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Linking family farms to markets

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PRESENTATION

The Economic Lives of Smallholder Farmers

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The Economic Lives of Smallholder Farmers

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Food and Agriculture Organization
of the United Nations



2030 Agenda for Sustainable Development

17 Sustainable Development Goals reflect economic, social and environmental challenges

SDG1: end poverty

SDG2: zero hunger

Agriculture is key

links with food security and nutrition, health, rural growth and development, employment and the environment

triple challenge: - food security and nutrition
- generate decent jobs
- sustainably manage the environment



Smallholder farmers

two thirds of 3 billion rural people live in about 500 million small farms

they produce between 60 and 80 percent of food

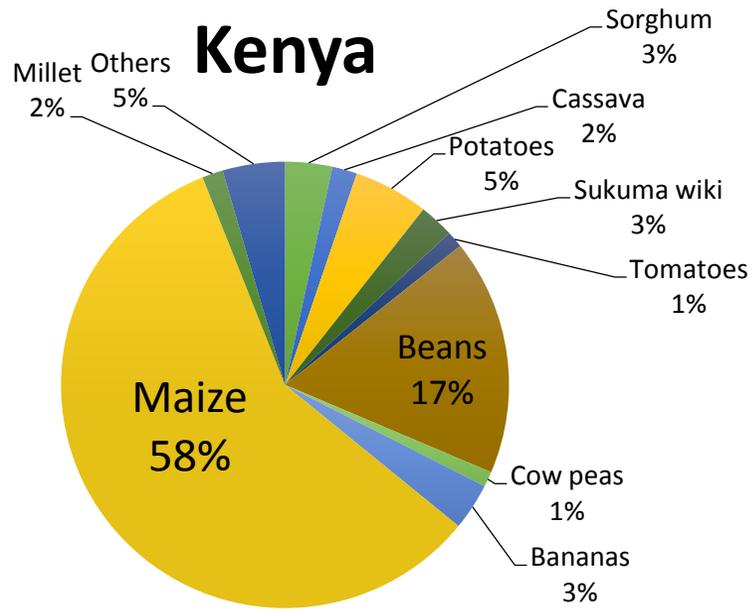
key to rural development - growth in smallholder agriculture is twice as effective in reducing poverty compared to other sectors

...are entrepreneurs

they raise capital, they make decisions for their business

they operate in an environment in which markets do not function well and are subject to risks

their choices are constrained



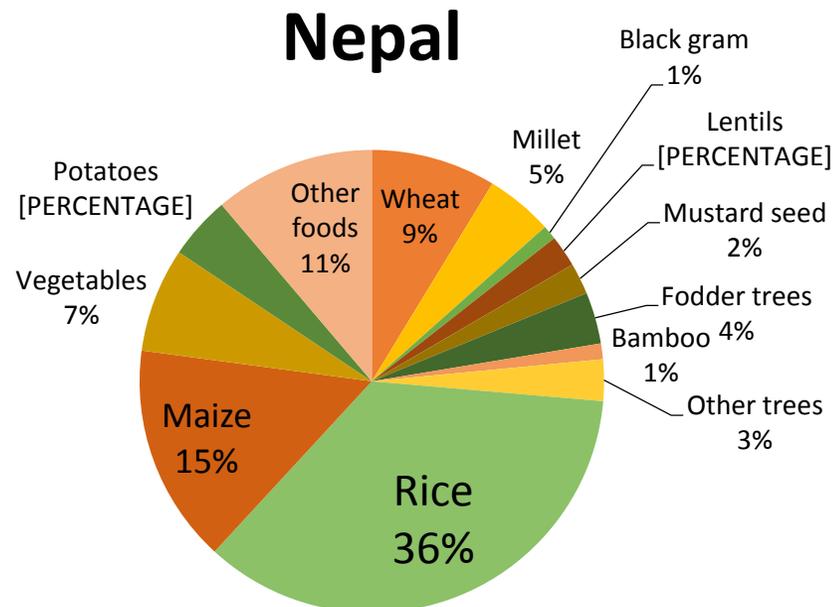
What do they produce

a wide range of foods – broader than larger farms

smallholders choose to produce staples and also diversify their production

Kenya: more than half maize but also many crops

Nepal: 50% rice and maize

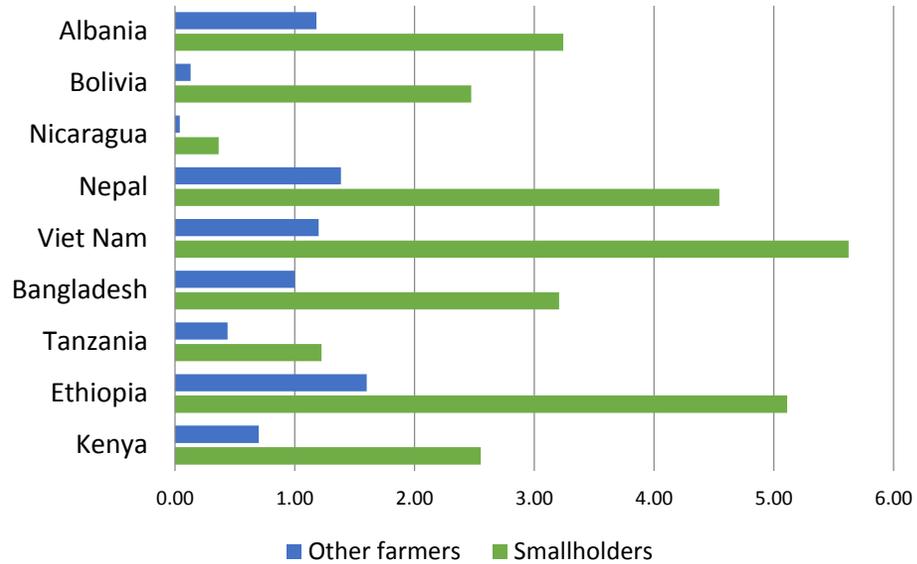


...and why

markets do not function – the decision of what and how much to produce cannot be separated from the decision of what and how much to consume

production diversification minimizes exposure to risk, such as price shocks – **missing markets to hedge risk**

Family labour per day per hectare



How do they work

smallholders combine a lot of labour with less capital

they use three times more family labour compared with larger farmers – significant input by women

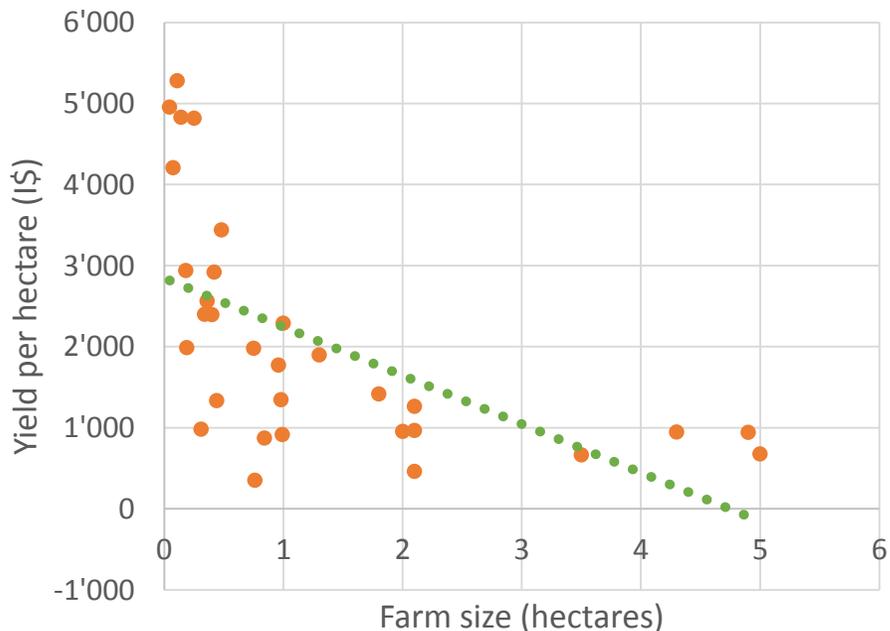
their productivity per hectare is twice as high compared with larger farmers

inverse relationship between productivity per hectare and farm size; but low productivity per capita

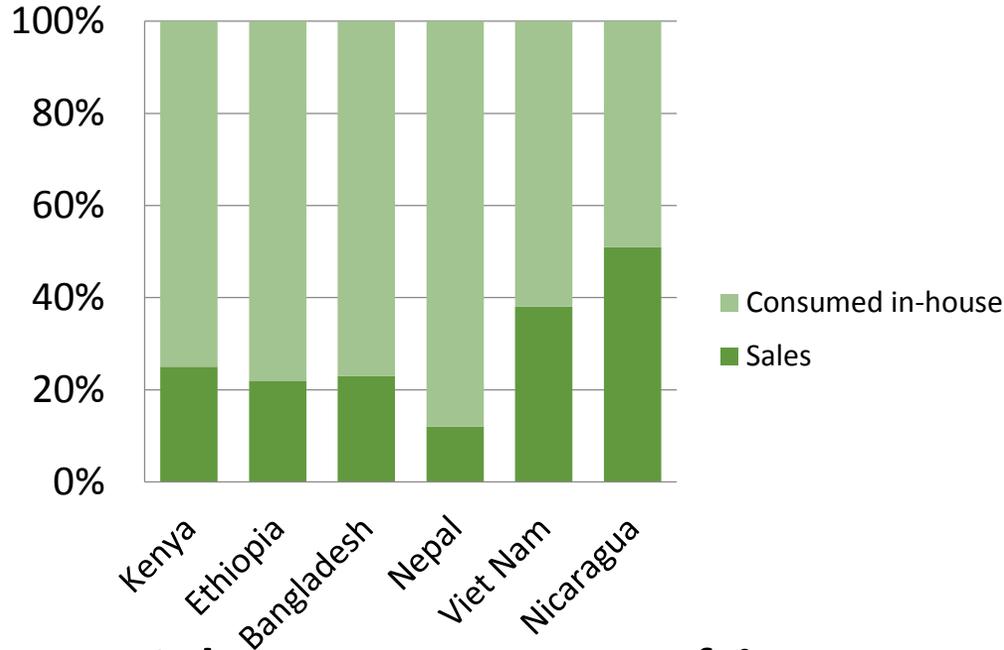
...and why

imperfect labour markets – they perceive a low wage off-farm and over-employ themselves on-farm

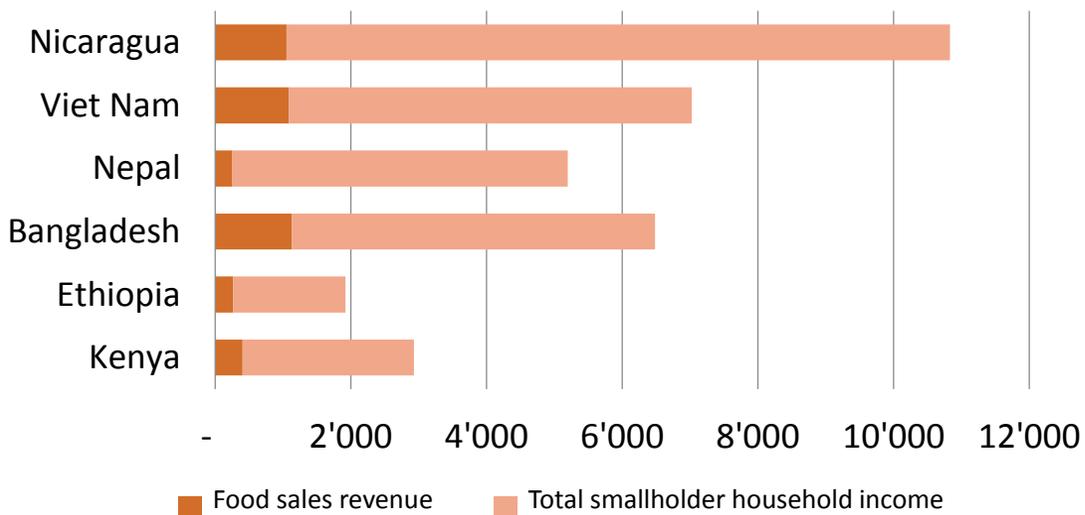
lack of access to capital – high costs of capital result in low capital/labour ratios



Production sold in markets and consumed in-house



Sales revenue as part of income



What do they sell

they sell only a part of their production, often about 25% or less

sales revenue contributes little to income and does not add much to household's liquidity

...and why

imperfect product markets – high costs of participation, infrastructure

supermarkets – stringent requirements; management, delivery and standards

missing credit markets can dictate suboptimal market behaviour



The importance of markets

not only about income, but about choices

missing markets have significant social and developmental implications

Inclusive business models

provide solutions to market failures

create shared value and bring business and society closer together – ‘bundling inputs’

often based on PPPs and farmers’ groups