

# **The Future of Small Farms**

**Research Workshop—June, 26–29, 2005**

**Withersdane Conference Centre, Wye, UK**

**Organized by**

**International Food Policy Research Institute (IFPRI/2020 Vision Initiative)**

**Overseas Development Institute (ODI)**

**Imperial College, London**

**Concept Note - January 2005**

## **Background: The small farm controversy**

Agricultural and food markets have, in the past 20 years, dramatically changed to become more integrated, globalized, and consumer driven. Small farms provide the largest source of employment and small businesses among the world's poor, but their roles vary greatly in different regional contexts and stages of development. Small farmers face the challenge of integration and competitiveness in this new environment, while at the same time they are constrained by a drastic reduction in the public provision of basic services as a result of recent policy reforms, market liberalization programs, and fiscal and governance problems.

In Asia and Latin America, these changes are leading to rapid commercialization of farming, but in much of Africa they result in uncertainty and agricultural stagnation. In this context, it is easy to conclude that commercial farming and high-value crops should be the focus of investment for agricultural growth. Yet, this argument misses the numerous examples of successful small farm development around the world and the potential that pro-poor agricultural growth strategies have to slash poverty and hunger.

The question of the future viability of small farms is the subject of an academic and political debate that has gained particular attention lately because many donors and countries have expressed a renewed commitment to the role of agricultural development for growth and poverty reduction. The debate also brings forward the fundamental question of the role of agriculture and its contribution to economic development. Is agriculture the engine of growth? If so, should a pro-poor agricultural growth strategy rely on small farms? How can small farm development contribute to growth and poverty reduction in many of the poorest developing countries?

There is, therefore, a need to better understand the changing context of small farms in view of the recent and often contending research findings on this topic and to highlight, in particular, the differences across countries, regions, and stages of economic development.

## **Rationale and objectives of the workshop**

The future of smallholder farming is an important area of research at the International Food Policy Research Institute (IFPRI) and its partner institutions in the UK: the Overseas Development Institute (ODI) and Imperial College, London. Following a meeting in London in October 2004 of these three institutions, the need was identified for a research workshop focusing on the future of small farms. The workshop would bring together leading experts to review the available evidence by issue and region to:

- delineate and clarify the debate and controversial aspects of it (in the countries and in the literature),
- synthesize areas of agreement and disagreement,
- identify whether remaining controversies and disagreements are a result of knowledge gaps (where further research will be needed) or of other factors (lack of political will or capacity), and
- make research recommendations readily available to a broad range of stakeholders.

The three sponsoring institutions have decided to gather the momentum provided by a number of important British and international events in 2005 to provide analytical substance to the policy discussions. The following events are likely to affect the international policy agenda regarding agricultural development, in particular for Africa:

- G8 and the EU meetings chaired by the UK: The G8 has already expressed its commitment to African agricultural development, and the UK has demonstrated its willingness to retain Africa high on both agendas.
- Millennium Development Goals progress review: The UN will review progress toward the 2015 target to achieve the UN's Millennium Development Goals (MDGs). Africa will be considered off track in meeting the goals.
- Department for International Development's (DFID's) Agricultural Strategy: DFID has been preparing a new strategy document to guide its policy and investment in agricultural development, "New Directions for Agriculture in Reducing Poverty". Following a broad-based consultation, the document is now being finalized. While the document aims at guiding a new policy approach to unlock the potential of agriculture, DFID will be looking at ways to implement this new strategy. (See <http://dfid-agriculture-consultation.nri.org/>)
- Africa Commission: The Commission for Africa was launched by Prime Minister Tony Blair in 2004 to generate effective and innovative action for Africa. Natural resources, agriculture, food security, and environmental management are seen as key to growth and poverty reduction in Africa and are, therefore, recognized as important themes for the commission's work. The commission will also review the contributions made to the DFID Consultation on "New Directions for Agriculture in Reducing Poverty", in particular where reference is made to Africa.

The workshop will take place in June 2005, a date strategically placed between the meetings of the Africa Commission (May 2005) and the G8 (July 2005).

From an IFPRI perspective, there is a need to follow up on the 2020 Africa Conference held in Kampala, Uganda, in April 2004, where the future of small farms emerged as a priority issue.

The timing and focus of the workshop will also be of particular relevance to other development agencies that are in the process of rethinking or revising their agricultural strategies (e.g., the World Bank, U.S. Agency for International Development, and the Poverty Reduction Network (POVNET) group of the Organisation for Economic Co-operation and Development).

### **Scope of the workshop: key issues**

The workshop will be structured around seven issues. A full literature review was undertaken to inform the choice of issues, and a small roundtable discussion took place on December 17, 2004, in London to guide the final choices.

The workshop will address the following core question:

*What are the critical economic, institutional, technical, and policy constraints and opportunities facing smallholder farming in the context of global, regional, national, and local economic, political, and agro-ecological conditions in the early 21st century?*

Throughout the workshop, the discussions will attempt to highlight the findings from a regional perspective, recognizing that the opportunities and constraints facing small farms are very different in different regions (Asia, Latin America and the Caribbean, Africa, etc.).

Within the framework of this question, the issues and sub-issues that will be considered are as follows.

#### *1. The role of agriculture in pro-poor growth*

##### **(a) Agriculture and growth**

There is currently growing skepticism in some circles about the future role of agriculture in developing countries. Given declining world prices, the growing diversification of income sources among the poor, and stronger integration of rural and urban economies, there are serious questions about agriculture's potential contribution to growth and poverty reduction. Can agriculture still serve as a major engine of growth in poor countries in Africa, much as it did in Asia in earlier decades? If not, what are the other pathways to growth? These issues need to be addressed first in order to set the scene for any discussion of the future role of small farms.

##### **(b) Traditional versus higher-value agricultural products**

A related issue is which types of commodity or subsector investment offer the greatest promise for agricultural growth in poor countries: Should traditional (food staples) or nontraditional and high-value agricultural products (crops, livestock, fisheries) be at the core of an agricultural strategy? Can food staples still serve as an engine of broader

economic growth in an age of globalized markets and low and declining world prices? What is the specific role of livestock? How can nontraditional and high-value markets impact poverty in any significant way when they start from a small base and may involve relatively few small farms?

(c) Farm size

Finally, the “small size” controversy will be presented highlighting the question of the development process and pro-poor strategies: How can small farms exist and compete in today’s markets? How small can small farms be to remain viable? What happens to the poor as farm size expands and production is modernized or as farms shrink further due to population pressures? What kinds of arguments are provided by economies of scale and transaction costs analysis?

*2. Market opportunities: markets, trade, and competitiveness*

(a) Markets

What are the major characteristics of agricultural markets today? How do these vary between different areas and agricultural products? How important are export markets for the smallholder sector? What are the institutional arrangements that can link small-scale farmers to local, regional, and international markets? How do consumer preferences and diets drive market changes that affect producers in supply countries?

(b) New supply chains

How are supply chains shaped currently? Can small farms meet the requirements of modern markets? How can they be integrated into new, competitive supply chains? How important is supermarket retailing for smallholder agriculture?

(c) Intermediary institutions (producer organizations, contract farming arrangements)

How can intermediary institutions be developed in a way that allows them to preserve the smallholders’ cost advantages in production whilst providing the scale needed to market their produce effectively? Is there a strong correlation between the existence of such intermediaries and poverty reduction? What kind of new management and contracting systems can be designed and put in place so as to increase the efficiency of outgrower models by, in particular, favoring more trustful relationships? How replicable are successful models? What kind of framework can be drawn from case-studies based, in particular, on management, innovation, market linkages, and competitiveness?

(d) Commodities

Which commodities have the greatest growth opportunities for smallholders and in which markets are they? Should smallholders invest only in higher-value crops? How can they be competitive in commodities where access to expensive technology and market information has become necessary?

*3. Smallholder farming in difficult circumstances*

(a) Less-favored areas

What are the prospects for small farms in areas less favored, owing either to their remoteness, or their low potential in natural resources, or a combination of both? What investments are likely to yield good returns in such cases? What linkages can be put in place between remote and urban areas? What type of farming should be promoted in such areas?

(b) Demographic and health trends

What are the impacts of HIV/AIDS on agricultural and non-farm activities, on the workforce in general and on small farmer households in particular? How can these impacts be mitigated? How can we respond to the needs of a large female agricultural workforce, and of households headed by youths and orphaned children? What are the implications of the disease for agricultural development strategies and the role of small farms? What are the consequences of aging and/or decreasing farm population, urbanization, migration?

(c) Conflict and protracted relief

What can be done for and with small farmers in situations of conflict and of protracted relief? To what extent may well-intentioned relief programmes disrupt farming, for example agricultural markets, with food aid? How can a minimum package of public goods and services to support agriculture be provided in such circumstances? How can recovering states re-construct the agencies and institutions needed to support rural livelihoods with the scant resources they usually command?

*4. Employment, migration, and the nonfarm economy*

(a) Trends in rural employment

How important is employment in contributing to poverty reduction? What are the respective roles of farm and nonfarm employment in rural economies? What is the role of large farm versus small farm employment in poverty-reduction strategies? Which growth opportunities and employment alternatives exist in the rural nonfarm economy? What will be the consequences of the changes in demographic and social trends (such as urbanization and migration) and in agricultural modernization regarding employment, labor, and rural development, especially for smallholder farming?

(b) Rural non-farm economy

Does rural non-farm economy have the potential to contribute to poverty reduction? What are some of the critical dimensions of rural non-farm economy? What is the nature of growth linkages, if any, between rural non-farm economy and farm economy?

(c) Diversification

What kinds of growth opportunities are likely to exist outside of agriculture for small farmers? Is economic diversification driven by pauperization (“push factors”) or economic opportunities (“pull factors”)? Does poverty reduction mean that most of the rural poor must exit agriculture altogether? If so, by what processes and over what time scale will this occur?

*5. Productivity of small farms: technology and innovation*

(a) Technical progress

Will technical progress in small farm productivity be able to keep pace with changes in markets and trade relations? What kind of technical change adapted for small farms is or will be available regarding access to resources and inputs such as water, seeds, fertilizer, and pest management?

(b) Efficiency

Are small farms still the most efficient? What are the determinants of efficiency and competitiveness? What kind of technology can affect small farm efficiency and keep the farms competitive? What factors besides technology affect farmers' efficiency?

(c) Innovation systems

What types of research and development innovation are likely to benefit small-scale farmers (crop science)? What kind of information and management systems can help small-scale farmers manage their agriculture businesses? What types of management innovation can address the need for improvement of the outgrower models? How do small-scale farmers access and develop a culture of innovation and technology? What are the opportunities for rural education systems to facilitate innovation? What are the promising designs for extension to and training of small farmers?

*6. Services, institutions, intermediation: new directions*

(a) Service delivery

What kinds of institutions affect small farm efficiency and competitiveness in different agro-ecological contexts? Which institutions will be central to the delivery and management of financial services such as credit and equity sharing? What are promising designs for extension to and training of small farmers?

(b) Rural financial intermediation

How can rural financial intermediation, including credit, savings and insurance, be fostered? What services do small farms require? How can the market failures that impede such intermediation be overcome? Which institutions will be central to the delivery and management of financial services such as credit and equity sharing?

(c) Land tenure and distribution

How do land tenure systems affect small-scale farming efficiency? Which systems are most conducive to smallholder farming development? What kind of land reforms and land distribution mechanisms can be established to support poverty reduction strategies?

(d) Intermediary institutions (producer organizations, contract farming arrangements)

How can intermediary institutions be developed in a way that allows them to preserve the smallholders' cost advantages in production whilst providing the scale needed to market their produce effectively? Is there a strong correlation between the existence of such intermediaries and poverty reduction? What kind of new management and contracting

systems can be designed and put in place so as to increase the efficiency of outgrower models by, in particular, favoring more trustful relationships? How replicable are successful models? What kind of framework can be drawn from case-studies based, in particular, on management, innovation, market linkages, and competitiveness?

### *7. Policies and politics for smallholder agriculture*

#### (a) The role of the public sector

What critical public goods are needed for smallholder farming to flourish? Should more public investments be targeted to the problems of small farms, or should they be more neutral with respect to the creation of growth opportunities in rural areas? Should public resources be directly passed on to smallholders through transfer programs, or should they be provided in the form of public goods that enhance growth opportunities? Is there a case for subsidies and state-sponsored food price stabilization?

#### (b) Governance and decentralization

In a context of decentralization and lesser involvement of the state in the provision of services to small-scale farmers, which institutions are likely to take over these activities?

#### (c) The role of the private sector and civil society

What should be the respective roles and synergies between the public and the private sector in this changing economic and political environment? What roles should farmer organizations, private companies, and ministries of agriculture play in servicing smallholder farming development? Which mechanisms or institutions can support a better collaboration between these different sectors?

#### (d) The architecture of public sector action

How can policy, that supports agriculture in general and small-scale farming in particular, be designed and implemented in line with current initiatives to harmonize public spending with donor funds (as seen in Poverty Reduction Strategy Papers (PRSP), Medium-Term Expenditure Frameworks (MTEF), and the like)? If, as has been suggested, such plans tend to emphasize health, education and infrastructure, while giving to little attention to productive activities, how can this be remedied? How can the image of agriculture as being difficult for governments and donors be countered? Are there innovative and feasible ways to reconcile smallholder development strategies with the evolving frameworks for public spending and aid disbursement?

### **Structure of the workshop**

The workshop will be jointly organized by the International Food Policy Research Institute (IFPRI), through its 2020 Vision Initiative and in close collaboration with the Development Strategy and Governance Division, the Overseas Development Institute (ODI), and Imperial College, London. It will be a residential workshop, and the agenda will provide for three full days of presentations and discussion on the selected key

issues.<sup>1</sup> It will take place from June 26 to 29 at the Imperial College Withersdane Conference Centre at Wye, Kent, England.<sup>2</sup>

On the evening prior to the workshop (Sunday, June 26), participants will be welcomed with an inaugural dinner, during which a background paper will be presented illustrating the rationale and context of the workshop, setting the stage for the issues to be discussed, and highlighting the context and emerging trends of small farms.

The first two and a half days of the workshop will be dedicated to each of the seven issues identified above. At the end of the second day, the participants will attend a dinner, during which three to four speakers will informally reflect on the issues addressed so far and highlight the topics that they perceive to be new and important.

The final session on the third day will be dedicated to synthesizing the main arguments and areas of agreement and disagreement developed during the three days of discussions and drawing policy recommendations. A panel of experts will be asked to work as a team in drawing this synthesis together, ensuring that it captures the flow of discussions and opinions that unfolded during the workshop.

The workshop will have a strong research orientation. It is targeted at 35–50 researchers and practitioners who are experts in their field. A key objective will be to obtain a detailed overview of the main debate taking place in the academic world around the issue of small farms. The workshop will be designed to juxtapose issues and views. In some cases, for instance, two presenters with opposing views will be asked to present on an issue, with a reviewer/discussant attempting to identify common ground and reasons for disagreement.

Each issue session will be broken down into

- one or two presentations by speakers (20–30 minutes each),
- comments from one or two designated discussants, and
- a plenary discussion.

The workshop participants will include

- 12–14 authors writing and presenting technical evidence-based papers as well as the background paper for the inaugural dinner,
- 12–14 discussants presenting their insights after the presentations,
- 10 chairpersons animating the discussions,
- 3–4 after-dinner presenters on day 2 highlighting important issues, and
- 3–4 synthesizers presenting a synthesis of the workshop.

Participants will be selected primarily on the basis of their expertise and contributions to the small farm debate. A reasonable balance will be sought between developed and developing country nationals.

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<sup>1</sup> For a detailed description of the workshop program see **ANNEX 1: Draft workshop program**.

<sup>2</sup> <http://www.imperial.ac.uk/wyecampus/>.

## **Steering committee**

A steering committee is being formed to plan and manage the workshop and will comprise representatives from the three organizing institutions. The composition is as follows:

Peter Hazell  
International Food Policy Research Institute  
Development Strategy and Governance Division

Rajul Pandya-Lorch  
International Food Policy Research Institute  
2020 Vision Initiative

Steve Wiggins  
Overseas Development Institute  
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Colin Poulton  
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## **Expected outputs**

1. Synthesis paper  
The paper will provide a review of discussions, agreements, and recommendations for policy-makers, as well as knowledge gaps and priorities for future research. It will be prepared by a team of authors, who are different from those who provide synthesis comments toward the end of the workshop. The synthesis will provide the basis for several outreach events to follow the workshop, including press releases and perhaps an article on the future of small farms in *The Economist* or major newspaper.
2. Policy statement  
A two-page brief based on the synthesis will highlight the main points of agreement, the final messages of the workshop, and the main policy recommendations. Again, this will be used for follow-up activities and press briefings.
3. Discussion paper with the workshop proceedings  
The collection of papers presented during the workshop will be compiled as a 2020 Discussion Paper, also available on IFPRI's website.
4. Journal articles based on workshop papers

Selected papers will be published as a special issue in an academic journal.<sup>3</sup>

5. Policy seminar(s)

The three organizing institutions will take the lead in organizing follow-up policy seminars with partners to present the results of the discussions and the draft synthesis to important stakeholder groups. It is expected that half-day to one-day seminars will take place in Africa, in the UK (London), and in the United States (Washington D.C.), and possibly in South Asia, and in Latin America later.

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<sup>3</sup> Food Policy and the Journal of Development Economics (JDE) have been envisioned.

## Time frame

December 17, 2004	First meeting of the steering committee
January 2005	Finalization of the concept note Finalization of the draft program Preparation of terms of reference for resource persons Identification of authors and participants
February 2005	Second meeting of the steering committee Invitations to all participants
March–June 2005	Communication activities
May 2005	Deadline for paper submission
June 2005	Workshop
July 2005	Preparation of synthesis paper and policy statement
July–October 2005	Preparation of workshop proceedings and journal articles
Fall–Winter 2005	Policy seminars and other follow-up activities

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## ANNEX 1: Draft workshop program<sup>4</sup>

DAY 0 SUNDAY	DAY 1 MONDAY
<p><b>INAUGURAL DINNER</b></p> <p>Presentation of background paper</p>	<p><b>Session 1: THE ROLE OF AGRICULTURE IN PRO-POOR GROWTH</b></p> <p><b>Session 2: MARKET OPPORTUNITIES: MARKETS, TRADE, AND COMPETITIVENESS</b></p> <p><b>Session 3: SMALLHOLDER FARMING IN DIFFICULT CIRCUMSTANCES</b></p>
DAY 2 TUESDAY	DAY 3 WEDNESDAY
<p><b>Session 4: EMPLOYMENT, MIGRATION, AND THE NONFARM ECONOMY</b></p> <p><b>Session 5: PRODUCTIVITY OF SMALL FARMS: TECHNOLOGY AND INNOVATION</b></p> <p><b>Session 6: SERVICES, INSTITUTIONS, INTERMEDIATION: NEW DIRECTIONS</b></p>	<p><b>Session 7: POLICY AND POLITICS FOR SMALLHOLDER AGRICULTURE</b></p>
<p><b>DINNER HIGHLIGHTS</b></p>	<p><b>SYNTHESIS AND CLOSING REMARKS</b></p>

<sup>4</sup> Please note that the program and session titles are tentative.