



IFAD/S. Beccio

## From summit resolutions to farmers' fields: Climate change, food security and smallholder agriculture

### Background

Recent estimates indicate that as a result of the food and global economic crises of the last two years more than 100 million people joined the ranks of the hungry. The number of people suffering from hunger and poverty now exceeds 1 billion, while 2 billion people live on less than US\$2 a day.<sup>1</sup> The contraction of food supplies experienced during 2007 and 2008 and the subsequent food price spikes threatened the availability and affordability of basic staples for millions of people in countries dependent on food imports. And riots in more than 40 countries provided a stark demonstration that food security is an integral part of overall security, both national and global.

The recent food price crisis underlined the need to reverse the trend of the last three decades, which saw developing countries' public spending on agriculture decline from 11 per cent<sup>2</sup> of national budgets in the 1980s to 7 per cent<sup>3</sup> in recent years. A similar fall-off is evident in the share of official development assistance (ODA) allocated to agriculture, which dropped from about 20 per cent to 4 per cent. Population growth – projected to reach 9.1 billion people in 2050, or 2.3 billion more than today – will compound this situation and will require raising overall food production by some 70 per cent. Production in developing countries will need to double.

While such a forecast presents an enormous challenge, the recent commitments of financial resources to boost agriculture and food security made by the international community in various forums indicate that there is scope for optimism. At the G8 Summit in L'Aquila, US\$20 billion was pledged to be mobilized over three years.<sup>4</sup> In Rome, in November 2009, the Declaration of the World Summit on Food Security contained a commitment to increase substantially agricultural investments by international financial institutions (IFIs) and bilateral donors.



Enabling poor rural people  
to overcome poverty

<sup>1</sup> Global poverty is still largely a rural phenomenon: 50 per cent of the hungry are smallholders, living off 2 hectares of cropland or less; 20 per cent are landless labourers; 10 per cent are pastoralists, fishers and forest users. The remaining 20 per cent are the urban poor. Taken from: UN Millennium Project 2005. *Halving Hunger: It Can be Done*. Summary Version of the Report of the Task Force on Hunger. New York: The Earth Institute at Columbia University, 2005, p. 6.

<sup>2</sup> Total (weighted average) figures for Africa, Asia and Latin America.

<sup>3</sup> See footnote 2.

<sup>4</sup> Subsequent to the summit in L'Aquila, an additional US\$2 billion was committed at the G20 Summit in Pittsburgh, Pennsylvania, USA.

## Panel discussion

The panel discussion will focus on three key issues.

### 1. How can better market conditions be created to promote private investment in smallholder agriculture?

One of the main challenges faced by smallholder farmers in developing countries is their lack of parity with other stakeholders along the value chain. They lack access to reliable and stable markets, inputs, credit and agricultural services. In addition, their capacity to invest in more efficient tools and equipment, fertilizers or improved seeds is constrained by price volatility, market uncertainties and unpredictable weather conditions triggered by climate change. All these factors limit the scope of smallholders to increase production.

Policy constraints, lack of bargaining power on the part of poor rural producers, infrastructure deficiencies and other factors characteristic of highly imperfect agriculture markets have meant that the recent increase in food prices rarely translate into higher farm gate prices for smallholders. Conversely, the higher input prices often are transmitted to farmers, particularly for energy, transport and fertilizers. As a consequence, the recent price shocks rendered many smallholder farmers more vulnerable and less well off. Despite this, in several countries smallholders have been able to benefit from increased prices, but only when policy and connectivity to markets have allowed farmers to sell at higher prices, and infrastructure has enabled more efficient sales. In large markets such as China and Viet Nam, for example, an agriculture supply response is discernible.

### 2. What specific role can governments play in creating better conditions for investment in smallholder agriculture and rural development, in particular through the provision of public goods and the implementation of supportive policies?

Investment in agriculture, particularly smallholder agriculture, is hampered by low investment in agricultural research and extension, rural roads, education, health care, irrigation, power supply facilities and other public goods. Such investments are fundamental for agricultural and rural development, particularly if supported by efficient economic and social institutions and policies that allocate and protect property rights, facilitate trading, reduce risk and allow collective action. However, to be effective, policies must be complemented by action to assist the poorest people (both farm and non-farm); better risk management at both the household and the national level; safety nets for vulnerable groups; well-functioning markets and institutions that are accessible to small businesses and smallholder farmers; improved access by farmers to input and output markets; support to develop value chains that benefit smallholder farmers; better natural resource management; and a broad political will to support policies that respond to smallholders' needs.

Public policies *can* make a difference: they can create the necessary conditions for the development of smallholder farming. This is true, for example, for the economic development and poverty reduction processes of China, Indonesia and Viet Nam. In Viet Nam, where almost 80 per cent of the country's poor people depend on agriculture for their livelihoods, agricultural growth has underpinned the country's economic growth, cutting poverty from nearly 60 per cent in the early 1990s to less than 20 per cent today. And Viet Nam has enjoyed growth with equity: smallholder farmers are both key actors and key beneficiaries. The same is true of China where the proportion of people living in extreme poverty in 1990 was 33 per cent, but had fallen to 10 per cent by 2004 and is projected to reach 2 per cent in 2015. In Indonesia, output price stability and input subsidies, together with increases in productivity closely linked to Green Revolution technology, were behind the reduction in absolute poverty from 40 per cent of the population in 1976 to just 12 per cent in 1996. More recently, in Malawi, during the period 2005-2008, a "smart" subsidy investment of about US\$258 million in around 2 million farm households contributed to incremental maize production and to a reduction – within two years – of the poverty headcount ratio from 50 to 40 per cent.

Government action is also needed to support smallholder farmers' ability to adapt to and mitigate the effects of climate change, while building upon the knowledge and practices of indigenous and local communities. Recent analyses highlighted that in sub-Saharan Africa arid and semi-arid areas are projected to increase by between 60 and 90 million hectares. In southern Africa, yields from rainfed agriculture could shrink by up to 50 per cent between 2000 and 2020.

According to the United Nations Development Programme (UNDP), the number of additional people at risk of hunger could reach 600 million by 2080, as a direct result of climate change. Policies must be put in place to halt the deforestation, groundwater depletion, salinization, destruction of biodiversity and soil loss already affecting millions of rural men and women, particularly in the poorest regions where the most vulnerable groups, including indigenous peoples, are the hardest hit.

### **3. What can be done to ensure that smallholder farmers are fairly positioned in a process where competition for scarce agricultural resources – particularly land and water – is on the increase? What role could farmers' organizations play and how can they be effectively supported?**

A major challenge faced by smallholders is their limited and insecure access to and control of natural resources in a context of growing demand for land to produce food and fuel. Five hundred million smallholder farms worldwide currently support around 2 billion people, or one third of the world's population. They farm 80 per cent of the farmland in Africa and Asia. Smallholder farmers – especially women – produce 80 per cent of the food consumed in the developing world. However, it is difficult for smallholder farmers to produce the bulk that would achieve the economies of scale needed to reach better and more remunerative markets, enhance quality control and obtain better access to input markets, technology and credit.

The establishment of independent farmer- and producer-managed cooperatives and associations is enabling millions of smallholder farmers not only to acquire better skills and technology, access to credit and other financial products, but also to improve water management and the organization and logistics related to trading, marketing, quality control and storage. These types of associations can also facilitate the exchange of market information and increase the participation of smallholder farmers at different levels of the food and agricultural value chain. Such associations can also address the disparity between smallholder farmers and the other stakeholders along the food and agriculture value chain.

To boost economic recovery and create the right conditions for pro-poor agricultural investments and global food security, new deals are needed, regionally and internationally, that will remove the obstacles to fair agricultural trade.

**The way forward.** The summit in L'Aquila in June 2009 emphasized that the international response to global food security must be country-led, with multilateral institutions, donors and the private sector playing a strong role. This implies that relevant actors must cooperate in fresh and innovative ways. New forms of assistance must be explored, including ways to engage South-South cooperation, which holds particular potential for innovation.

To reduce rural poverty and increase food and agricultural production, a new development consensus is emerging with smallholder farmers at the centre. This will allow smallholder farmers to produce more and better, obtain fair remuneration from their participation in modern food value chains and thus contribute to global food security.

By investing in smallholder farmers and boosting the quality and quantity of their agricultural production – particularly through effective public-private partnerships – we can reduce poverty. GDP growth generated by agriculture is up to four times more effective in reducing poverty than growth in other sectors. Investing in smallholder farmers can also contribute to better nutrition and health, thereby enhancing human capital. And investing in smallholder farmers is good economics, as millions of today's marginalized and poor people could be tomorrow's consumers.

In effect, investment in smallholder farmers addresses a twofold challenge: to increase food production and to ensure that the poorest and most marginalized rural groups have the purchasing power to access food.

For over three decades, IFAD has supported investments in smallholder agriculture with the objective of increasing farmers' incomes and productivity. Successful innovations include public-private partnerships in value chain development and in agricultural services, rural financial services and environmental management. The lessons learned from IFAD-supported projects can provide a useful model for the burgeoning interest of the international community in smallholder agriculture. Many IFAD-funded projects have already tested some of the ideas presented above. New initiatives to scale these up would significantly boost agricultural production in many developing countries.

### **IFAD proposes the following questions to guide the panel discussion in the plenary of the Governing Council:**

- How can political and financial commitments be translated into action to reduce risks, vulnerability and market uncertainties for smallholder farmers, thus creating the conditions for higher and more secure private investment in agriculture?
- How can farmers' organizations be strengthened and partnerships built within and among countries in order to link smallholder food growers with markets, and so enable them to be better integrated into the food value chain?
- How can IFAD collaborate more effectively with governments, farmers' organizations, the private sector and other IFIs to scale up successful local programmes to the level necessary to achieve, in five years' time, the targets of the first Millennium Development Goal?

Governors who would prefer a different focus for the discussion are invited to propose a maximum of three alternative questions. The facilitator of the panel discussion will select the issues eliciting the greatest interest. Please e-mail your suggestions to IFAD's Office of the Secretary ([gc2010-secretariat@ifad.org](mailto:gc2010-secretariat@ifad.org)) by 25 January 2010.

