

Informal Consultation for Europe and Central Asia 12-15 July 2021

Background Note

Session 2

Case study presentation: Challenges and Solutions for Smallholders and Family Farms in Armenia

Regional Priority 1: Formulating effective policies, promoting digital innovation and facilitating rural livelihoods, with emphasis on smallholders, women and youth

1. Introduction

Regional Priority 1 focuses on formulating effective policies, promoting digital innovation and facilitating rural livelihoods – with emphasis on smallholders, women and youth – in order to address the smallholder-dominated farm structures in the region and recognize their significant contribution to agriculture outputs. It also addresses the demands of the Sustainable Development Goal targets, particularly the targets within SDG 1, SDG 2, SDG 4, SDG 5, SDG 8 and SDG 10.

In 2018, the *Regional Initiative on Empowering smallholders, family farms and youth, facilitating rural livelihoods and poverty reduction (RI-1)* analysed in eight countries^{1,2} the needs, challenges and constraints for smallholders and family farms, and it reviewed existing policies in the focus countries. The Armenian report³ findings are relatively similar to those in the other countries in the region, and they give a good basis for discussion of the directions of the structured support to be provided by FAO to smallholders, family farms, rural women and youth in Europe and Central Asia.

2. Smallholders and family farms in Armenia

The report provides an analysis of the main needs and constraints faced by smallholders and small family farms in Armenia. It includes policy recommendations for the development of small farms, with focus also on the need for support for diversification of the rural economy, poverty reduction and increased rural livelihoods. The report has been used to further strengthen the programmatic approach of the work of FAO in the country (see examples below) and to catalyse cooperation and coordination within the country, and it has supported the Armenian government in prioritizing development areas in the agriculture and rural development sectors.

The Republic of Armenia has a farm structure dominated by a large number of small family farms and only a small number of large corporate farms. Currently in Armenia, there is no formal definition of “smallholder” or of “family farm,” but it is generally accepted that all household farms are family farms.

¹ FAO. 2020. *Smallholders and Family Farms in Europe and Central Asia. Regional Synthesis Report 2019*. Budapest. 166 pp. (also available at <http://www.fao.org/documents/card/en/c/ca9586en>)

² FAO. 2020. Smallholders and family farms in Europe and Central Asia series. In: *FAO Regional Office for Europe and Central Asia* [online]. Rome. [Cited 15 April 2021]. <http://www.fao.org/europe/resources/eastern-europe-and-central-asia-agro-industry-development-briefs/smallholdersandfamilyfarms/en/>

³ FAO. 2020. *Smallholders and Family Farms in Armenia. Country Study Report 2019*. Budapest. 178 pp. (also available at <http://www.fao.org/documents/card/en/c/ca9823en>)



At the same time, 89 percent of family farms are smaller than 3 ha. Agriculture is an important income source, providing employment to 35 percent (2015) of the employed population of Armenia (40 percent of the employed women).

With an average farm size of 1.48 ha and excessive land fragmentation – with, on average, each family farm having three land parcels – family farms produce over 97 percent of the country’s gross agricultural output, becoming a guarantee for food security not only at the household level but also at the national level. Family farms also contribute significantly to agrifood exports, which comprised 29 percent of all exports in 2015.

At the same time, vertical and horizontal integration through cooperatives, farmer groups or associations are not common, and the small scale of production and the low level of specialization hinder small family farms in forming durable links within value chains. Poverty in rural areas is high, and the income of more than 30 percent of the rural population was less than USD 87 per month in 2015. Moreover, in many rural communities there is a lack of access to or quality of basic social infrastructure, such as preschool facilities, primary schools, sewage systems, roads, healthcare facilities, and inter-community public transportation. Only around two-thirds of the rural households have members with internet access.

In general, agriculture-related national policies in Armenia reflect the needs, constraints and challenges of the agricultural sector and, to some extent, of smallholders and family farms. At the same time, effective implementation of government policies is threatened by the scarcity of financial resources provided to the sector, by the lack of transparent implementation mechanisms, and by the weak institutional and technical capacities of the national and regional public administration.

It has been revealed that the needs, challenges and constraints of Armenian smallholders and small family farms are largely intertwined with each other. In many cases, there is a circular connection among them, and it is difficult to assess which of them is the primary cause of the others. The sector’s primary *needs* include higher farming profitability; more rural non-agricultural jobs; and access to social services, improved rural infrastructure and livelihoods for women, men, youth and other vulnerable groups. These deficiencies have led to many *challenges* in rural areas, such as reduced involvement in farming; land abandonment (with around one-third of the arable agricultural land currently unutilized); rural poverty; the refusal of the young rural generation to work in agriculture and their subsequent outflow from villages; increased migration; decreased childbirth; ageing farmers; limited investments in agriculture and rural development; deterioration of quality of life in rural communities; and increasing gaps between livelihoods in rural and urban areas. In addition, all the mentioned challenges of small family farms are exacerbated by the impacts of climate change.

At the same time, the structural problems of the agricultural sector – such as small farm sizes, land fragmentation, lack of access to irrigation and on-time availability of agricultural machinery – exist side-by-side with other types of constraints, such as price volatility; non-functioning and weak farmers’ organizations; absence of agricultural insurance; lack of affordable agricultural loans; low absorption of innovation and digital solutions; lack of access to agricultural extension and advisory services; and the quality of inputs and soil. In practice, the combination of the mentioned challenges and constraints makes smallholders and small family farms, especially those headed by women or representatives of other vulnerable groups, incapable of independently changing their production and farming patterns towards more sustainable and efficient models. Without adequate and holistic policy measures, this, in turn, leads to the perpetuation of poverty and further migration – especially among rural youth, who are more open to digital innovation and can catalyse change in rural areas.

By balancing the three dimensions of sustainability, coherent and long-term policy measures are key for rural transformation and the integration of smallholders, youth and women in food systems. Based on the

analysis of the country study and taking into account the Sustainable Development Goals and the opportunities of the United Nations Decade of Family Farming 2019–2028,⁴ the following key policy recommendations have been formulated to support smallholders and family farms in Armenia:

- *formation and enhancement of the regulatory framework*, reflecting gender-based inequalities and covering the definition of different types of agricultural producers (including small family farms), mechanisms of financial and non-financial support for each type of farm, as well as the role of the state and its institutions in implementing relevant policy measures;
- *farm structure improvement and addressing land abandonment* through support to land market development and the introduction of land banking and land consolidation instruments focused on both ownership and use rights;
- *enhancement of extension services tailored to the needs of small farms* through the exploration of innovative solutions for knowledge and technology transfer, the establishment of demonstration sites, as well as through close cooperation with scientific institutions for bridging the gap between farmers' needs and research;
- *diversification of employment opportunities in rural areas* through foreign direct investments and/or the establishment of public-private partnerships in food and small-scale manufacturing industries, including targeting job creation for rural youth and by rural youth in tourism, hospitality and other service sectors and in agrifood value chains;
- *promotion of cooperative structures and cooperation among farmers and small and medium enterprises* through improved legislation;
- *gradual introduction of agricultural insurance* through pilot projects that allow for the testing of various options of insurance terms and insured events/products in different natural and climatic conditions of the country;
- *introduction of investment support mechanisms* specifically targeting small family farms, small-scale agri-processors, agricultural service providers and non-agricultural rural businesses, including tourism;
- *regional specialization* aiming to guide the decision-making of smallholders and small family farms towards adopting agricultural practices that best suit the given climatic and natural conditions and improve the use efficiency of natural production resources;
- *strengthening climate change mitigation and adaptation measures for small farms* through investments in improved water management and conservation technologies and renewable energy, and applied research on farming adaptation measures and the use of improved soil management practices; and
- *advancing rural women's economic empowerment* through ensuring non-discriminatory policy and programmatic frameworks, ensuring the availability of sex-disaggregated statistical data, and increasing the number of kindergartens in rural areas.

Since it was finalized, the study has catalysed enhanced cooperation for facilitating improved rural livelihoods, agriculture and rural development, with emphasis on small family farms. Some of the abovementioned policy recommendations already have been brought to life, and in line with government priorities, FAO will continue supporting smallholders, family farms and youth in Armenia. In particular, the policy side of agriculture development has been strengthened through the elaboration and adoption of the *Strategy of the Main Directions Ensuring Economic Development in Agricultural Sector of the Republic of Armenia for 2020–2030*. Through European Union (EU) financial support, investment support and diversification of employment opportunities is tested in two regions of Armenia through piloting the EU LEADER approach. Another important support provided by FAO with roots in the findings of the

⁴ **FAO**. 2021. Introducing the UN Decade of Family Farming. In: *United Nations Decade of Family Farming 2019-2028* [online]. Rome. [Cited 21 April 2021]. <http://www.fao.org/family-farming-decade/home/en/>



smallholder study is the establishment of land management instruments and an institutional framework to address land abandonment and improve farm structures. The recent initiative supported by FAO is the development of a new strategy on the establishment of cooperatives.

3. Guiding questions for discussion related to Regional Priority 1

- 1) What are the most important areas of emphasis related to support to smallholders, family farming and youth (Regional Priority 1)?
- 2) How can technology, innovation and data availability empower small family farms to become change-makers and address their challenges?
- 3) What are the roles of institutions and governance in creating an enabling environment for the development of small family farms?