

Small farmers – big business?

A high-level panel on the role of the private sector in sustainable rural development

How can smallholders and producers be integrated into local, regional and global value-added chains? What are the opportunities and challenges that cooperation among smallholders and local producers with internationally organised trade chains poses? These questions were at the centre of the High-Level Panel “Small farmers – big business?” at the European Development Days 2012 in Brussels on the 17th October, which was organised by the Practitioners’ Network for European Development Cooperation, the Europe-Africa-Caribbean-Pacific Liaison Committee COLEACP, SNV Netherlands Development Organisation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the United Nations Industrial Development Organization (UNIDO).

Kandeh K. Yumkella, Director-General of UNIDO, stressed the importance of sustainable and fair value-added chains for smallholders. Mohamed Ibn Chambas, Secretary-General of the African, Caribbean and Pacific (ACP) Group of States, noted that only a few years before, private companies had shown no interest in sustainable rural development. Nowadays, this was different. Nevertheless, he criticised the decline in investment in the agricultural sector, particularly in agricultural research and innovation. The private sector had to be involved as a development partner,

for this was the only way in which the global goals of food security and poverty reduction could be achieved.

Apollo Owuor of Kenya Horticultural Exporters and Rashid Ally Mamu of Nyemo Investment Company, Tanzania, explained how they were supporting smallholders in fulfilling the rising quality standards in international as well as local markets. It was not only business here and now that counted in this context. Sustainably securing the value-added chain required the social responsibility of entrepreneurs, who had to take the living conditions of smallholder families and farm labourers into consideration in their business decisions.

Stephanie Barrientos, Director of the research programme “Capturing the Gains”, also funded by the United Kingdom’s Department for International Development (DFID), noted that a value-added chain was only as strong as its weakest link. “If the smallholders are not benefiting from it, the chain will break,” she maintained. Thus it was important to avoid women becoming “cheap” labourers, as was the case in the flower trade. Hans-Jürgen Matern, Director of the Metro AG’s Sustainability Department, explained his company’s strategy. Smallholders were not regarded as mere suppliers but as consumers at the same time, and for a company like Metro AG, both sides were important. This was

why the company was supporting smallholders in gaining access to markets. In addition, smallholders ought to have access to insurance and other financing options, Matern said.

Smallholders are always producing at a high risk. Insurance against inclement weather or natural disasters can prevent smallholders from dropping out of the value-added chain. Michael Anthony of Allianz SE explained that the use of satellite and radar technology was a promising development. A new system to be introduced in 2013 was going to enable insurance companies to identify the extent of damage immediately after the occurrence of a natural disaster. In this manner, farmers with a harvest insurance could be compensated for losses more quickly. Faster loss payment enabled faster reconstruction, which in turn lowered production losses, resulting in more secure income.

Kristian Schmidt, Director of the Human Development Department of the DG Development and Cooperation/EuropeAid, emphasised that the European Commission intended to support more transparency in trading land title rights, e.g. by providing information on markets and prices, so that smallholders were not disadvantaged here. At the same time, smallholders and producers ought to opt for selling their produce not only in the European market, but also, increasingly in local markets. Schmidt described the Commission’s approaches in the area of rural development: 1) The European Commission had for a long time neglected agriculture as a development objective and so had many African countries. Now the focus on agriculture was back. 2) Private sector engagement was also being fostered now. Europe would try to facilitate stronger cooperation with Africa. 3) There was a need to involve farmers’



Photo: V. Duterne

The panellists (f.l.t.r.): Michael Anthony, Hans-Jürgen Matern, Moderator Conny Czymoch, Rashid Ally Mamu, Apollo Owuor.

organisations to guarantee an equal power relationship between the private sector and farmers.

Joe Cerell, Director of the Bill Gates Foundation in Europe, maintained that sustainable value-added chains are important to break the vicious circle of poverty and social marginalisation. Summing up the debate in her closing word, GIZ Management

Board Chair Tanja Gönner stressed the aspects of trust, cooperation and knowledge transfer. Gönner pledged that the European development partners would “make their contribution to ensuring that the synergy effects of cooperation between government, the private sector and smallholders really come to bear. And they will see to it that smallholders can also benefit from

new, innovative approaches, such as agricultural insurance.”

Jörg Freiberg, GIZ, Eschborn, Germany

For more information on the event and the video live-stream, see www.smallfarmersbigbusiness.org

“Socio-economic benefits must reach poor producers and workers”

Mohamed Ibn Chambas, Secretary General of the African, Caribbean, and Pacific (ACP) Group of States, on preconditions for sustainable agricultural development and the role of the private sector.

■ **Mr Chambas, the international community increasingly recognises the need for continued and targeted assistance towards agriculture and development in sub-Saharan Africa. Representing the 79 countries in the African-Caribbean-Pacific region, what is your position on this issue?**

At the Global Conference on Agriculture, Food Security and Climate Change in Hanoi last September, participants concluded that food security is and will remain a critical issue for the global community. By 2050, we will have an estimated world population of nine billion; to feed all these people, and to meet the growth in per capita consumption, we must increase global food production by a staggering 70 per cent. We are at a crossroads; as a global community, as a donor community, and as individual governments, and we have important decisions to make.

■ **G8 nations see investment in agriculture as a key route to economic growth, and African agriculture is operating in a progressively more global economy ...**

Discussions at the G8 recognised that development requires not only aid, but also the promotion of economic growth, and highlighted the pivotal role

played by agricultural development. Together the G8 countries made a pledge to encourage investment in agriculture as a central route towards poverty alleviation. They also highlighted the role of the private sector – from multinationals to smallholder growers – as key drivers for development.

■ **How do you judge the potential of private sector investment?**

There is a huge potential if it's based on principles of sustainability, provide essential technical assistance, and ensure that socio-economic benefits reach poor producers and workers.

■ **The topic under discussion – engaging the private sector in sustainable agricultural development – addressed some of the key issues during the European Development Days. As Keynote Speaker, you opened the high-level panel “Small farmers – big business?” How do you consider such an initiative in the debate?**

The scenario we face today is challenging. The potential to further increase the cultivated acreage is relatively small. Furthermore, over the past century, the “green revolution”, which was so dramatic in its potential, did not benefit everyone. We therefore



Photo: V. Duterne

Mohamed Ibn Chambas

have a new policy environment, with an increased emphasis on agriculture, and with development programmes designed around donors and governments working hand-in-hand with the private sector. In the case of small-scale growers, and small and medium-sized companies, they need support to capture the benefits and take advantage of innovations. They otherwise face growing disadvantages – with particular challenges facing women. In the spirit of this new policy environment, the panel “Small farmers – big business?” has brought a broad representation of players to address the critical theme of how best to involve the private sector while maintaining clear agricultural development and poverty alleviation objectives.

The high-level panel has been a very positive example of collaboration where individual institutes and organisations have worked together and put aside their individual perspectives and views, to address a common theme, remaining focused on the target: food security and poverty alleviation, with small-scale farming and sustainable production methods at the forefront.

Examples of smallholder farmers' promotion

■ UNIDO's pro-poor sustainable supplier development programme (SSDP)

Farms and small and medium enterprises (SMEs) in developing countries often face difficulties complying with market requirements and lack the technical and financial means to produce cost-effective goods of sufficient quantity and required high quality. As a result, when profitable new market opportunities arise, they are unable to be accepted as suppliers. These challenges are shared by companies like the Metro Group, who are committed to making their supply chains not only more efficient but also more inclusive and sustainable by including smallholder farms, especially as they expand their operations in developing countries.

Together with the retailer Metro Group, the United Nations Industrial Development Organization (UNIDO) has developed a capacity building programme to apply the

Global Food Safety Initiative (GFSI) Global Markets Protocol, which enables suppliers to meet the internationally recognised requirements in terms of food safety and quality. The programme is sustainable through a successful business model, where all stakeholders, including the United Nations, governments, the private sector, donors, academia, etc. contribute either in-kind or financially.

UNIDO has implemented sustainable pilot projects in Egypt, Russia and India, where suppliers have achieved considerable improvement in their performance and compliance with food safety standards and Good Agricultural Practices (GAP). As a result, the quality and volume of marketable products has improved. At the same time, consumers have benefited from better and safer products and can expect more stable food prices. Metro

have signed contracts with the majority of the upgraded suppliers. Due to its success, the sustainable supplier development programme (SSDP) has been expanded to cover the non-food sector as well as environmental, social and ethical issues. Currently, UNIDO is implementing a supplier SSDP with AEON, the biggest Japanese retailer, in Malaysia and is planning to expand the programme to other countries in the region. UNIDO is also negotiating with other top retailers, such as Walmart, Pick n'Pay, H&M, Marks and Spencer, etc., to deploy a similar programme in Africa and other regions of the world.

► www.unido.org

Gerardo Pataconi, Chief of Clusters and Business Linkages Unit; Valentina Varbanova, project management consultant; UNIDO

■ Promoting competitiveness of African cashew farmers

Nearly 40 per cent of the global cashew crop is produced by about 1.5 million small farmers in Africa. The vast majority of these farmers live in rural areas and struggle to make as little as 90 to 330 euros of gross revenue per year through the production of cashews. Cashew farmers in Africa rarely organise themselves into associations. They are also insufficiently linked to international markets. Adding to the problem is the fact that only ten per cent of African raw cashew production undergoes further processing in Africa.

The main goal of the *African Cashew initiative* (ACi) is to increase the competitiveness of African cashew production and achieve a sustainable reduction in poverty in the five project countries: Benin, Burkina Faso, Côte d'Ivoire, Ghana and Mozambique. ACi is financed by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Bill and Melinda Gates Foundation and private sector companies. It is implemented by a consortium of implanting partners led by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Through a combina-

tion of strategies, ACi has reached 240,000 cashew farmers in three years' time, aiming to add at least 100 US dollars (USD) to their annual income. The project's intervention has led to the creation of 4,000 new jobs in cashew nut processing, with 70 per cent of them for women, and providing an average annual income of USD 900 per job.

Improving nut quality and production. Success in the global marketplace depends on the production of superior nuts. Therefore, ACi focuses on helping African cashew farmers meet international quality standards through training farmers on good agricultural practices to increase yields and quality. The initiative works with both public and private service providers and identifies "lead farmers" who can ultimately train other farmers.

Increasing the amount of local processing. Start-up processors are provided with a range of advice on how to grow their business, keep up with current market developments, access loans and financing, improve their use of technology and expand processing of cashew by-products.

Expand links to the global marketplace. With a 32-per-cent share of the global nut market cashews are highly prized in Europe and North America, with a growing demand in Eastern Europe, China and India. The African Cashew Alliance (ACA), primarily a cashew industry association functioning as a supranational platform for public and private partners, assists in the global marketing of African cashews.

Advocate policies that favour adding value and structuring the cashew sector. ACi works to inform policy-makers and government officials about the potential of the cashew value chain. This includes establishing platforms where knowledge sharing takes place and representation of interest groups is promoted to advocate the sustainable development of the cashew sector.

► www.giz.de/themen/en/33437.htm

Peter Keller, Director Development Operations ACi; Bernard Agbo, Production Manager ACi, GIZ



Photo: M. Drexler

Farmers on cashew farm with intercropping.

■ Cooperation is the key: an inclusive approach to rice in Lao PDR

Recognising the importance of improved rice production to both food security and development in Laos, the Enhanced Milled Rice Production in Lao PDR Project (EMRIP) has united rice millers and smallholders to increase rice supply, open new distribution channels and improve livelihoods for more than 100,000 people.

A joint initiative of SNV Netherlands Development Organisation and Helvetas, implemented in partnership with the Lao government with support from the European Union's Food Facility programme, EMRIP has facilitated the development of fair trade relations between over 20,000 smallholder households and more than 20 rice mills over two years. The project has also contributed to an improved government framework for rice production and trade, enabling rice exports to neighbouring countries, and the formation of a team at the department of agriculture to work on drafting a national rice strategy.

Millers in the middle. EMRIP focused on improving the capacity of millers to establish and strengthen fair trade links with smallholder farmers, and improve post-harvest handling and processing. Millers were helped to develop an inclusive business plan, including guidance on supporting farmers in producing high-quality rice. Millers received training and advice on forming

and strengthening farmer groups, providing inputs to farmers, and business management skills. Millers also improved extension services by collaborating with government extension officers – expanding their traditional role by incorporating the provision of seeds, fertilisers and extension services based on production agreements with farmer groups. Investments in improving rice value chains and upgrading equipment were made possible through a co-investment fund. Millers only received funding if they were willing to form farmer groups and provide inputs and training to farmers. Consultation between millers and farmers helped ensure the uniform supply of quality seeds, affordable access to fertilisers and information about production techniques.

The SNV/Helvetas EMRIP project has improved livelihoods for over 100,000 people in Lao PDR.

Photo: A. Dockery



Taking it to scale. EMRIP has increased the supply of single variety paddy rice to the mills, leading to a 9-14 per cent gain in prices for milled rice and a 60 per cent increase in income for participating farmers. Meanwhile the rice mills participating in the project have taken a lead role in forming 14 miller groups in their respective provinces. The EMRIP approach is currently being expanded to four other Lao provinces.

➤ www.snvworld.org

Ranjan Shrestha, SNV Lao PDR

■ COLEACP: supporting sustainable agriculture in ACP countries through training

COLEACP (Europe-Africa-Caribbean-Pacific Liaison Committee) started as a not-for-profit interprofessional association in 1973. It represents and defends the collective interests of African, Caribbean and Pacific (ACP) exporters/producers, consultants and EU importers of fruit and vegetables. Its main goal is to promote competitive trading between ACP countries and with the EU, and sustainable agriculture, notably by building capacity of food business operators, facilitating matchmaking among network members and advocating on behalf of the industry.

COLEACP has integrated training as an essential component in building capacity of technical staff in ACP horticultural companies, which are having to cope with ever more new conditions for access to the European market. Educational and support methods specifically adapted to this new environment had to be created from scratch. This is exactly what the PIP and EDES programmes

are about. The European Commission (EC) has entrusted COLEACP with implementing PIP since 2001 and EDES since 2010. Both share the goal of reducing poverty in ACP countries. PIP works to maintain and increase their horticultural exports, whereas EDES supports their exports across all sectors by strengthening national food safety policies. PIP and EDES are complementary, with PIP directly supporting specific operators in the private sector and EDES primarily targeting the public authorities and services.

Training is based on a cascading approach via training of trainers and a revolving system fuelled by the local trainers. It has three components:

- long-term capacity building of ACP experts (Train the Trainers) and maximum involvement of local resources in the training activities;
- training courses for targeted audiences (e.g. managers, workers and small-scale

growers), group training courses, in-house training courses and e-learning;

- ongoing development of new tools and new training courses (training methods or topics) adapted to needs expressed during the programme, which are then further developed and integrated into the initial training scheme.

Since 2001, COLEACP work has evolved from food safety to food security for ACP countries. By boosting and sharing resources, tools and methods, removing barriers between export and local levels and organising the mutual exchange of 'know-how', COLEACP supports small-scale producers in becoming able to feed tomorrow's world.

➤ www.coleacp.org/pip

Emmanuel Bourcelet, Head of Information and Communication, COLEACP PIP