

CFS RECOMMENDATIONS ON CONNECTING SMALLHOLDERS TO MARKETS

INTRODUCTION

1. Smallholders¹ 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. In order to meet the estimated 60 percent increase needed in food production to feed the projected population of over 9 billion in 2050, smallholders have an essential role to play. Addressing their specific constraints and maximizing their opportunities will support countries' 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. 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 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 do not restate recommendations and guidance previously provided in other CFS products².

2. Local food systems and markets: Globally more than 80% of smallholders operate in local and domestic food markets, with the majority trading through informal means. These markets operate within territorial spaces that can range from local to transboundary to regional and may be located in rural, peri-urban or urban contexts. 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 space for social interaction and exchange of knowledge. Despite their importance, informal markets are often overlooked in data collection systems which impacts negatively on the evidence base for informing public policies. As women smallholders mostly operate in informal markets, their essential contribution to food systems, including food distribution, and economic growth remains largely invisible in trade and development policy-making processes and they face particular barriers.

¹ 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.

² 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.

3. International markets: In addition to informal and local markets, many smallholders are engaged in export markets which present particular opportunities and challenges for them. They can provide the potential for higher value and engagement with corporate buyers who can facilitate access to financial resources, capacity building and training for smallholders as part of their investment along the value chain. Conversely, smallholders may also face challenges in meeting export market safety or sustainability standards and may be vulnerable to disadvantageous contracts or conditions from international off-takers. Women smallholders may be even more vulnerable and face additional constraints as a result of lower access to productive resources and/or inclusion in decision-making.
4. Nutrition: Smallholder households are both buyers and suppliers of food and are vulnerable to malnutrition due to a variety of reasons. These include limited income, partial reliance on own production which may not include a diverse range of foods, limited time available for adequate caring and feeding practices, and limited access to rural public goods, including health and educational services. Smallholders 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, together with lack of information and knowledge about standards, good practices and food safety, may affect the nutritional quality of food.
5. Institutional procurement: Institutional procurement programmes can link producers to structured demand for agricultural products which can help smallholders to plan production and provide a more predictable income, including for those in vulnerable situations due to conflict. But to be effective and avoid distorting effects, they need to be well-targeted, properly coordinated, have transparent procedures and consider the need for graduation strategies. Lack of predictable demand and payment, or complexity and rigidity in procedures can create barriers for smallholders who may find it difficult to meet institutional buyers' requirements.
6. Smallholders in transition: 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, higher incomes and changing diets, the growth of cities in rural areas and larger market towns present both challenges and opportunities for smallholders. These changes may provide opportunities to access new or higher value markets and income diversification, but may also present significant challenges in terms of access to and sustainable use of land and other natural resources.

RECOMMENDATIONS

7. 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 but many of the recommended actions can be undertaken and advocated by other stakeholders.

Promote information and functioning of relevant markets and improve linkages by:

- i. Collecting comprehensive data on local, domestic and informal – both rural and urban - markets linked to territories to improve the evidence base for policies, including sex-disaggregated data. FAO's Smallholders Dataportrait is one example that could be built on;
- ii. Encouraging transparent pricing of agricultural products and giving smallholders access to timely and affordable market information to enable them to make informed decisions on what, when and where to sell;
- iii. Identifying opportunities for smallholders to rely on regular and stable demand for agricultural products and for consumers to access locally produced food, including during crises and conflicts;
- iv. Improving procurement procedures through the promotion of off-take agreements with adapted modalities, which include simplified language, waiving of performance bonds, fast, regular and advance payments and manageable quantities and timeframes;
- v. Improving processing and storage facilities and their availability and accessibility across rural and urban areas to enhance quality, nutritional value and food safety, and reduce seasonality of food insecurity and post-harvest losses;
- vi. Encouraging partnerships that empower smallholders along the entire value chain, and provide an equitable role in their negotiation, design and implementation;
- vii. Promoting inclusive participation in local food systems by encouraging local authorities engagement with all interested actors, including consumers and producers;
- viii. Recognizing smallholders' key roles in providing and maintaining environmental resources in order to identify the true cost of food produced;
- ix. Promoting integrated and balanced approaches between policies dealing with smallholders' access to markets and broader national strategies, such as those on local economic development and rural-urban planning;
- x. Promoting products with specific quality characteristics which help local populations to preserve traditional food systems and improve diets;

Build smallholders capacity to engage in all markets, taking into consideration gender and age-specific capacity needs, by:

- xi. Supporting smallholder-sensitive finance and smallholder-targeted infrastructure, such as small-scale centers for processing and packaging, and market places for direct sales;
- xii. Empowering smallholders, especially women and young smallholders, 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;
- xiii. Facilitating production diversification to increase resilience to climate, natural disasters and price shocks, to enable more diverse food consumption and reduce seasonal food and income fluctuations;

- xiv. Investing in production technologies to increase smallholder productivity and promoting rural employment diversification that insures against food price volatility and mitigates the impact of risks and shocks in agricultural income;
- xv. Encouraging production of nutrient-dense food including fortified staples and complementary foods and livestock which improves the nutritional status of all consumers and may present new market opportunities for smallholders;
- xvi. Providing information and capacity building to smallholders about food standards, good practices, regulatory and markets' requirements to increase food safety and smallholders' market competitiveness, while ensuring that these requirements do not undermine their capacity to participate;
- xvii. Targeting education and training to young people, with a focus on entrepreneurship and innovation in value chains and agribusiness;
- xviii. Supporting the development of production and managerial capacities of smallholders, farmer organizations and Small and Medium Enterprises, with special attention to women and youth;
- xix. Facilitating smallholders' capacity to increase their economic influence and participation in food value chains by acting collectively and forming cooperatives, associations and networks, and promoting the engagement of traditionally underrepresented groups, such as women and young people.