

CONNECTING SMALLHOLDERS TO MARKETS

These recommendations draw on the outcomes of the CFS High-Level Forum on Connecting Smallholders to Markets held in June 2015, are based on existing evidence and aim to encourage good policies and practices. The recommendations are intended to contribute to meeting the mandate of the Committee to strive for a world free from hunger where countries implement the Voluntary Guidelines for the Progressive Realization of the Right to Adequate Food in the Context of National Food Security. They complement but do not restate recommendations and relevant guidance previously provided in other CFS products¹.

Smallholders² play an essential role in ensuring food security and nutrition today and in the future, including in the increase in food production needed to meet future global demand. Smallholders are a heterogeneous group across countries and regions, supply 70% of overall food production, and yet at the same time many smallholders themselves still suffer from food insecurity and malnutrition. Smallholders engage in many interrelated markets, but also face challenges in securing market access and eliciting benefits to support healthy livelihoods. Governments have an essential role to play in addressing their specific constraints and maximizing potential for beneficial access to reliable and remunerative markets. This will support governments' efforts to advance the 2030 Agenda for Sustainable Development by providing benefits to the food security and nutrition of smallholders, and to achieving food security and nutrition for all.

Smallholders in a changing context: The economic, social, environmental and political landscape in which most smallholders are operating is changing faster than ever before. Climate change, demographic pressures and changes, urbanization, the increase in the prevalence of conflicts and internally displaced people and refugees, and higher incomes and changing diets present both challenges and opportunities for smallholders. Some of these changes may provide opportunities to access new or higher value markets, advance income diversification, and improve social, economic and environmental sustainability, but may also present significant challenges. Such challenges include financial risks, inequitable

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¹ Such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT), the Principles for Responsible Agricultural Investment in Agriculture and Food Systems (RAI), the Framework for Action for Food Security and Nutrition in Protracted Crises and the HLPE Report and the resulting agreed policy recommendations on Investing in Smallholder Agriculture for Food Security and Nutrition.

² Smallholders, including those that are family farmers – women and men – include those that are small-scale producers and processors, pastoralists, artisans, fishers, community closely dependant on forests, indigenous peoples and agricultural workers.

terms, physical access to markets, and access to and sustainable use of land and other natural resources. Others also arise due to high transaction costs and risks facing many smallholders, particularly women, in accessing fast-growing urban markets. These are caused, among others, by poor infrastructure and market information systems, inefficient input and service markets, and weak institutions and regulatory frameworks. Facing these challenges and opportunities, public policies and investments play a significant role in creating an enabling environment for smallholders.

Local, national, and regional markets and food systems: Globally more than 80% of smallholders operate in local and domestic food markets. These highly diverse markets, in which most of the food consumed in the world transits³, can range from local to transboundary to regional and may be located in rural, peri-urban or urban contexts or span these contexts, and are directly linked to local, national, and/or regional food systems. This means that the food concerned is produced, processed, and traded within these systems. These value adding processes can help to create employment and contribute to local, social and economic development, when the benefits of value addition circulate within the local, national and regional systems. They can take place in structured arrangements or in more ad-hoc or informal ways which provide greater flexibility for smallholders and fewer barriers to entry. They perform multiple functions beyond commodity exchange, acting as a space for social interaction and exchange of knowledge. Despite their importance, these markets are often overlooked in data collection systems, which impacts negatively on the evidence base for informing public policies.

Gender: Women comprise an average of 43 percent of the agricultural labour force in developing countries. Should women farmers have the same access to productive resources as men they could increase yields on their farm by 20-30 percent and undernourishment could decline by 12-17 percent.⁴ Women smallholders frequently have less opportunities in accessing markets, as a result of several specific constraints. Addressing these is therefore essential to ensure equitable access to markets for smallholders, as well as to maximise the key role that women already play in food security and nutrition. Constraints for women smallholders in accessing markets emerge, amongst others, as a result of time constraints, the frequent concentration of women's labour on subsistence production, disproportionate responsibility for unpaid work, unequal access to and benefit from: productive assets, technology, finance, education and relevant services, and having limited influence over decision making on economic matters in the household and community. Effective actions recognize the need to promote the respect, protection, and fulfilment of human rights including the progressive realization of the right to adequate food in the context of national food security for gender equality and women's empowerment.

Youth: Agriculture and food systems can present an important sector for youth who are exploring income and employment opportunities in both rural and urban areas. Young smallholders can face constraints in accessing markets as a result of lack of financial resources, opportunities, skills, and capacities. Investing in smallholder agriculture and market infrastructure is key to provide successful examples and viable livelihoods for all future generations.

³ D'Odorico, P., Carr, J.; Laio, F.; Ridolfi, L.; Vandoni, S.2014. Feeding humanity through global food trade, *Earth's Future*, 2, 458-469

⁴ FAO. 2011. *The State of Food and Agriculture, Women in Agriculture: closing the gender gap*. FAO, Rome.

International markets: Smallholders are also operating in, or may like to engage with export markets, which present particular opportunities and challenges for them. They can provide the potential for higher value and engagement with actors who can facilitate access to financial resources, capacity building and training for smallholders as part of their investment along the value chain. Smallholders may also face challenges such as meeting internationally agreed standards and other requirements related to food safety and quality. Smallholders can be vulnerable to disadvantageous contracts or unfair conditions and practices in these markets. Training and capacity development on market functions, literacy and numeracy can facilitate and better prepare smallholders for markets. International markets can have impacts on smallholders' food security and nutrition which can be better understood through data collection and analysis.

Nutrition: Smallholders are both buyers and suppliers of food and are vulnerable to malnutrition due to a variety of reasons. The development of diversified production systems can improve smallholders' capacity to participate in markets while improving their nutritional status. Smallholders provide food that contributes to healthy, diverse, and balanced diets in a sustainable manner and they can play an important role in maintaining the connection between consumers and the source of food production. When market access is not matched with appropriate pre and post-harvest handling, storage and transportation facilities, there may be food loss and quality issues that may affect the nutritional quality of food.

Institutional procurement: Institutional procurement programmes are a useful tool to link producers to structured demand for agricultural products which can help smallholders to plan and diversify production and provide a more predictable income, including a way to support livelihoods in situations of crisis, conflict, and natural disasters. They need to be well-targeted, properly coordinated, and have transparent and participatory procedures for smallholders and their organizations. Lack of predictable demand and payment, or complexity and rigidity in procedures can create difficulties for smallholders. Including local stakeholders in the design and implementation of public procurement programs can help to address context specific needs of smallholder producers and local consumers', and to deliver social, environmental, and economic benefits. By involving smallholders in the development of institutional procurement contracting arrangements, there is further scope to ensure they meet their needs.

RECOMMENDATIONS

The following recommendations aim to address the key challenges and opportunities for improving smallholder access to markets outlined above. They are primarily addressed to governments for public policies, but many of the recommended actions can be undertaken and advocated by other stakeholders. The recommendations are voluntary and non-binding and should be interpreted and applied in accordance with national legal systems and their institutions.

1. Collect comprehensive data on markets linked to local, national and/or regional food systems – both rural and urban, formal and informal – to improve the evidence base for policies, including age, gender, and geographic-disaggregated data, incorporate this as a regular aspect of data collection systems, and make this information available to smallholders⁵;
2. Promote a more enabling market environment for smallholders, that provides fair and transparent prices that adequately remunerate smallholders' work and investments;
3. Support affordable mechanisms for smallholders' access to useful, timely and transparent market and price information through Information and Communication Technologies, and smallholders-adapted market information systems, to enable informed decision making on what, when and where to produce and sell;
4. Promote and expand opportunities, including implementing institutional procurement programs for public institutions, food assistance and school feeding where smallholders are linked to structured demand for food and agricultural products and where consumers can access sufficient, safe, healthy, nutritious, and diverse smallholder produced food, including during all cases of protracted crises and conflicts;
5. Improve procurement procedures through the promotion of inclusive agreements with adapted modalities, which include simplified language, waiving of performance bonds, fast, regular and advance payments and manageable quantities and timeframes;
6. Establish policy and institutional arrangements, including innovative partnerships, related to value chains' functioning that empower smallholders, particularly women and youth, and their organizations, to have an effective and equitable role in the design and implementation of contractual arrangements;
7. Promote institutional innovation and improve agricultural production systems. Enhance the degree of organization of smallholders to better enable them to integrate into the food value chains and increase the income;
8. Promote inclusive participation in local food systems by encouraging relevant authorities' engagement with all interested actors, including smallholders' organizations, consumers and producers, especially women and youth;

⁵ FAO's Smallholders Dataportrait is one example that could be built upon

9. Invest in and improve processing and storage equipment and facilities and their availability and accessibility across rural and urban areas to enhance availability, quality, nutritional value and food safety, and reduce seasonality of food insecurity and food losses and waste;
10. Improve access to inclusive financial systems, adapted to the needs of smallholders, which provide a wide range of services and innovative financial products, microfinance, special lines of credit, start-up capital, and insurance;
11. Develop or improve smallholder-targeted infrastructure, such as irrigation, small-scale centers for processing and packaging; and infrastructure that links rural areas with urban areas and relevant markets, such as feeder roads, and market places for direct sales; and improve access to energy;
12. Recognize the environmental, social, and economic value of food produced, and acknowledge the key role smallholders provide in the sustainable use and management of natural resources;
13. Promote integrated and balanced approaches between policies and broader national strategies, including gender targeted interventions, such as those on local economic development and rural-urban planning, to facilitate their support of markets linked to local, national, and regional food systems;
14. Promote smallholder products with specific quality characteristics which increase income and can respond to consumer demand while preserving traditional practices and knowledge, and agricultural biodiversity;
15. Facilitate production diversification to increase resilience to climate change, natural disasters and price shocks, to enable more diverse food consumption and reduce seasonal food and income fluctuations;
16. Invest in capacity building, research and smallholder adapted innovative technologies, and technology transfer, to promote value addition, diversification of production, employment, and income sources, that help insure against food price volatility and mitigate the impacts of risks and shocks in agricultural income;
17. Encourage production of nutritious and healthy foods that may present new market opportunities for smallholders;
18. Promote short food supply chains that enable smallholders to obtain a better income from their production;
19. Empower smallholders, especially women and youth, by strengthening their access to and control over productive assets and resources, income and employment opportunities, and by facilitating the provision of extension, financial, and business development services, risk management instruments and simplified administrative procedures, which are tailored to their specific needs;

20. Promote rigorous protection of food safety through effective risk assessment leading to control systems that are appropriate for different scales, contexts and modes of production and marketing, while providing information and capacity building to meet these requirements;
21. Target education and training, particularly to youth, with a focus on mentorship to enrich smallholders' practices and knowledge, entrepreneurship, innovation, and marketing in value chains and agribusiness, and make agriculture more attractive to them;
22. Support the development of production, managerial, and entrepreneurial capacities of smallholders, their organizations and Small and Medium Enterprises, with special attention to women and youth;
23. Promote South-South and Triangular Cooperation, as well as strengthening North-South Cooperation, to improve smallholders' productivity and capacity to engage in all markets, in accordance with the Addis Ababa Action Agenda of the Third International Conference on Financing for Development;
24. Facilitate smallholders' capacity to increase their bargaining power and control over their economic environment, and participation in food value chains by acting collectively and forming cooperatives, associations and networks, and other organizations, and fostering the participation and equal decision-making power of traditionally underrepresented groups, such as women and youth;

FOLLOW-UP

1. All CFS stakeholders are encouraged to advocate, including within FAO, IFAD, and WFP and other UN agencies' governing bodies, build awareness through dissemination, promote broad uptake, and facilitate learning, action, and experience sharing through the use of the recommendations;
2. Stakeholders are invited to facilitate follow-up by mapping, assessing and promoting exchange of experience in some key areas, such as methodologies for data collection on local, national, regional and international markets and food systems; food safety; and public procurement programmes.

POLICY RECOMMENDATIONS

CFS is the foremost inclusive international and intergovernmental platform for all stakeholders to work together in a coordinated way to ensure food security and nutrition for all. CFS endorses policy recommendations on a wide range of food security and nutrition topics.

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