Smallholder Farming in Difficult Circumstances:
Policy Issues for Africa

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“Difficult Circumstances”

- Applies to 75% of small farms in Africa
  - Political disruption
  - HIV/AIDS
  - Weak support from national governments for agricultural science/tech., extension, markets
  - Tilted global ag. trade system / WTO
  - ag. policies in developed countries
  - Declining international development assistance
Main issues covered in paper:

- Land distribution – implications for ag. growth strategies
- Crop marketing patterns
- Evolution of food consumption patterns
- Role of education
- Civil/political strife
- HIV/AIDS
- Declining development assistance
- OECD ag. policies / WTO / food aid
Main conclusions:

1. Challenges facing small African farms are largely the same as the challenges in achieving broad-based agricultural growth.

Main conclusions:

2. HIV/AIDS reinforces the importance of small farm productivity growth:
   - to mitigate effects of AIDS on poverty
   - to reduce spread of AIDS
Main conclusions:

3. long run strategy: small farms exit agriculture - structural transformation

Main conclusions:

4. need to focus on the dynamic portion of small farm sector, not just the poor
Farm Size Distribution: Smallholder Sector only

Smallholder Households’ Position in the Maize Market
Characteristics of smallholder farmers, Zambia 1999/00

<table>
<thead>
<tr>
<th></th>
<th>N=</th>
<th>Farm size (ha)</th>
<th>Asset values (US$)</th>
<th>Gr. Rev., maize sales (US$)</th>
<th>Gr. Rev., crop sales (US$)</th>
<th>Total hh income (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 50% of maize sales</td>
<td>23,680</td>
<td>6.0</td>
<td>1,558</td>
<td>690</td>
<td>823</td>
<td>2,282</td>
</tr>
<tr>
<td>Rest of maize sellers</td>
<td>234,988</td>
<td>3.9</td>
<td>541</td>
<td>74</td>
<td>135</td>
<td>514</td>
</tr>
<tr>
<td>Households not selling maize</td>
<td>762,566</td>
<td>2.8</td>
<td>373</td>
<td>0</td>
<td>36</td>
<td>291</td>
</tr>
</tbody>
</table>

Role of maize in small farm incomes is declining (share of gross sales revenue)

<table>
<thead>
<tr>
<th></th>
<th>maize</th>
<th>Other grains/beans/oilseeds</th>
<th>Non-food cash crops</th>
<th>Fruits - veges</th>
<th>Animal products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>13.3</td>
<td>7.9</td>
<td>34.0</td>
<td>14.7</td>
<td>26.7</td>
</tr>
<tr>
<td>Malawi</td>
<td>2.3</td>
<td>4.8</td>
<td>88.9</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Mozam</td>
<td>13.8</td>
<td>9.3</td>
<td>16.9</td>
<td>30.4</td>
<td>23.4</td>
</tr>
<tr>
<td>Zambia</td>
<td>28.2</td>
<td>7.7</td>
<td>16.7</td>
<td>27.5</td>
<td>14.7</td>
</tr>
</tbody>
</table>
Conclusions thus far:

- Great rural differentiation
- Land allocation highly concentrated
- 2% of households account for 50% of marketed grain surplus
- Crop price supports:
  - highly concentrated benefits
  - anti-poor?
  - how strong are the multiplier effects from food crop productivity growth?
- Twin strategy: Both food staples and high-value crops

Emerging consumption trends

- Urban population growth:
  - 50% of Africa will be urban by 2020
  - → rapid growth in staple demand
- Major staple in many urban areas: WHEAT, RICE, not maize
Nairobi staple expenditure patterns

![Figure 7: Expenditure on Primary Staples (KSh per a.e/month)](image)

Emerging consumption trends

- **Urban population growth:**
  - 50% of Africa will be urban by 2020
  - \( \rightarrow \) rapid growth in staple demand
- **Major staple in many urban areas:** WHEAT, RICE, not maize
  - largest part of demand growth for staples will not be for domestic staples
- **Challenge:** how to fuel demand for domestic staples when intl supplies are increasingly substituting for domestic crops
HIV/AIDS: projected impacts and donor response

- 60% of deaths are women
- Loss of labor → labor-saving crops, crop technology
- Need to introduce more nutritious crops?
- Food aid
- New variant famine hypothesis
Prevalence of PA mortality, by sex and income, Zambia, 2001-2004

Projected Population in the 7 Most Highly Affected Countries, “With AIDS” vs. No-AIDS Scenario, by Sex and Age Group, 2025.
Population Size, 2000 vs. 2025 (projected):
Seven Most Highly Afflicted Countries

New Variant Famine Hypothesis?

- Zambia:
  - HIV+ ~ 15%
  - Frequent drought in 1990s
  - Macro-adjustments
- But, between 1990 - 2003:
  - Positive trends in area cultivated, farm assets
  - Livestock assets down - cattle disease
  - Among poorest 25%, increasing trends in crop output, output p.c., and output per ha
HIV/AIDS: what to do?

- Why is agricultural productivity growth a crucial part of the response to AIDS?
  - Relationship between nutrition and susceptibility to HIV contraction
  - ag. productivity can raise nutrition both through income effects and food availability
  - Role of poverty in encouraging risky behavior

HIV/AIDS: what to do? (cont.)

- What is the right balance between:
  - Immediate support to afflicted households/communities
  - Support for long-term productivity growth (education, health, agriculture)
Policy Implications: Where from here?

- Policy focus on:
  - Getting improved crop science and tech to small farmer
  - Public goods support for market development –
    - currently very low
    - tired old refrain?

Policy response (cont.)

- Lobby forcefully for more level playing field in international trade
  - OECD support for African ag: $50 bill./yr
  - OECD ag. subsidies: $350 bill./yr
- Reassess developed country policy of dumping free food in Africa under guise of “food for development”
Getting Markets Right: What does this mean?

- Not getting government out of markets
- Changing the role of government from direct intervention to supportive investments to make markets work
  - Public goods investment
  - Support development of farmer organizations
  - Create “stable” policy environment: uncertainty over waiving import tariffs and imposing export bans
  - Is market liberalization complete? Wrong question

Propose re-phrasing the question as:

- What combination of investments and policies will provide the best enabling environment to promote small farm productivity growth, realizing that
  - Resources are extremely limited
  - Opportunity costs
  - Political economy concerns frequently mean that the best approach technically may not work well in practice