

# HLPE consultation on the V0 draft of the Report: Investing in smallholder agriculture for food and nutrition security

## COMMENTS FROM THE UNITED STATES

This study promises to be a worthwhile update on what could and should still be done to address constraints to smallholder investment in agriculture, a topic continually revisited by the development community over many decades.

### 1. Definition and significance of Smallholder agriculture: is the approach in the report adequate?

**A tighter definition of smallholders is needed.** The definition of smallholders offered in the initial section of the paper (“run by a family that derives a substantial and indispensable part, or all, of its income and/or food from agriculture” and with a small resource base) is in essence a description of a family subsistence farm. This definition is vague and lacks criteria that could easily be verified from available cross-country data. The definition of smallholders will help to determine the scope of the paper, and thus needs to be carefully considered in the context of the issues to be addressed in the paper.

**The definition should take into account the focus on constraints to smallholder investments.** While it is very useful to consider smallholdings from the perspective of livelihood and family well-being, the size of the land holding from an agriculture perspective and from an investment perspective is one of the major characteristics that distinguish this subset of agriculture from others in terms of food security, livelihood and well-being. Even for livestock production the amount of land for forage or pasture is a critical factor. Other elements of the resource base, including access to water, roads, and infrastructure also could be important considerations for smallholder investments. The analysis of the constraints to investment in the paper should take into account the linkage between resource constraints, education, and poverty. It could consider, for example, whether there is a minimum threshold of natural resources, especially land and water, beyond which it is much more likely that a smallholding will provide an adequate livelihood or be a viable enterprise. An important consideration for investment decision-making is whether a smallholding has a base of essential natural and technical resources that will allow a reasonable return on investments made in other resources and assets.

**The definition should incorporate a vision of what a smallholding could be/should be after investments.** An insufficient resource base can limit a smallholder farm to subsistence. However, various smallholdings provide a decent living. The objective of more investments could be to move beyond subsistence and to a livelihood that produces more nutritious products, more purchasing power, and ultimately lifts the farmer above the poverty threshold..

2. Framework for smallholder agriculture and related investments: is the typology useful, adequate and accessible for the problem at hand?

**Analysis of the constraints to investment should be the priority for the report.** The typology could be useful, but should not lead to more effort being expended on categorizing smallholders than on analyzing the constraints to smallholder investment, especially since multiple method of categorization can overlap for one single farmer.

**The typology does not incorporate a dependency ratio – the ratio of family members to labor units in the household.** This has a bearing on the income or food necessary to meet basic needs and on how big “small” has to be in terms of providing adequate resources for a livelihood.

3. Constraints to smallholder investments: are the main constraints presented in the draft? Have important constraints been omitted?

**The constraints section is distorted by the initial focus on legal recognition and political influence.** Poverty, lack of access to resources, risks, and policy disincentives are important constraints to analyze. There are many reasons these constraints exist. Lack of legal recognition and political influence are not necessarily among the most important reasons nor are they universally applicable.

**Recommendations should be addressed separately from the constraints analysis.** Section 4.5 on the typology also includes a list of interventions to address the constraints. Potential interventions should be analyzed and discussed in this section without presuming that certain actions must be taken.

**The comprehensiveness of this document would be greatly improved by including a section devoted to this long-run solution to poverty among smallholder farmers and to national food and nutrition security.** The study should identify the parameters of potential income increases from smallholding versus other options.

**The paper plays down good governance and rule of law issues.** An environment that encourages investment in smallholder farmers is an important contribution that is essentially ignored in the paper. With regards to what the paper terms the “political dimension” the focus is mainly on state intervention to “emancipate neglected groups” rather than to creating a political and economic environment conducive to investment and to active participation of farmer cooperatives and civil society groups.

**Smallholder farming has been shown in many circumstances to be as or more productive than large, capital intensive farms in the conditions faced by many poor countries.** Studies from the early 1960s (initiated by Nobel laureate Amartya Sen in India) to the present (based on rigorous micro studies in Africa) demonstrate that in many or most conditions faced in poor countries, small farmers’ productivity is as high and often higher than large holdings. The implications and limitations of this productivity bonus for smallholder should be more thoroughly assessed in the paper.

## Recommendations and Policy Messages

**The recommendations need to be more concisely presented and linked to the analysis.**

**Recommending a process approach detracts from a needed focus on tackling the real constraints to smallholder investment.** Countries should decide for themselves how to prioritize constraints to smallholder investment within their own planning and investment frameworks. A national smallholder strategic framework is not necessarily the best approach for each country.

**The recommendations should recognize the changing role of smallholder farming during different stages of the development cycle.**

**In the short- and medium-term, smallholder farming in poor countries is an essential source of linkages, demand, and employment in sectors relying on agriculture – for example, processing, input supply, demand by small farmers for non-tradable services.** In such circumstances, large capital intensive farms will not generate many of these linkages and will therefore fail to generate employment and economic linkages with the non-agricultural jobs and services in rural areas and small towns that are crucial to development and growth. The very high elasticities of employment with respect to agricultural growth occur only in smallholder based agricultural growth because of these linkages.

**In the longer-term, the solution to smallholder poverty is to create conditions that allow labor to move out of agricultural production.** Following the normal course of successful economic development, as future generations leave farming, small farms will be consolidated into larger holdings from which remaining persons can earn larger incomes. As the rural labor supply moves into more productive and remunerative employment in off-farm rural and urban activities, this process will in turn increase demand for the products of those remaining behind on small farms. Future generations need to be better educated and trained to increase productivity to meet growing demand on the remaining farms and to be able to find better jobs off the small farms (due to faster non-farm employment generation).

**The focus on rights in the recommendations is unbalanced.** Some of the rights asserted, such as the “inalienable right to farm,” have neither an established foundation nor widespread acceptance.

**Many of the recommendations are too general and open to different interpretations.** The recommendation that “price stabilization is needed” is questionable. Price changes are an important market signal in well-functioning markets. Advocating land redistribution without discussing compensation is unacceptable. Advocating national and international market regulation is too vague. Markets are regulated; how they are regulated is critically important.

## Presentation of Issues

**The paper should not assume that smallholder farming is a preferred model of agricultural production.** The paper adequately demonstrates the prevalence and importance of smallholder farms. However, the purpose of the paper is to analyze the constraints to smallholder investment, not to advocate for the preservation of smallholder farms as a preferred model.

**The paper has an unacceptable bias against globalized markets, multinational firms, large farms and “the industrialized food system”.** Many unsubstantiated claims are made that detract from the credibility of the analysis. The paper advocates for state intervention in land tenure, markets and/or with corporations in cases where none is needed.

**More thorough analysis is needed of public intervention in markets.** The paper does address markets created by public procurement (e.g. Brazil’s national food purchase program PAA on page 55)—it would be good to know the “standards” for selling into such markets and more on their sustainability. In many other places the paper suggests public guarantees or public investment. Here it would be good to look carefully at whether these are helping small farmers to deal with/link to markets and opportunities or creating potentially expensive programs to support smallholders that are too inefficient to survive outside of this protected environment.

**More focus is needed on comparative strategies for linking smallholders to food value chains in national and regional markets.** The document in places appears to evaluate markets in terms of their ability to support smallholders and to suggest that large-scale investments in infrastructure and organization are needed to create the “right” kind of markets for smallholders to link to. This is an impractical approach. It would be more fruitful to develop ways to work more effectively with existing markets—as some of the later section of the paper does. It might also be helpful to look at the differences in requirements for standardization, quality and phytosanitary characteristics across different kinds of markets—e.g. the higher demands to sell to WFP or into regional or global markets. The paper should also look carefully at the assumption that smallholders can simply market whatever they have in surplus over subsistence consumption. This might work in some markets, but can be inappropriate in others.