Regional Initiative: Empowering Smallholders and Family Farms for Improved Rural Livelihoods and Poverty Reduction - country report of Armenia

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Weight and role of smallholders and family farms in Armenia

Since 2007, no formal definition neither for smallholders nor family farms exists in Armenia.

- 99.9% of all farms are led by natural persons and are considered as family farms
- More than 97% of gross agricultural output
- Considerable share in GDP (17%, 2015), exports (29%, 2015) and in employment (35%, 2015)
- Value chain participation by FF is spontaneous
- Share of ag. employment in rural areas >65%
- Informal employment in agriculture is around 99%

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Categorization of family farms by size

<table>
<thead>
<tr>
<th>Area (ha)</th>
<th>Number of farms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1</td>
<td>206,270</td>
<td>59.6</td>
</tr>
<tr>
<td>1.0-2.9</td>
<td>101,095</td>
<td>29.2</td>
</tr>
<tr>
<td>3.0-4.9</td>
<td>22,295</td>
<td>6.4</td>
</tr>
<tr>
<td>5 and more</td>
<td>16,214</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>345,875</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

- In most cases family farms are also smallholder farms – according to Census (2014) 88.8% of household farms are less than 3 ha
- Agricultural lands managed by FF are highly fragmented (33% are in 6 and more plots) with the average of 1.48 ha

Conclusions (1)

Restricting constraints
- Low productivity
- Impact of climate change
- Quality of inputs
- Absence of Ag. insurance
- Price volatility

Unfulfilled needs
- Stable incomes and profitability of farming
- Availability of non-agricultural employment in rural areas (off-farm jobs ≈ 32%)

Development challenges
- Unattractiveness of agriculture
- Limited investments in Ag.
- Land abandonment
- Migration
- Poverty
- Ageing rural population
Conclusions (2)

**Low productivity** – around 20% of GDP, 35% of employed population

- Prevalence of *small and fragmented family farms*, with average plot around 0.41 ha and with 1/3 of lands of FF in more than 6 plots
- Low level of *access to knowledge, technology, and practical consulting* – the link between farmer’s challenges and research is vague – the R&D expenditures are low – 4% of total expenditure on science (2005-2015), in 2015 – USD310,000
- Low level of access to *mechanization* – on-time availability of ag. machinery, 95% expired term of use, power over SH
- Access and reliability of *irrigation water* – WUAs don’t function well. Limited participation of water-users in governance of WUAs – power over SHFF
- Low quality of *land resources* – soil erosion vulnerability in almost all types of land, desertification and degradation features in around 80% of lands

Conclusions (3)

**Climate change**

- Colder winters and warmer summers; increased frequency and intensity of hazardous hydro-meteorological phenomena – limited investment in resilient agricultural practices – severe impact of climate change for SHs

**Quality of inputs**

- Not functioning mechanisms of ensuring quality of imported and sold inputs – quality was a problem even in case of Gov distributed ones

**Agricultural insurance**

- Higher interest rates and collateral requirements for ag loans; increased vulnerability for SHFF; lower investment attractiveness

**Price volatility**

- Impact of climatic hazards, inability of farmers to make correct decisions based on market trends
Conclusions (4)

- Low level of Government spending on agriculture
  - actual spending from state budget on agriculture, including forestry and irrigation for 2015 was USD 71,784,605 – around USD197 per farm (1.5% of Budget in 2015)

- Non-efficient and negligent local governance
  - adequate and timely information dissemination
  - support for local development and alleviation of socio-economic burdens, as well as timely response to the problems of the village is very important

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Recommendations (1)

- Five main recommendations were identified:
  - Regulatory framework formation
  - Effective water management
  - Mechanisms for enhanced productivity
  - Regional specialization
  - Insurance

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Recommendations (2)

Regulatory framework formation and enhancement focused on:
– definition, responsibilities and rights of agricultural producers, including a definition of smallholders and family farms (size)
– set of support mechanisms that each of the defined set of producers will be entitled to

_New framework should ensure zero (or compensated) transaction costs for households involved in agriculture_

Effective water management
• Construction of water reservoirs to collect the flow
• Improve the performance of WUAs by increasing the power of water-users
– Involvement of water-users in irrigation water subsidization scheme

Recommendations (3)

Mechanisms for enhanced productivity
– Promotion of farm consolidation and bigger farm structures
– Financing of agriculture related scientific research directed to alleviation of existing farming constraints
– Improved mechanisms for knowledge and technology transfer (TV programmes, demonstration farms by scientific centres, extension service)

Regional specialization
– Regional cost-effective specialization with complete set of tools and consulting should be offered to the farmers

Insurance
– Pilot projects including different agricultural sub-sectors should be tested in different marzes → quantitative and qualitative evaluations, subsidized insurance premiums during the introductory phase

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Thank you