

Project: Smallholders in Transition

1. Motivation and project outcomes

The recent food price surge revealed the vulnerability of smallholders not only to wide price shocks, but also to exploiting market opportunities and adjusting to a new market environment. More and more expert views suggest that the modern economic reality signifies deteriorating prospects for small-scale farmers. Access to markets which are shaped by rapidly evolving food supply chains and the emergence of supermarkets, new production technologies and climate change, all dictate economies of scale. Such conditions may erode any production efficiency advantages small-scale agriculture enjoys while, at the same time, favoring large farms.

Currently a spectrum of policies attempt to provide solutions to market failures. The development of value chains that integrate smallholders, public-private partnerships, the organization of small farmers into groups and cooperatives, infrastructure improvements and targeted input subsidies, all focus on loosening the constraints small-scale agriculture faces. These measures attempt to reduce transaction costs and help smallholders reach both domestic and global markets.

In spite of the widespread implementation of these measures by governments, international agencies and nongovernmental organizations, there remains a gap between policy practices and our understanding of how different smallholder classes will evolve in the longer term. For example, efforts to include small farmers in higher value chains through compliance programs and certification focus almost exclusively on exportable products, often excluding smallholders engaged in staple food value chains that form the majority of small-scale agriculture. Such measures also tend to benefit larger farmers who have the management skills and the education to engage in such complex operations and can afford certification costs.

Often, policy discussion does not address the heterogeneity that characterizes smallholders. This project focuses on unraveling this heterogeneity, assessing the strengths and weaknesses of small-scale agriculture in order to promote smallholder inclusion in markets and value chains. It is inevitable that some smallholders, especially those who lack productive assets and skills, may not be able to participate effectively in processes of market development even with appropriate support. This is an important aspect of the market integration process which is often overlooked by policy makers. Increases in market participation by some categories of small farmers can be associated with other categories choosing either to cease production of certain products, engage their labor resources off-own farm, or to migrate out of agriculture altogether.

The project therefore places smallholders in a dynamic context. Changes in the structure of the sector and the distribution of farm size along the development path can allow farmers to exploit economies of scale and to compete more effectively. In addition, an essential dimension that should be systematically mainstreamed in each step of policy processes in support of

smallholders is gender. Women's productive and economic potential can be hindered by deeply-rooted discriminations in access to resources and assets. Gender considerations will also highlight existing heterogeneity and inequality within the small-scale farming community

The Smallholders in Transition project is a collaborative effort including FAO Divisions ESA, EST, ESW and AGS and the University of Nairobi. This project focused on smallholder staple producer commercialization Kenya. The field work components were implemented July-December 2011.

The approach is multi-disciplinary and the team collectively investigated five key questions to inform policies facilitating smallholder staple producer transition. Reports are expected to be completed by October 2012.

KENYA Smallholder Staple Transition Investigation

Efficiency: Are smallholders both technically and economically efficient? What are the determinants of the respective efficiency measures?

Method: Analysis using 2004/05 Kenya Household Budget Survey.

Transition Preferences: What are the smallholders maize producers' attitudes toward their future in agriculture and commercialization?

Method: Analysis using data 500 household survey in Meru and Bungoma supported by focus groups.

Marketing Status: What are the determinants of smallholder maize producers' marketing (buying and selling) cycles and buyer preferences?

Method: Analysis using data 500 household survey in Meru and Bungoma supported by focus groups (July 2011)

Gaining Economies of Scale: What are the fundamental and critical elements that must be in place for effective collective smallholder maize marketing? Who should be facilitating this approach?

Method: Comparative case study of two collective smallholder maize marketing models: NGO-led and private-led.

The Next Generation: What are rural and urban youth attitudes toward working in staple agriculture?

Method: Case study using focus group data across Meru and Bungoma regions.

The overall project objective is to inform ***policy and approaches for small-scale agriculture that facilitate the integration of smallholders into markets, including the development of value chains and modern organizational structures, and their transition to higher development stages.***