What's the scope for horticulture to pull smallholder farmers out of poverty?

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Presented at Food Security II Symposium: Applying a Quarter-Century of Food Security "Lessons Learned" to Implementing the Feed the Future Initiative
October 4, 2010

Outline

- Context
  - Export compared to domestic/regional systems
  - "Modern" compared to "traditional" systems
- What farmers are taking advantage of opportunities offered by hort?
- Get your priorities straight!

Export compared to domestic/regional systems

- Domestic/regional systems much larger
  - Even in Kenya: 4-5 times larger
  - > 20 times larger in nearly all other countries
- Domestic/regional system will also contribute most to growth over (at least) next 20 years
  - A <u>conservative</u> estimate

"Modern" or "organized" retail compared to "traditional"

- Supermarket chains are present and will grow as economies modernize
- But growth in fresh produce market share has been very slow

Fresh produce market share of retail channels by income quintile, Nairobi 2009 & urban Zambia 2007/08

Per capita income quintile	Super-market Chains	Small Super-markets	Duka/ shop	Open Market	Kiosk	Butchery	Other minor outlets
	Kenya (Nairobi) 2009						
	% of total expenditure over 70 food items						
1 (lowest)	0.2%	0.1%	0.8%	37.8%	56.7%	0.0%	4.4%
2	0.1%	0.0%	0.5%	34.8%	60.9%	0.0%	3.7%
3	0.4%	0.0%	0.9%	35.9%	53.9%	0.0%	8.8%
4	0.9%	0.1%	0.8%	42.8%	39.2%	0.0%	16.2%
5 (highest)	15.6%	0.9%	0.1%	46.2%	30.3%	0.0%	6.8%
Overall	3.4%	0.2%	0.6%	39.5%	48.2%	0.0%	8.0%

Source: Tegemeo/MSU urban household expenditure survey, 2009

Per capita expenditure quintile	Mean per capita expenditure (USD)	Super-market Chains	Indep. Super-markets & Mini-marts	Grocers	Open Market	Ka Sector	Butchery	Other minor outlets
		Zambia (four cities) 2007/08						
		% of total expenditure over 80 food items						
1 (lowest)	256	0.4%	0.0%	0.2%	67.8%	29.0%	0.0%	2.6%
2	437	0.2%	0.0%	0.1%	69.4%	27.3%	0.0%	2.9%
3	638	0.7%	0.0%	0.6%	72.6%	23.9%	0.0%	2.2%
4	974	2.2%	1.1%	0.4%	63.4%	30.6%	0.0%	2.3%
5 (highest)	2,582	9.1%	3.1%	1.0%	57.7%	27.3%	0.0%	1.7%
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Top quintile!

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Fresh produce market share of retail channels by income quintile, Nairobi 2009 & urban Zambia 2007/08

Still nearly 80% at top quintile

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Less dependent on top, but lower overall

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Still 85% at top quintile

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"Modern" or "organized" retail compared to "traditional"

- The 20/20/20 Challenge
  - Across most of the continent, fresh produce sales by supermarkets will have to grow:
    - 20% per year in real terms
    - For 20 years
    - To reach a 20% market share
  - 14% per year in Zambia and Kenya

Takeaway

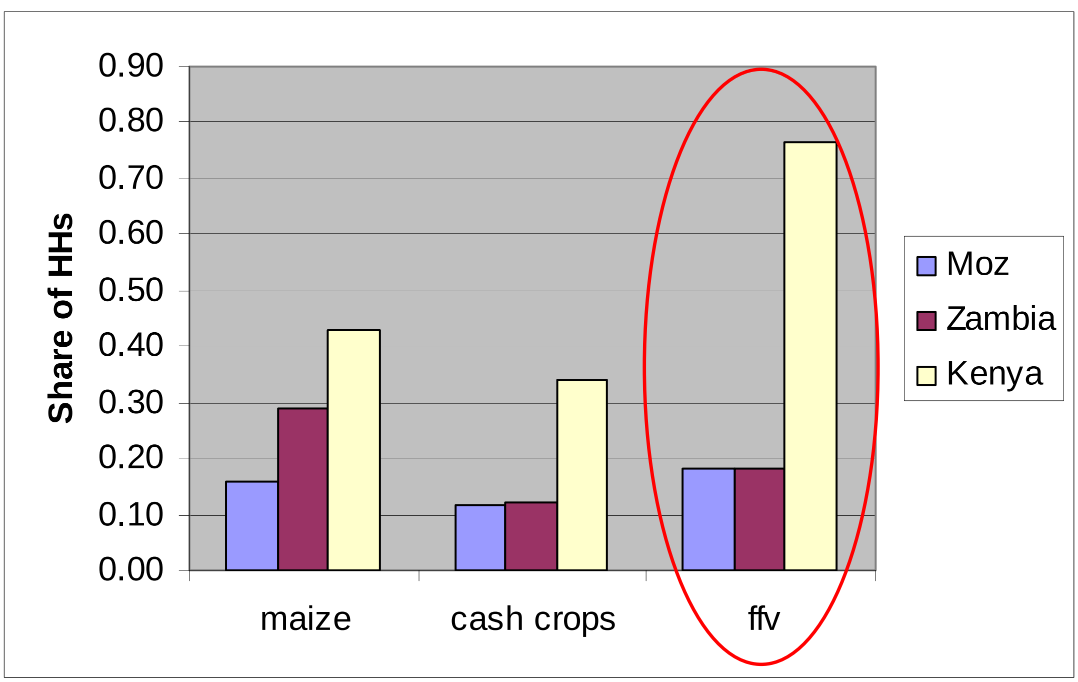
- Poverty reduction at scale through horticulture, if it is to occur, must take place:
  - Through traditional channels
  - Serving domestic and regional markets
- Major implications for
  - Investment in these systems
  - Decision making processes that prioritize these investments
  - Needed revisions in legal and regulatory systems governing "traditional" markets

Opportunities presented by horticulture for smallholder farmers

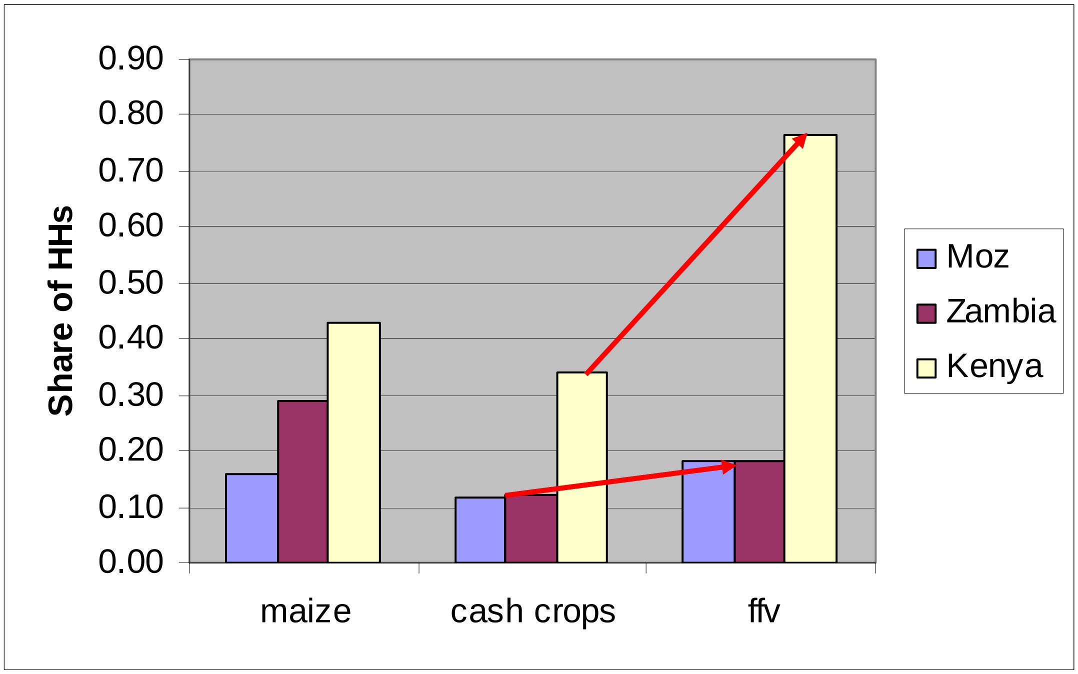
- Potential avenue for poverty reduction through ag for land-constrained farmers
- BUT, land constrained farmers tend to be poor in income and assets (including education)
- And hort production requires high use of inputs
  - Cash inputs
  - Knowledge
- How do these countervailing forces play out?

Who is taking advantage of these opportunities?

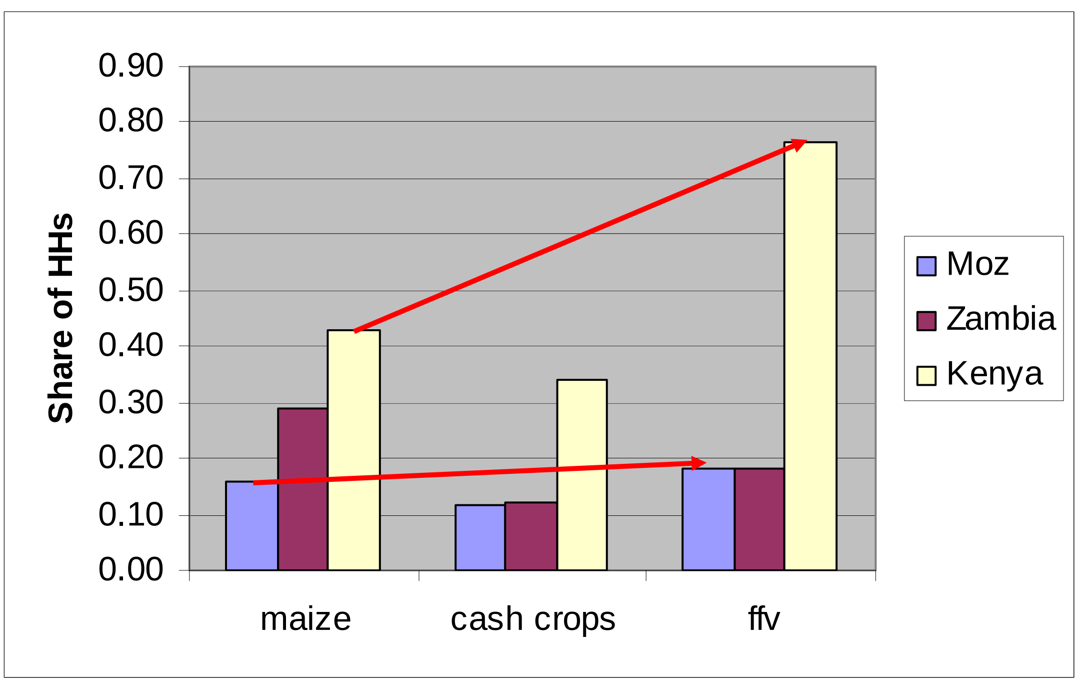
Small shares of households sell fresh produce (except in Kenya)



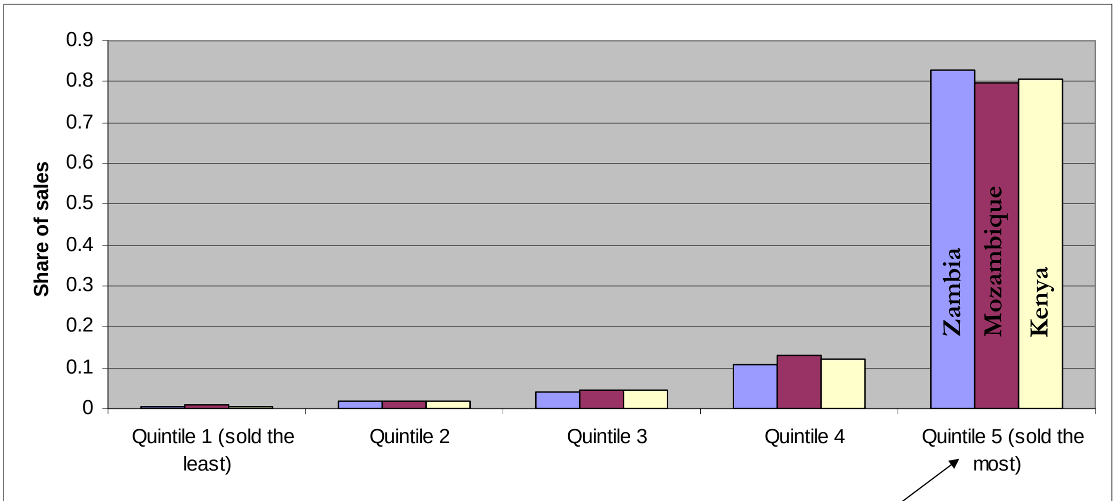
More households sell FFV than sell cash crops



More households sell FFV than sell maize (except in Zambia)



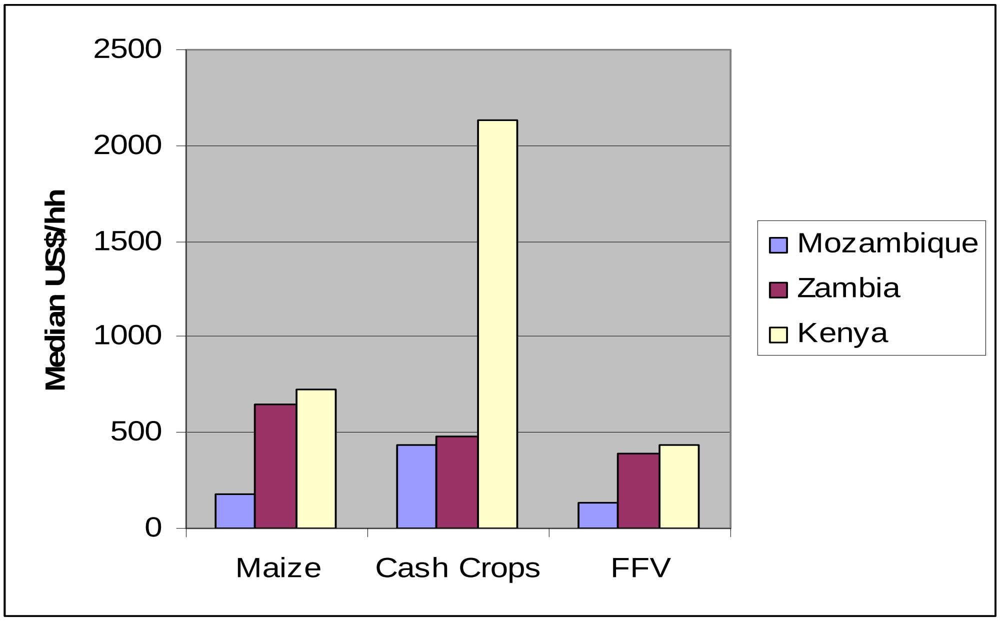
Sales are highly concentrated



3%-4% of rural hhs in Zambia, Mozambique, 15% in Kenya

Characteristics of top sellers:

But even top sellers don’t earn that much



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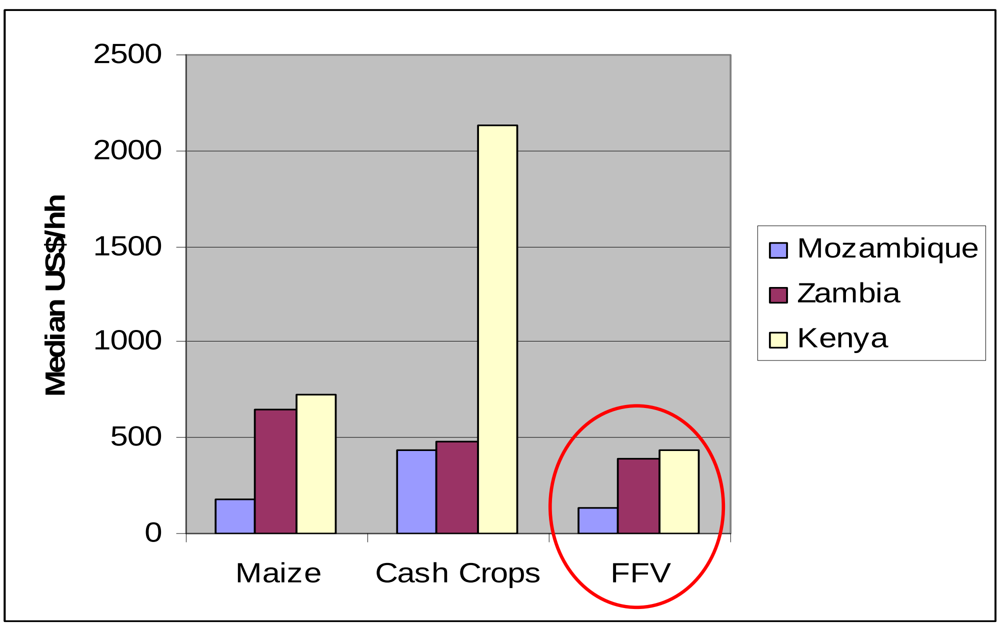
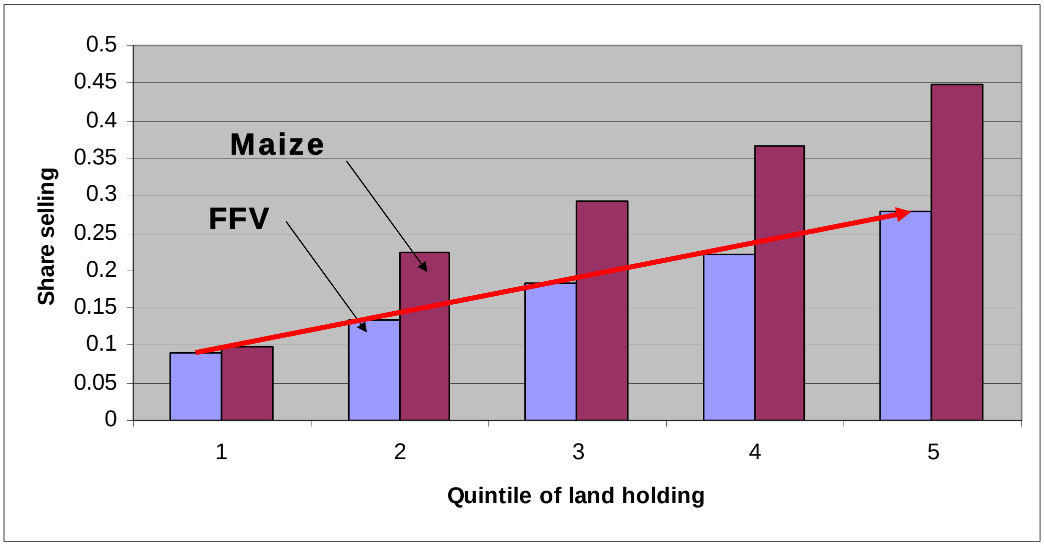


Land constrained farmers not taking advantage of hort (except in Kenya)

Share selling ffv and maize, by quintile of land holding
ZAMBIA



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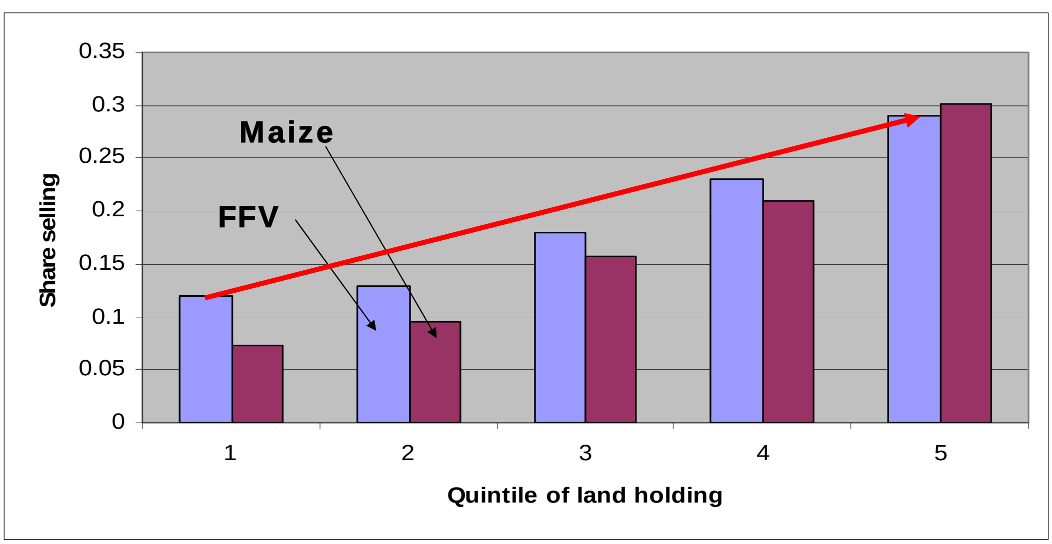
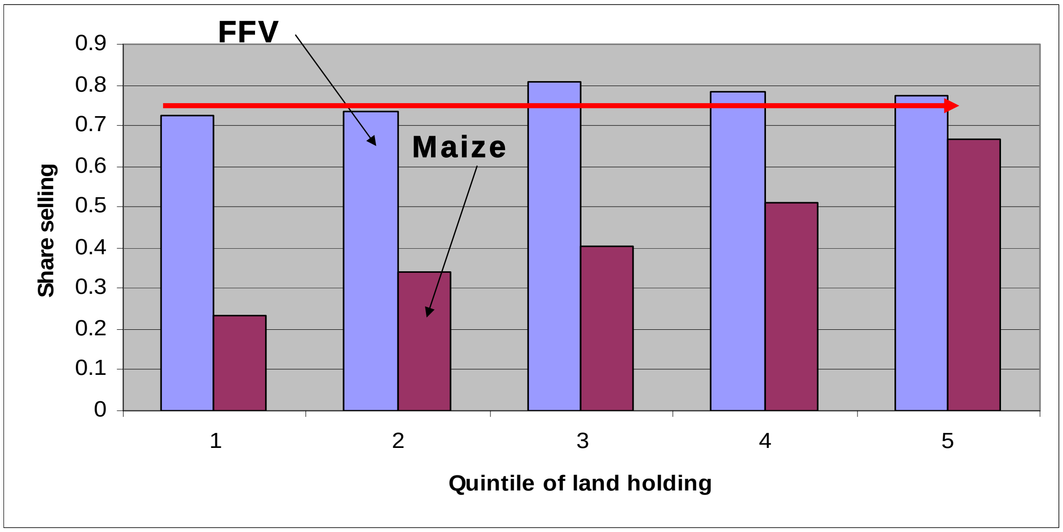


Land constrained farmers not taking advantage of hort (except in Kenya)

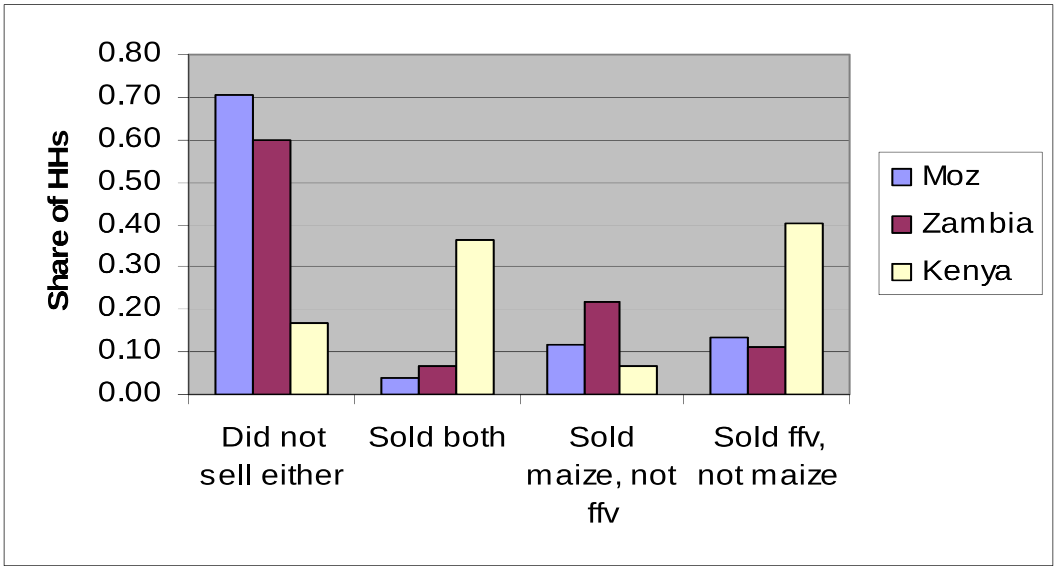
Share selling ffv and maize, by quintile of land holding
KENYA



Why is Kenya different?

Hort does provide incomes for farmers not selling MAIZE

HH sales behavior on maize and FFV



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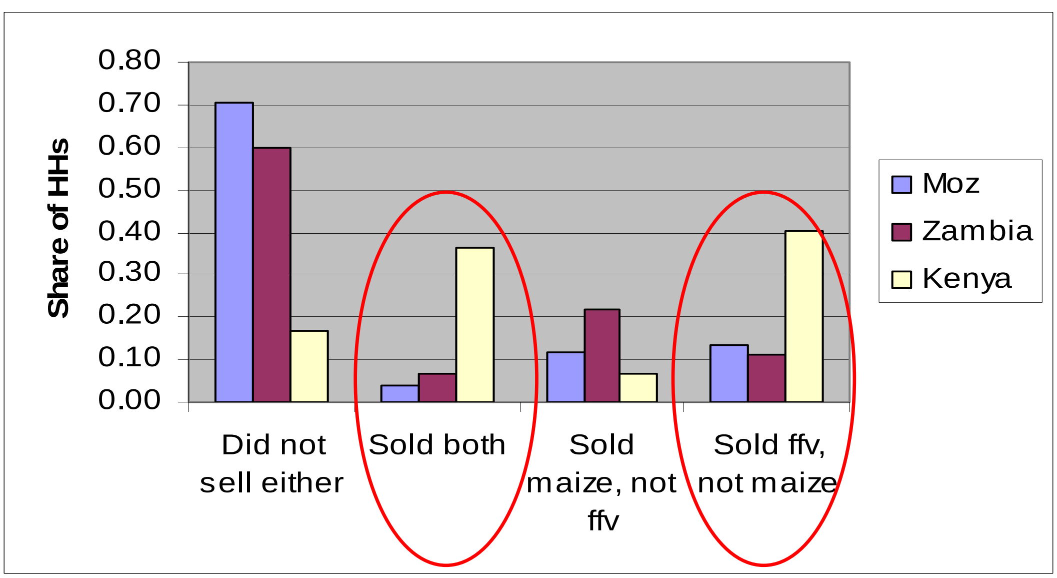

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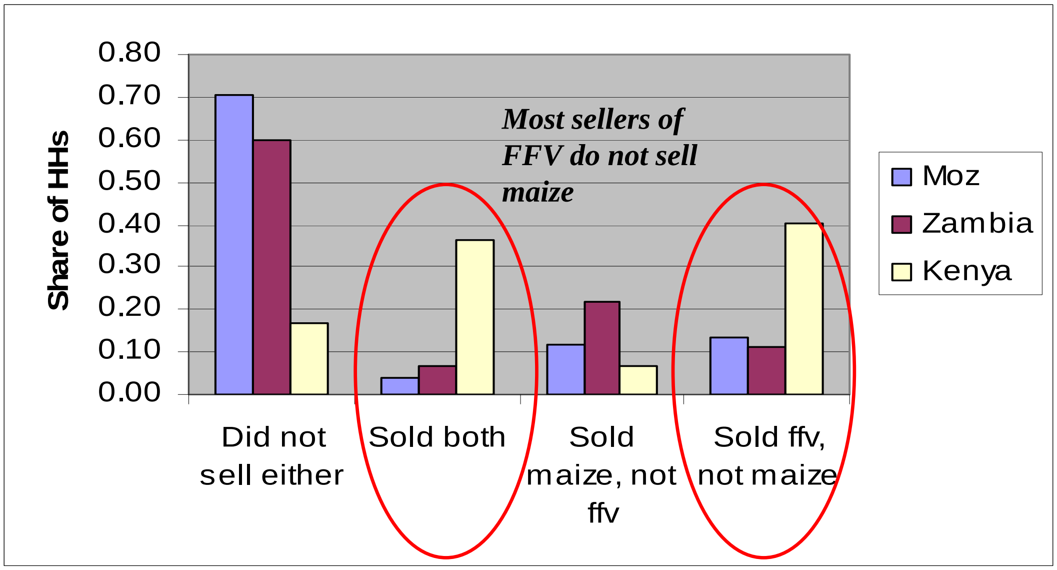
HH sales behavior on <u>maize</u> and FFV



Hort <u>does</u> provide incomes for farmers not selling CASH CROPS

Hort does provide incomes for farmers not selling CASH CROPS

Recap on HHs taking advantage of hort

- Small shares of hhs, except for Kenya
- But more than sell maize and cash crops
- Highly concentrated sales
- Land-constrained farmers not especially taking advantage, except in Kenya
- But hort does provide cash income to farmers not selling maize or cash crops

Emerging conclusions

(Drawing on additional analysis not presented here)

Hort not a silver bullet for land constrained farmers

- But it can reach farmers who either cannot or do not sell maize or cash crops
- Need to examine this group more carefully

Hort presents a tougher organizational challenge

- Unlike cash crops, not as easy to do contract farming
- Unlike maize, government can't use the sledgehammer of large purchases at fixed price
- Must improve the existing diffuse marketing arrangements
  - Where are the entry points?

Commonly ignored priorities

- Wholesale 1^{st}, retail 2^{nd}
  - Wholesale is linchpin for systemic improvements
  - The opposite of what's been done in Zambia
  - Maputo has some good lessons
    - But didn't deal sufficiently with ownership/mgmt issues
- Soft infrastructure 1^{st}, hard infrastructure 2^{nd}
  - Legislative and regulatory frameworks
    - Rethinking public vs. private roles
    - Role of brokers
  - Improved information flow

Commonly ignored priorities

- Attention to decision making process that emphasizes
  - Broad participation
  - Learning
    - Applied research and on-going outreach
    - ***Learning from neighbors***
  - Iterative decision making on basis of this learning

Thank You!