large-scale farms in the belief that large-scale farming is more "modern" and productive.

A number of factors need to be considered when assessing the benefits of smallholder farming. This issue brief will address those factors and suggest steps to help ensure that smallholders can increase their agricultural production and thereby assist countries in achieving food security, poverty reduction, and rural economic development goals.

## Agricultural productivity

The notion that large-scale farms are always or even often more productive than smallholder farms has proved to be an enduring myth that continues to guide agricultural policy in significant parts of the developing world.

In fact, studies from around the world focused on the relationship between farm size and agricultural productivity have repeatedly shown that, in general, small farms are more productive than large farms. The relationship, has been dubbed the "inverse-productivity hypothesis."<sup>3</sup>

For smallholders in most settings, farm size is not the greatest limit to their productive potential. Instead, their most damaging constraints include a lack of access to and use of new agricultural technologies (e.g. improved seeds and fertilizers), lack of credit, limited access to markets, and most importantly – land tenure insecurity.

Despite these challenges to the smallholder model, with the right support from national governments smallholder farmers *can* – in a wide range of settings – substantially increase their agricultural productivity.

Wiggins outlines three critical components of government support for smallholder agriculture to ensure sustainable and highly productive operations: (1) A favorable investment climate for farming, in which farmers can buy inputs, access credit and sell their produce easily; (2) adequate investment in public goods that support smallholder agriculture, specifically agricultural extension services, rural roads, education, and irrigation and power supplies; and (3) effective institutions to allocate and protect property rights.<sup>4</sup>

This third component of government support for smallholder agriculture, secure property rights, is critical to incentivizing smallholders to make productivity-enhancing investments in the land.<sup>5</sup> This is true from China to Rwanda.

With secure rights to the land on which they rely, smallholder farmers are also more likely to qualify for credit, which can facilitate important productivity-enhancing investments, such as improved irrigation.<sup>6</sup>

### Employment

In countries where labor is relatively cheap, smallholder farms employ a high percentage of rural, unskilled agricultural laborers. As a result, overall growth in smallholder agriculture can have a significant impact on reducing poverty within this sector.<sup>7</sup>

With incentives for enhancing productivity, such as improved access to markets and credit and recognition of land rights, smallholder farmers can also increase the labor-intensity of their operations (already far greater from that generally found on large farms), helping to drive rural employment and economic growth.<sup>8</sup>

This is not to say that large farms have no place in national development strategies. In the US, some of Europe, and elsewhere, where rural labor is expensive relative to machinery and land is expansive, large mechanized farms can make more sense. As the costs of rural labor rises in any setting and as labor gradually moves out of agriculture to pursue better opportunities in other sectors, the size of farms should gradually grow as those leaving agriculture rent or sell their land to those remaining.

However, this should be a natural and gradual process on an economically level playing field rather than one in which government policies favor large-

scale farms and discriminate against small farms. When large-scale mechanized farming replaces more labor-intensive small-scale methods very quickly, it can create large pools of unemployed and, often, displaced workers. In most cases, especially in Africa and China, large commercial farms are indeed displacing smallholder farms, and too frequently in a coercive, involuntary manner rather than voluntary transfers through the market. Research by the International Land Commission and the Land Matrix, and a number of case studies on large-scale land investments demonstrate that so far, smallholder farmers have almost always lost their land where these large-scale land investments come into areas where smallholder farming is prominent.<sup>9 10 11</sup>

If the developing world's urban centers were experiencing labor shortages, those displaced could find alternative means of supporting their families and farmland consolidation might be one element of a successful rural-to-urban transition. But such urban labor shortage is a rare occurrence and rapid and unplanned urbanization tends to feed urban slums where there is a lack of basic services, such as water, sanitation, and durable housing; a high incidence of disease and mortality; underemployment; crime and violence; and a chronic threat of eviction. What's more, the challenges in slums can threaten peace, security, and social stability in the broader environment.<sup>12 13</sup> History has shown that rural to urban migration is far more successful if rural laborers are gradually pulled to the city by the promise of better employment, rather than pushed to the cities by desperation.<sup>14</sup>

### Women's Economic Empowerment

Worldwide, it has been estimated that women comprise 43 percent of the agricultural labor. In Africa, 80 percent of the smallholder farmers are women.<sup>15</sup> According to recent reports by the All China Women's Federation,<sup>16</sup> women comprise 65 percent of agricultural labor.

In this context, support for smallholder farmers – when women's rights to the land they farm are protected – can be part of a larger strategy to economically empower the most disadvantaged women in the world – rural women in the developing world. The Swedish International Development Cooperation Agency (SIDA) has noted that “Women's access to land and property is central to women's economic empowerment, as land can serve as a base for food production and income generation....

Agricultural production and food security also increase when women are granted tenure security”.<sup>17</sup>

Providing women small holder farmers with rights to the land they farm acts to give them a gateway to enjoying a host of other basic human rights. Women report reduced domestic violence and improved ability to ensure that household resources are being used, first and foremost, to address the needs of their children, when they have secure rights to land.

The current shift from smallholder farmers towards large farms poses another challenge for women. In the competition for employment on large mechanized farms, whether for low-level wage labor or top managerial jobs, women generally lose. Hampered by cultural restrictions on their movement outside the household, lower literacy rates, and responsibilities for taking care of children within the home, women are less likely to gain employment on large farms. And when women do secure jobs on these large farms, they “encounter lower wages, worse working conditions, and difficulties negotiating”.<sup>18</sup>

What’s more, the increased demand for land posed by large-scale farming often threatens women’s access to land first and foremost. The tighter the land market, the more likely women are to encounter reduced opportunities to access land and feed their families.<sup>19</sup>

### Poverty reduction

Lastly, according to the World Bank’s 2008 Development Report, growth in agriculture is at least twice as effective in reducing poverty as growth in other sectors.<sup>20</sup> Agricultural growth reduces poverty both directly, by raising farm incomes, and indirectly, through its positive impact on all other sectors of the economy.

Even modest rates of growth in the agricultural sector have a considerable multiplier effect, increasing rural incomes, creating consumer demand, and boosting growth in the larger economy. The 2010 Montpellier Panel report *Africa and Europe: Partnerships for Agricultural Development* dubbed this the “virtuous circle of agricultural development.”<sup>21</sup>

Some of the most compelling evidence of the poverty reduction potential of smallholder farmers comes from the Green Revolution in Asia. Over a period of three decades Asia “experienced unprecedented economic growth and structural transformation. Poverty declined

from 50% in the 1970s to 18% in 2004, while hunger declined from 30% to 16% over the same period”.<sup>22</sup> These gains were driven largely by providing smallholders with access to improved seeds and fertilizer and by incentivizing decollectivized Chinese farmers through smaller farm sizes and stronger land rights. Similar gains in productivity and economic development were seen in Taiwan, South Korea, Japan, and Vietnam when farm tenants received ownership to the land they farmed as part of war-time and post-war land reform efforts.<sup>23</sup>

Given that most of the world’s poorest people live in rural areas and depend on the land to survive, there is growing agreement that supporting, not displacing, their work is vital to meeting the 2015 Millennium Development Goals and any post 2015 framework goals, particularly the goal on poverty.<sup>24</sup>

While farms are likely to grow in both size and efficiency over time – with adjustment to changing factors of production, as the opportunity cost of labor increases and that of capital declines – this should be a natural process that supports broad-based rural economic development and a more stable rate of urbanization.

### How to support small holder farming:

The fundamental importance of agriculture, and particularly of smallholder farmers, should be reflected in the policies, programs, and spending of both donors and developing countries.

#### *Boost Legal and Secure Land Rights*

One of the most fundamental challenges faced by smallholder farmers around the world is insecure land tenure. The vast majority of the world’s poorest people have no secure legal control over the land on which they depend.

Those smallholders who lack secure rights to their land cannot access institutional credit and lack the long-term security needed to justify making labor or finance-intensive land-based investments to increase agricultural productivity. Without secure rights, they cannot become engines for economic development, food security, nor can they tap or produce some of the benefits outlined above.

Smallholders’ rights to both communally held and individually held land need to be protected in law and in practice. Securing legal rights to land for smallholders and communities who use it can take a

number of different forms, and doesn't always require costly individual titling efforts. Whether land rights are made secure at the community, household or individual level, however, it is of utmost importance that women's legal rights to land are also established and protected.

### *Combat the supermarket effect*

Existing production and marketing infrastructure favoring large mechanized farms makes such farms artificially appear more efficient and more reliable.<sup>25</sup> By creating policies aimed at overcoming the frequent bias toward large-scale producers, governments can help to create a level playing field for small-scale producers.<sup>26</sup>

For example, governments can support infrastructure policies that help smallholder farmers establish producer organizations to store, process, and market their output, and thereby prevent harvest losses arising from improper storage.<sup>27</sup> De Schutter notes the importance of institutional innovations to increase smallholders' economies of scale where opportunities for such scale do exist.<sup>28</sup> These might include developing rental markets for agricultural machinery, or establishing farmer cooperatives to encourage farmers to collaborate to build small processing facilities, package, or sell crops. These institutional innovations can help smallholders receive larger returns on their agricultural production.

### *Technology*

Green revolution technologies and new seed varieties can boost production no matter the plot size. But smallholder farmers frequently do not have access to these new tools. When smallholder farmers have secure control over the land they farm, they will more likely invest in such technologies where they are made available.<sup>29 30 31</sup>

### *Support for women smallholders*

Affirmative action for women smallholders is a wise investment because, as the World Bank Gender in Agriculture Source Book 2009 recognized, "[r]ights to land and natural resources increase a woman's bargaining power within the household, which results in increased allocation of household resources to children and women as well as increased household welfare".<sup>32</sup> Moreover, improving women's land rights boosts agricultural production.

Governments need to go beyond gender blind policies that support small farmers. Existing gender inequalities can make those ineffective. Women smallholders need to be specifically targeted.<sup>33</sup>

### **Conclusion**

Smallholder farms can be more effective than large mechanized farms in helping governments of most developing countries reach their development goals. By boosting the productivity of smallholders, governments and donors can increase food production and rural employment; reduce rural poverty through the commercialization of subsistence agriculture; and more effectively empower women. With secure rights to their land, access to markets, and credit and technology, smallholders can drive the growth of rural economies throughout the developing world.

### **About Landesa**

Founded as the Rural Development Institute, Landesa has partnered with governments on reforms that have provided secure land rights to more than 100 million families since 1967. When families have secure rights to land, they can invest in their land to sustainably increase their harvests and reap the benefits – improved nutrition, health, and education – for generations.

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