

# Session I: Towards a Better Understanding of Emerging Concerns

*smallholder, resource poor*

**Linking markets to farmers?**

**or**

**Linking farmers to markets**

**What comes first - the hen or the egg?**

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# Small Holder Issues in Asia



- **Globalization:** Highly competitive markets; “butterfly effects.”
- **Urbanization:** Rural migration; labor loss; “rural graying.”
- **Commercialization:** Production-market shift; profit-focus; greater external resource demands; decreasing small farm profitability.
- **Mechanization:** Greater efficiency demands; higher cost-benefit requirements.

# Small holder Issues in Asia



- **Consolidation:** Farm sizes increasing – small farms disappearing.
- **Fragmentation:** Urban/Peri-Urban expansion; increasing land prices - small farms disappearing.
- **Corporatization:** Unable to compete with the “big boys” – small farms disappearing.
- **Consumerization:** “White goods-Black goods” culture - Western Economic Model.

# The Western Economic Model

- China now consumes more than the US in grain and meat(x2), oil and coal and steel (x2).
- If China's economy continues to expand at 8% pa, its income/person will reach the current US level in 2031.
- If China's per capita resource consumption were the same as US today, its projected 1.45 billion people would consume 2/3 of the current world grain harvest and paper consumption would double the current world's current production.
- If China has 3 cars/4 persons (US ratio) it will have 1.1 billion cars (currently world 800m). To provide roads, highways and parking lots – require a paved area equal to the land it now plants to rice. It would need 99m barrels of oil a day (current world oil consumption is 84 m barrels/day).
- Current fossil-fueled, auto-centered, throw-away Western economy, is not going to work for China. In 2031, it is projected that India will have 1.6 b people – it is not going to work for India. Nor will it work for the rest of Asia.

**How is this going to affect small holder farmers and their linkages with the market?**

# The Real Differences

## SMALL HOLDERS

- Risk-averse.
- Limited internal resources.
- Poor access to external resources.
- “Shock”-sensitive – low threshold.
- Poor or non-existent business skills.

## AGRI-BUSINESSMEN

- Risk-takers.
- Adequate internal resources.
- Able to access external resources.
- Shock-proof - buffer systems in place.
- Proven survival business skills.

# The Real Differences

## SMALL HOLDERS

- **Inaccessible markets.**
- **Independent decision-makers – household.**
- **Planning flexibility limited to < 1 week.**
- **Reluctant to cooperate.**
- **Input supply, land tenure, food security.**

## AGRI-BUSINESSMEN

- **On their doorstep.**
- **Corporate decision-making.**
- **Extended planning time 6 – 12 months.**
- **Require cooperation and organization.**

**The major differences between small-holder farmers & agribusinessmen is access to resources, either “physical” (land, labor & money) or “knowledge” (information and skills),**

Let's take a quick look at information flows to small-holder farmers.

# **Where do small farmers in Asia get their information from?**

- 1. Neighbors, friends and relatives.**
- 2. Interest groups within the community.**
- 3. Local traders - input suppliers and buyers.**
- 4. The private sector or agri-businesses.**
- 5. Government organizations.**
- 6. Non-government organizations.**

**How much of the information  
received by small farmers is  
provided directly by Government  
and Non-Government  
Organizations?**

**Less than 7%**

**“Government agencies are now beginning to recognize that their role in “message identification & delivery” has not been up to expectations & that this role is rapidly changing, due to reduced public spending. A functional shift is gradually occurring towards a more facilitation, coordination & catalytic role.”**

**The fundamental issue facing small farmers is:**

**“Who will identify and deliver the “appropriate” messages required for them to compete in this rapidly changing, commercial, global, and high-risk agricultural environment?”**

# Problems, Pitfalls & Principles

- ◆ **Historical linkage with agribusiness - different modalities and messages required.**
- ◆ **Small farmer entrepreneurs – a rarity, requiring careful selection & training.**
- ◆ **Small farmer resistance – “wait and see” attitude.**
- ◆ **Local organization maturity – effectiveness, efficiency & expansion. Leadership, task accomplishment and fiscal management.**

# Problems, Pitfalls & Principles

- ◆ **Catalytic role of ISOs - organizational, technical, pump-priming, networking & access to reliable credit.**
- ◆ **ISO capacity – project identification, proposal preparation, implementation & M&E. Community action planning – an excellent entry point if managed and analyzed correctly.**

# Problems, Pitfalls & Principles

- ◆ **Message identification & delivery – appropriate, simple, practical, easy to understand & above all, profitable!**
- ◆ **Input supply & product demand – careful analysis required.**
- ◆ **Failures in small farmer agri-businesses is generally due to social constraints, rather than technical!**
- ◆ **Niche marketing – critical strategy for local agro-enterprises.**

# Problems, Pitfalls & Principles

- ◆ Encouraging the private sector to assume the role of message identifier and deliverer is an important strategy Private sector product development process – tedious & time-consuming.
- ◆ A success in one location can be a failure in another – it is context-driven – replication of messages is sometimes inappropriate.
- ◆ Agri-business linkages to small farmers is not the panacea to poverty reduction – just another development tool.



**What comes first - the hen or the egg?**



Thank You