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Markets, smallholders and empowerment



FEATURE

Making markets work for smallholders?

Bill Vorley and his co-authors aim to make us think again about how markets can work for or against the interests of smallholders

POLICY

The challenge of political empowerment

Peter Utting takes a historical perspective on the swings between rights-based and market-based approaches to empowerment

RESEARCH

Empowering women pays

Stephanie Barrientos contends that deeply embedded gender constraints persist when it comes to recognising women's role in cocoa farming

POLICY

The woes of rural wage labour

Sukhpal Singh argues that wage labourers are seen not as stakeholders in agriculture, but as just factors of production

GUEST COLUMN

Contract farming *can* work

Olivier de Schutter presents a set of guidelines that can help in the assessment of whether contract farming agreements benefit or exploit farmers

POLICY

The price of empowerment

The capacity strengthening accomplished by the fair trade movement need not be undone say Giel Ton and his co-authors

Markets, smallholders and empowerment

Small-scale farms are a source of hope and despair. Despair because over half of the one billion people who live below the international poverty line of \$1.25 a day depend on these farms for their livelihoods; and a source of hope because small-scale farms are seen as the way to achieve food security for a world population that is expected to grow to 9 billion people by 2050.

A 2010 report prepared by Olivier de Schutter, the United Nations Special Rapporteur on the right to food, refers to research that shows that small farms are capable of doubling their yields within ten years if resources are conserved and external inputs are dealt with judiciously. In order to free themselves from poverty and at the same time feed the world, small-scale farmers need support.

The question we address in this issue of Capacity.org is how small-scale farmers and their organisations can best be helped to develop their capacities so that they can improve their circumstances and assume a position of strength in society. We will draw from experience gained over several decades.

Strategies and approaches

In the 1980s and early 1990s, strategies to support small-scale farmers emphasised political empowerment. At the time, much of the capacity development support was inspired by Brazilian education theorist Paulo Freire's concept of 'critical consciousness'. He argued that the oppressed acquire an understanding of social and political oppression and the power to free themselves from it. Freire pointed out in his 1970 book, *Pedagogy of the Oppressed*, that 'freedom is acquired by conquest, not by gift'.

The capacity development support of the 1980s and 1990s focused on political systems and often failed to take into account the realities of economic systems. It became apparent that 'voice' on its own was not enough for smallholders to free themselves from poverty if this voice was not complemented by having a stronger position in value chains.

This realisation gave rise to a shift in emphasis to market-based approaches based on a thorough analysis of the interrelatedness of actors within value chains. Rather than emphasising disparities of power, these approaches focus on creating synergies between the actors along the value chain.

Among the market-based approaches are also the various fair trade brands that establish a bond of solidarity between small-scale farmers and consumers. Where necessary, this bypasses intermediaries, processors and

retailers who stand in the way of small-scale farmers securing a fair price for their produce (see 'The price of empowerment' by Giel Ton, Lorenzo Castillo and Jennie van der Mheen in this issue).

A good example of how effective a market-based approach can be is the series of interventions made by the Chinese government in the bamboo sector in the eastern province of Zhejiang (see Olivier Renard's article 'What future for Vietnamese bamboo?' in this issue).

However, market-based approaches are increasingly becoming the subject of criticism, and questions are being raised about how inclusive they really are. With these approaches, there is an inclination to focus on export markets without giving adequate consideration to how relevant that is to the most marginalised small-scale farmers.

Inclusiveness is often limited to better-off farmers, while the fate of wage labourers and unpaid farm labour carried out by women is ignored (see Sukhpal Singh's article, 'The woes of rural wage labour' and Stephanie Barrientos' article, 'Empowering women pays', in this issue). There is also too little emphasis on improving the bargaining power of producers' organisations.

Striking a balance

In this issue of Capacity.org, Peter Utting describes, from a historical perspective, the pendulum swinging between rights-based and market-based approaches (see his article, 'The challenge of political empowerment'). He concludes that there can be no economic empowerment without political empowerment.

Bill Vorley and the co-authors of this issue's main feature, 'Making markets work for smallholders?', weigh the advantages and disadvantages of the market-based and rights-based approaches. They propose a balance of the two, which can be described as 'strengthening the capacity of small-scale farmers to make effective choices'.

This issue includes many practical pointers for practitioners. In the guest column, 'Contract farming can work', Olivier de Schutter presents a set of guidelines that can help to assess whether contract farming arrangements benefit or exploit farmers. Sukhpal Singh presents guidelines for addressing farm labour interests. And in the same vein, Stephanie Barrientos examines the role of women on small-scale farms – and the effects of empowering women's labour.

Heinz Greijn
editor@capacity.org
Editor-in-Chief

CD MONITOR

News and developments in capacity development 2

EDITORIAL

Markets, smallholders and empowerment
Heinz Greijn 3

FEATURE

Making markets work for smallholders? 4

Bill Vorley
Bishwadeep Ghose
Carol Gribnau
Diego Muñoz
Ethel del Pozo-Vergnes

POLICY

The challenge of political empowerment 6

Peter Utting

POLICY

The woes of rural wage labour 8

Sukhpal Singh

RESEARCH

Empowering women pays 10

Stephanie Barrientos

POLICY

The price of empowerment 12

Giel Ton
Lorenzo Castillo
Jennie van der Mheen

PRACTICE

What future for Vietnamese bamboo? 14

Olivier Renard

GUEST COLUMN

Contract farming can work 16

Olivier de Schutter

Cover photo

Reuters | Mohsin Raza

Making markets work for smallholders?

Bill Vorley

bill.vorley@iied.org, IIED

Ethel del Pozo-Vergnes

ethel.delpozovergnes@iied.org, IIED

Carol Gribnau

cgribnau@hivos.nl, Hivos

Bishwadeep Ghose

b.ghose@hivos-india.org, Hivos

Diego Muñoz

ogeid@mainumby.org.bo, Mainumby, Bolivia

Half a billion small-scale farmers in developing and emerging economies produce a significant proportion of the world's food – estimated at over 90% in sub-Saharan Africa, and 50% in India. With a global population expected to increase to 9 billion by 2050, there is renewed interest in small-scale agriculture – particularly so in the context of climate uncertainty. Governments want to stabilise national food security and balance economic growth between town and country to prevent social upheaval. Agri-businesses want to secure their supplies and develop new markets.

Much of this renewed interest in small-scale producers has focused on connecting producers to markets – what is often called the 'market-based approach'. This approach positions small-scale producers as entrepreneurs. Making business links with poorer producers is promoted through a number of essentially interchangeable concepts: inclusive business, business at the base of the pyramid, growing inclusive markets and shared value.

Donors and the development community at large have embraced market-based approaches to development. Their expectation is that through inclusion in markets and value chains, small-scale producers can survive and even prosper in the face of major changes in agriculture and food markets ushered in by globalisation and modernisation. Some of the world's biggest companies, including Walmart and Unilever, have announced ambitious goals to bring small-scale farmers into their supply networks.

There is much to be welcomed in this approach, which has contributed to new ways of interacting with producers as entrepreneurs rather than as 'the poor'. But there is also a view that asserts that the adaptive capacity of the rural poor is being undermined by exposing small-scale producers to highly demanding and volatile markets. Its proponents object to what they see as a new wave of top-down interventions

The polarised debate on how markets can work for or against the interests of small-scale farmers, presents major challenges for practitioners. This article aims to rebalance our thinking about smallholders and markets.

in small-scale agriculture, fuelled by promises of business at the 'base of the pyramid' or by crisis narratives of food insecurity, rural poverty and resource constraints. They align the interests of small-scale farmers with social movements that resist corporate penetration into agriculture, resist globalisation, and advocate greater democracy and food sovereignty that is built on human rights.

Both sides of this often highly polarised debate can be reflected in the contradictory policies of the same government. Also many development agencies find themselves operating from a rights-based approach at the policy level, while adopting a market-based approach in practice.

In this article, we set out to provide an introduction to this apparent contradiction. The insights come from a series of 'Provocation debates' organised by the International Institute for Environment and Development (IIED), Hivos and local partners in European cities in 2010 and 2011. We point to the element that is missing in both approaches, namely that of producer agency – that is, the capacity of producers to make informed choices, and to act on those choices. Agency underpins the capacity of producers to deal effectively with external agendas, whether it is the agenda of business promising access to new high-value markets, or of social movements advocating rights-based development.

Market-based approach

The market-based approach to development provides an opportunity to target and empower small-scale producers to access higher value markets. This is especially important when securing rural livelihoods and young people's interest in agriculture in the face of declining farm size.

It sees the development of small-scale producers as best achieved by bringing organised producers into trade arrangements with inclusive business that is supported by the right policies and market institutions. Producer organisations create mechanisms for aggregation, maintaining quality and substantially reducing the transaction costs for accessing modern inputs and value chains. Such producer organisations make it

possible to forge effective links with the local supply base.

Businesses can reap many benefits from investing in and trading with small producers. They can secure new sources of produce in a supply-constrained world, and can build their political licence to operate in emerging economies. They can also gain a much better understanding of their supply chains, with opportunities to improve integrity and efficiency.

But there are aspects of market-based approaches to smallholder development that can actually undermine the resilience of smallholders. First, intervening to make markets work 'for' poor smallholders can perpetuate top-down models of development in which farmers' decisions are made for them. Indeed, many interventions to build capacity emphasise only the technical aspects of accessing markets rather than their agency – in terms of the capacities of producers to organise themselves more effectively, to make their own choices or to exert control over policies that set market rules.

Second, initiatives have a tendency to reach only richer, more accessible and better organised farmers. Much of the agenda to make markets work for smallholders is built on assumptions that producers will cooperate within formal producer organisations to compete in markets. But the starting point for interventions aimed at smallholders must be an appreciation that the majority of small producers are not formally organised in the market. Poorer households and female producers are even less likely to be involved in producer organisations. And when they do participate, they are often excluded from the decision-making processes or used as outgrowers. Being unorganised puts producers outside many chain-based assumptions about 'cooperating to compete', even though producers often use flexible institutional arrangements to improve their bargaining position with traders.

Third, market-based approaches may bring producers into trading relationships under conditions of very unequal negotiating power and very unequal information.

Lastly, there are risks that high-value export markets and cash crops are being emphasised at the expense of domestic

markets and staple crops, and at the expense of household and regional food security. Smallholders might be better off supplying the much larger domestic wholesale and informal markets. Because of urbanisation and economic growth, domestic markets are an increasingly attractive option – though elites and cartels continue to prevent markets from working in a pro-poor manner. In one of the Provocation debates on the approach of making markets work for the poor, Roger Blein of Bureau Issala in France observed how a focus on value chains and export markets has been associated with disinvestment in staple food sectors, even though staples are the most important products for small producers and for the food security of the poorest of the poor.

Rights-based approach

Rights-based development is frequently described as an important counterbalance to market-based development. It positions small-scale producers as rights holders. Olivier de Schutter, United Nations Rapporteur on the Right to Food (see guest column on Page 16), described in the Provocation debate on rights-based versus market-based development, how a rights framework can shape the institutions that make markets more inclusive and resilient. For De Schutter, such a framework means focusing on the most vulnerable in society and clearly defining the entitlements of each individual. It means emphasising accountability and accessing remedies when rights have been violated. It means promoting non-discrimination and participation. And it means that the state should protect farmers from being exploited by companies, including scrutinising contractual arrangements to ensure that farmers are not deceived by buyers.

But rights-based approaches may be no less top-down and imposed than market interventions. And rights may not prevent problems of power, such as influencing policy and legislative processes.

In the same Provocation debate, Diana Mitlin recounted how, in the urban environment at least, organisations of the poor are deeply suspicious of rights-based approaches, because powerful interest groups influence how the state sets rights-based frameworks and allocates resources. Grassroots groups are even more suspicious when international organisations adopt this discourse, because their experience is that those organisations are strong on discourse and weak on implementation. Mitlin's opinion is that, for the poor, the challenge is not so much getting rights into public policy, but building strong local organisations that can participate in developing solutions, and can contest trends that work against the interests of the poor.

Organisation and large-scale mobilisation has been the traditional route for farmers to influence national policy. The Provocation debates that took place in The Hague, the



Farmer transports his farm produce to a wholesale market in Kolkata, India

Netherlands, discussed how concerted action by farmers in Nicaragua gave rise to innovative national policies that promote agro-ecological production by small-scale farmers.

Although political mobilisation can successfully influence government policies, it can also perpetuate the existing patriarchal structures that privilege only a certain section of agrarian society. Small producers and women producers often have to compete with the powerful lobby of large producers for representation on policy platforms and in negotiations. And even when states recognise and create political space for small-scale farmers, those farmers are not always able to articulate their needs or fill that space.

Furthermore, political empowerment can fail to pay sufficient attention to the economic needs of smallholders. In one of the Provocation debates, Diego Muñoz of Mainumby Ñakurutú in Bolivia, described how producers in Bolivia were mobilised as a powerful political force in parallel with the growth of social movements – but without the state recognising the position of farmers as entrepreneurs and acknowledging their real market problems. He questioned whether populist policies were any better at recognising the position of farmers as economic agents.

Making effective choices

Where does that leave us, and what does it mean for practitioners and their capacity building efforts?

We call for a reorientation of interventions, to recognise the importance of producer agency. By agency, we mean the capacity of producers – as individuals and as organisations – to make informed choices in the face of external agendas and powerful actors, and the capacity to act on those choices. Poor decisions can leave producers

and their communities less resilient and less food secure.

By using an approach that increases the reflexive capacity to evaluate choices and risks – rather than an approach that equates market access with development – smallholders might arrive at very different conclusions from those reached by outside experts.

We have also underlined the importance of understanding small producers as both economic and political actors. Economic agency, when defined narrowly as cooperating to compete in value chains, misses the whole agenda of shaping the market institutions and modalities that make markets work better, or not as well, for the poor – especially for the majority who are not organised. This is territory that lies firmly between the two prevailing approaches. Without political action, policies will focus only on the 'viable' sectors. Even the institutions of fair trade, which have been both market mechanisms and political vehicles for small-scale producers, were described in one of the Provocations as being 'in need of urgent defence against market pressures that are weakening its political role'.

For practitioners, this agenda is quite a challenge. For it is often practitioners who introduce the agenda of making markets work for small-scale producers. And the agenda is growing ever more complex, with expectations that modern value chains, certified products, carbon markets and payments for ecosystem services will all 'work' for the poor, and that the poor will be 'empowered' in the marketplace. Producer agency includes the capacity to deal with practitioners. <

Links

For further information, visit www.iied.org/provocations

The challenge of political empowerment



Peter Utting

peterutting@hotmail.com

Deputy Director of the United Nations Research Institute for Social Development (UNRISD) (The author is writing here in his personal capacity.)

From the perspective of strategies that aim to improve the well-being of small-scale farmers, there are various risks inherent in the way the term 'empowerment' has been taken up by international and bilateral development agencies. Such agencies increasingly emphasise the importance of economic empowerment. However, unless accompanied by the access to resources and opportunities that foster political empowerment, a focus solely on economic empowerment runs the risk of misreading the causes of poverty – and will prove wanting as a poverty reduction strategy.

Economic empowerment

The turn towards economic empowerment should be welcomed as an important adjustment to past policies, which often neglected small-scale agriculture and focused too narrowly on the roles that social protection and safety nets play in poverty reduction strategies. Economic empowerment also seeks to address the supply-side constraints affecting farmers' capacity to benefit from free trade agreements. Economic empowerment aims to facilitate market access, enhance productivity and improve the terms under which producers integrate markets and compete – for example, through information, managerial and technical know-how, technology transfer, economies of scale, networks, partnerships and the ability to negotiate price.

But economic empowerment that is associated with exports and insertion into global value chains carries certain risks. Such markets and chains are dominated by large corporations with considerable bargaining power, and tend to concentrate value at the 'other' (retail/consumer) end of the chain.

Some strategies for economic empowerment, such as the Canadian

In the struggle over ideas in the development arena, terms that are associated with more radical perspectives are often picked up by mainstream actors and organisations. And this has been the case with 'empowerment'. But such mainstreaming can cause original meanings to be modified or become obscure.

International Development Agency's and UN Women's, seek to target marginalised women, but development cooperation associated with private sector development often favours producers that have more resources and greater technical capacity. And while smallholders may initially be targeted for inclusion in global value chains, over time, large retailers and buyers come to rely increasingly on suppliers that have the technical and managerial capacity both to deliver goods and to comply with the growing array of social, environmental and quality standards, and who can absorb the costs associated with standards regimes.

Underpinning the turn to economic empowerment is a preference for 'productivist' over 'welfarist' approaches – trade not aid. Also sustaining this approach is a belief that poverty is linked to poor market access – and the solution is to insert producers into markets, and support them with corporate social responsibility. This approach fails to understand poverty in terms of how producers are subordinated by class, ethnicity and gender, and how those social relations need to be transformed through the reconfiguration of power and collective action – in other words, through political empowerment. This broadens the focus to include issues of equality, rights and distributive justice, and indeed questions what we mean by development.

A voice and a vote

Political empowerment is characterised by producers organising collectively to enhance their influence and bargaining power – not simply with respect to other market actors, but also in terms of the development policy process itself and in relation to bodies such as local and national government, regional and global institutions, non-governmental organisations (NGOs) and donor agencies.

Political empowerment is about the capacity of producers to exert claims on such actors and institutions, and to hold them accountable. It is also about the capacity of smallholders to have a voice and to exert influence in the organisations that claim to represent them or speak on their behalf.

As standards regimes develop, it is essential to consider how they are governed. How much of a voice and a vote do small producers have in the governance structures of standards-based initiatives? Political empowerment is also about the struggle of ideas and definitions of development, and the capacity to frame and re-frame development discourse. Political empowerment is about the ability to contest approaches and bodies of knowledge, and to ensure that blind spots, contradictions and assumptions that are taken for granted are exposed.

In the mid-20th century, political empowerment was central in industrialised countries that were developing some degree of agrarian welfare state. For farmers, such arrangements provided significant protection against the vagaries of the market. They were fundamentally an institutional outcome that was based on the political empowerment of farmers who were well-organised, and who could negotiate policy, use their block voting power as a bargaining chip and, if necessary, engage in various forms of direct action.

The neoliberal years

The organisation and mobilisation of small-scale farmers have also been significant in crafting pro-rural policies in developing countries such as Costa Rica and Thailand. But during the 'neoliberal' 1980s and 1990s, farmers' organisations and relatively supportive developmental states in many African and Latin American countries were significantly weakened as state and donor support for agriculture (and small-scale farming in particular) declined and service-delivery NGOs became the conduit for significant amounts of overseas aid. Structural adjustment programmes followed by free trade agreements weakened domestic agriculture by focusing on exports and cheap food imports. Such approaches also paved the way for the penetration of foreign capital, often via contract farming with commercial farmers. As agricultural policy making shifted from local to regional and international institutions, the advocacy efforts of farmers' organisations at the national level faced new constraints.



The Landless Workers Movement (Movimento dos Sem Terra) demonstrates outside the Finance Ministry against cuts in the agrarian reform budget, Brazil, 2009

A new wave

Unfettered economic liberalisation, and its associated social and environmental costs and insecurities, inevitably provokes a social response. Various forms of rural collective organisations and movements have been dynamic features of this response – organisations that could take advantage of changing political opportunities. Such collectives include women's groups and other self-help groups and cooperative organisations, broad-based rural associations (as in Senegal) and grassroots movements such as Brazil's landless workers movement and Ekta Parishad in India, both of which are engaged in the struggle to secure land and rights for the rural poor. Other groups and organisations that have become part of the response to economic liberalisation include regional farmers associations and networks such as the Latin American and Caribbean Network of Small Fair Trade Producers.

Transnational global networks, notably La Via Campesina, have also emerged – in this case as a counterweight to the long-established International Federation of Agricultural Producers, which represents mainly larger commercial agricultural producers. New coalitions and alliances have also been formed – with the decentralised governments and domestic NGOs that emerged in many countries in the 1980s and 1990s, and between mainstream political parties, international organisations such as the United Nations Food and Agriculture Organization, the International Fund for Agricultural Development and international NGOs. These organisations and movements are bringing together two forms of action that often remained separate in the past, namely advocacy for policy change, and local development or agro-ecology initiatives. They are also adapting to changes in governance through organisational structures, or networks, that link local, national, regional and global advocacy. This wave of political empowerment points to the potential for

enhancing the ability of rural producers to gain control of the resources and regulatory bodies that affect their lives. It also contests 'neoliberal' development and challenges the definitions of terms such as 'inclusive' and 'sustainable' development as they are understood by the international development organisations and NGOs that promote the economic empowerment of small producers.

Diverging views

Contested views on inclusiveness and development are even apparent within movements themselves, as seen recently in the case of fair trade. In late 2011, Fair Trade USA split from Fairtrade International (FLO). Fair Trade USA announced unilateral plans to certify large coffee plantations, which is prohibited under FLO's global standard. The US-based United Students for Fair Trade movement promptly disassociated itself from Fair Trade USA; and the Latin American producers' organisation, CLAC, announced plans to initiate its own fair trade label.

The pursuit of different models of inclusive development and changes in the governance of fair trade underpin these schisms. Regarding the models, Fair Trade USA favours the scaling up of the fair trade niche market by engaging large corporations and agricultural estates, facilitating market access, empowering small producers economically, and promoting corporate environmental and social responsibility – which targets not only suppliers but also agricultural workers. Several currents within FLO, and the larger movement of alternative trade organisations and advocates, promote the original ethos and principles of fair trade, which is centred on fostering solidarity, empowering small producers both economically and politically through collectives, and promoting higher standards of agro-ecology.

Regarding governance, the voice of small producer organisations is increasingly being heard and their vote is carrying ever more weight in FLO's governance structures. Such

developments have favoured decisions to increase both the fair trade floor price and the social premiums that support various local projects. Meanwhile, particularly in Latin America, national and regional producers' associations have become stronger, gaining a more robust voice within FLO, and also reframing the meaning of fair trade. This has involved broadening the focus away from merely considering how to secure premium prices in export markets to examining such aspects as:

- the need for small-scale producers to capture for themselves the benefits of a growing fair trade market in their own countries and regions;
- the need to add value to their primary products through processing;
- the need to balance export-oriented commodity production with the principles and practices of 'food sovereignty'; and
- the need for ongoing political empowerment of producers through self-supporting organisation, more effective participation in policy processes and the governance structures of intermediary organisations, and building coalitions and alliances.

Complementary factors

Probably, none of this would have happened through economic empowerment strategies alone. The likely upshot of an exclusively economic approach to empowerment would have been the increasing encroachment of corporate values and interests into the governance of fair trade. This would have had implications in terms of price, standards and who pays the associated costs – and would also have locked fair trade into a mainstream mode of development where small farmers in developing countries are simply suppliers of raw materials to northern export markets, rather than agents capable of contesting and reframing 'development', capturing value and crafting an enabling environment that can both secure their livelihoods and promote sustainable development. Economic empowerment that reconfigures price and market access needs to be complemented by political empowerment that reconfigures power relations. <

Further reading

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The woes of rural wage labour



Sukhpal Singh
sukhpal@iegindia.org
Institute of Economic Growth, Delhi, India

Some 70% of the world's 1.4 billion extremely poor people live in rural areas. Across the continents, 445 million small family farms provide work for 2.2 billion people – which means that one-third of the global workforce depend on small farms for their livelihoods. These small farms, which represent 85% of the 525 million farms in the world, have less than two hectares of land. In China, 98% of all farms fall into this category; in Bangladesh, the figure is 95% and in Ethiopia, it's 87%. In India, small farms account for 85.9% of all operational holdings and are responsible for farming 42% of the country's total cultivated area.

High productivity, low income

There is no doubt that small farms maximise labour use, add maximum value to their products, and have higher yields than large farms, all of which are socially optimal benefits, because of the land scarcity and labour surplus in developing countries. They also promote equity. Small farms were the cause of the rapid agricultural growth that occurred in Korea, China, Japan and Taiwan in the 1960s and 1970s, and even in parts of India in the 1970s.

However, each small farm cannot provide employment for more than a few people. The types of crop that are grown and the technology that is used on poor small farms do not allow for periodic or seasonal increases in the number of people employed – in other words, there is little or no employment elasticity on very small farms, and very little opportunity to raise farm labourers' incomes.

Small farmers also suffer from many market and institutional problems which mean that they have higher transaction costs and don't get as good a price for their produce as larger farmers do – even though, in India at least, they are just as productive

Smallholder agriculture is back on the global policy agenda. This is because of the growing demand for food and because the livelihoods of billions of people depend on small farms. However, farm wage labour remains largely ignored.

as larger farms per unit area, and sometimes more so. Studies have found that even with this higher productivity, the livelihoods of these smallholders are not viable because their expenses far exceed the net income of a small farm. Some question whether smallholders are relevant at all in the effort to achieve higher agricultural growth and increase food production to meet growing demands.

A case for wage labour

In a bid to earn a decent living, many small farmers look for employment as labourers outside their own farms, which also has an effect on the wage paid to farm labourers and on the number of farm labourers looking for work. Landless labourers are even more marginalised than smallholders because they have no assets and are significantly poorer than all farming households, no matter how small. For example, in India in 2004–2005, 18.6% of all farming households were categorised as poor – that is, 23.1% of the marginal farm households were poor and 15.8% of small farm households were poor. But 41.9% of agricultural labour households were categorised as poor.

Because rural wage labour is at the bottom of the poverty pyramid in developing countries, the burden of adjustments such as food price inflation, unemployment and job cuts, always affects it first. Agricultural labourers – whether they are marginal farmers working outside their own farms or landless labourers – are also not in a position to manage or avoid risk; they have no choice but to offer their labour in the market.

In 2007–2008, in villages across Andhra Pradesh in India, between 26% and 59% of landless households participated in the National Rural Employment Guarantee Scheme (NREGS). This scheme, which came into force in 2006, is a legal undertaking to provide 100 days of employment to one member of a participating rural household at a wage of US\$2 a day (the national minimum wage). In the case of marginal and small farms, between 10% and 44% of households participated in the NREGS scheme in the same year.

Improving the rural wage in India has been found to be the single most significant

factor in reducing poverty among the rural poor. Raising agricultural gross domestic product and improving rural literacy were the two other significant factors in reducing rural poverty.

Farm labour conditions in most of the developing world are pathetic in terms of minimum wages and working conditions. Even areas in India that have high levels of agricultural growth perform poorly when it comes to wages and work status. For example, Gujarat, a region in western India which achieved a 10% annual growth in agriculture over the last decade, has a lower average wage for both permanent and casual rural labour than other Indian states such as Maharashtra, Andhra Pradesh, Tamilnadu and Punjab. It was also lower than the national average wage rate in 2007–2008.

Women worse off

There is a significant gender gap in agricultural wages and working conditions in the developing world. In India in 2004–2005, women working on farms earned only 70% of what men earned. Over 80% of women did not get the minimum wage, compared with 41% men. The gender gap in casual wages was about 14%, and in the case of regular rural labourers' wages in Gujarat, this rose to as much as 30%. The pay for casual farm labourers in Gujarat (68 rupees a day, or about US\$1.30) was well below the minimum wage required by law (100 rupees a day, or about US\$2). It is only since the commencement of the NREGS scheme that there has been a reduction in the gender wage gap, less migration for work and a tightening of the labour market, which has led to some wage increases in agriculture in some regions.

Categorising tasks as men's tasks or women's tasks exacerbates women's position in the rural labour market. Even if they want to, they can't take up activities which are perceived to be done only by male workers. This reduces women to marginal workers, and recipients of lower wages because the work they do is perceived as having less value.

No fair trade for workers

Even in fair trade channels, small farmers do not share the fair trade premium, they earn,

with farm workers. In fact, the pressure on small farms in value chains to compete on the open market actually encourages the exploitation of workers in terms of the wages smallholder-employers can offer, the working conditions they can provide and the temptation to use child labour in, for example, cotton seed production for domestic and multinational firms in India. Contracting agri-business firms do not pay attention to or take responsibility for labour issues. Their argument is that they do not contract farmers directly because contract farming in India's seed sector is conducted through seed organisers – which are usually small local companies, large farmers or farm produce traders. In fact, large agri-businesses leverage costs onto smallholders through mechanisms like contract farming, which is based on the exploitation of hired and family labour. In fact, farm and allied labour is not seen as a stakeholder in agriculture at all and is treated as just an element of production. Therefore, the livelihoods and concerns of paid agricultural labourers are more or less ignored in discussions of smallholder agriculture.

Protecting interests

It is important to protect and promote the interests of marginalised agricultural labourers, even in the context of smallholder agriculture. In this context, smallholder policy and practice should focus on the following:

- a. Value chains need to proactively examine labour conditions and wages and issues such as upgrading labour skills and processes as they do for smallholders – not instead of focusing on smallholders, but alongside it. Wages and working conditions for contract farm workers should be negotiated by the contracting agency as part of the terms and conditions, and contract farming policy should provide for this. Similarly, while choosing crops for smallholders, the labour intensity and employment generation potential of crops should be kept in mind for the benefit of farm workers.
- b. Even organic, fair trade and ethical trade movements need to do more. It is imperative to monitor and improve wages and work conditions for workers in such contexts. Training must be a part of smallholder policy, not only to enhance labourers' earnings, but also to improve farm productivity, produce quality output and cut production costs.
- c. Smallholder farming needs to involve workers creatively on the farm so that they can give their best as co-workers or partners in farming business. The innovative potential of workers needs to be recognised too. But this means that innovations and technology must be sensitive to workers' needs. In fact, with many crops, such as tea and rice, there are still no innovations that make the



Landowner gives instructions to women labourers, Karnal District, State of Haryana, India

- d. There is a focus on collectivising smallholders; and there should be a similar effort to collectivise labour. This would help to empower rural labour, which is crucial for sustainable poverty reduction. There should be separate collectives for women workers. Recently, there have been instances of group farming and marketing being carried out by groups of landless women. And in Kerala in India, there have been moves to train and build the capacity of farm workers. This has led to the regeneration of common land and waste land, more employment and higher income for workers; and better availability of labour for landholding farmers when they need extra labour for operations like paddy transplanting or harvesting.
- e. Women have started to play a more significant role in farm labour. The developmental implications of this transformation are significant in terms of

plucking of tea leaves easier for pickers or the transplantation of rice in the paddy fields less onerous. These are needed to reduce the back-breaking work of landless workers – most of whom are women. There should be a focus on more appropriate and affordable machines which can do custom planting and harvesting and other activities on small farms.

family welfare, education and the health of both women and their children. Therefore, it is necessary to choose enterprises, crops and activities that make farm work, machines and tools more gender sensitive. It has been found that activities like poultry farming and growing chick peas and rice offer more opportunities for women than do crops like cotton or jatropha (a crop used to produce biodiesel). Promoting better remuneration for women workers can help to reduce poverty much faster – not least because women tend to spend what they earn more productively on family needs. <

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Empowering women pays



Stephanie Barrientos

s.barrientos@manchester.ac.uk
Brooks World Poverty Institute at the School of Environment and Development, University of Manchester, UK

Markets for agricultural commodities are increasingly linked to the value chains of large food manufacturers and retailers. These have stimulated many changes, including the drives for quality and higher volumes within segmented markets – everything from high volume to niche. Smallholders face challenges in meeting the growing demand for quality standards, and in raising productivity to meet the demand for volume. The cocoa sector is a good example of this. Here chocolate manufacturers and processors are becoming ever more concerned about the future sustainability of quality cocoa production.

The role of women in cocoa farming should be seen in the context of a changing cocoa/chocolate value chain. Empowering women cocoa workers and farmers, economically as well as politically, can help to raise productivity and attain quality in markets that are increasingly dominated by large companies.

A changing market

The chocolate sector has undergone a process of rapid change and commercialisation in recent decades, with large firms dominating processing and manufacturing. The growth of chocolate consumption has been steady, and the expansion of middle-income consumers in emerging economies means that demand is likely to continue growing.

Cocoa farming in Africa's main exporting countries has remained predominantly small-scale, with an estimated 2 million farmers involved in the sector. They are often poorly remunerated, produce small volumes and the ageing farmer profile means that they face challenges in adapting to market requirements. Many younger farmers are

As support for agriculture climbs up the policy agenda, the spotlight is increasingly focused on smallholder farmers. But one dimension of this is still being regularly overlooked – the role of women on smallholder farms.

leaving the cocoa sector for better options elsewhere.

This general trend is characteristic of Ghanaian cocoa farming. Ghana is the world's second-largest producer and exporter of cocoa. The sector is composed of an estimated 720,000 small-scale farmers, some 25% of whom are women. Research undertaken between 2006 and 2008 found that cocoa farmer incomes were very low, with a mean per capita daily income of US\$0.42 from cocoa alone, and US\$0.63 from all sources. Levels of productivity on cocoa farms were also low, with farmers reaching an average of just 40% of potential yield.

With little scope for expansion into virgin lands, the future supply of cocoa depends on raising productivity. The average age of Ghanaian cocoa farmers is 52 years for men and 56 years for women – this is in a country where current life expectancy is 58 years. Older farmers produce less, and ageing smallholders tend to be less innovative and less able to expand production. An important finding of the 2006–2008 research study was that young people were deserting the cocoa sector, which they viewed as an occupation with little prestige, and a last resort for farmers. Young Ghanaian farmers were said to be looking for a better life in the urban sector, in occupations perceived as being more modern, and with a higher earning potential.

There have been predictions from within the cocoa industry that demand might outstrip supply by 2020 – a potential problem in a sector where the young farmers are moving on to pastures new and the older generation is ageing rapidly. Companies are orchestrating many initiatives to support and promote productivity and quality.

A 'male' crop?

Cocoa is usually perceived as a 'male' crop – one that is dominated by men from the fields right along the value chain. But if we unpack cocoa production, a more complex gender picture emerges. Small farms often depend on female family members, primarily as unpaid or casual labour but also as farmers whose rights to land regularly go unrecognised. Women are often found to do as much, or even more, work than men –

without getting formal recognition or receiving an equal share of the cocoa, or the profits.

The division of labour according to gender is shaped by long-established social norms and practices. Land tenure systems in Ghana are complex and based on customs that vary according to locality and ethnic group. While some use matrilineal processes to determine inheritance, male family members are normally the main recipients of land, and female spouses rarely inherit land if their partner dies. Ghanaian law was revised in 1999 to facilitate spousal inheritance, but this is often not implemented in practice. If the male caretaker farmer leaves or dies, his wife and other female family members have no formal entitlement and can be left in a precarious position.

Women who own and farm land in their own right face greater constraints than male farmers. In a paper presented at a workshop in Rome in April 2009, Marcella Vigneri and Rebecca Holmes described how women have smaller land holdings, have less access to fertilisers, are not as likely to secure credit and have lower incomes. However, these constraints do not reflect on women's abilities as farmers. Vigneri and Holmes found that there was no significant difference in land productivity between male and female farmers, and women tended to use hired labour much more efficiently than male farmers.

Share-cropping, involving migrant 'caretaker farmers', is a common source of labour in cocoa farming in Ghana. There are two main systems of sharecropping. Under the Abunu system, once the cocoa trees start to produce (usually after three to five years), the cocoa is shared equally between the farm owner and the caretaker farmer. Under the Abusa system, the caretaker gets one-third of the crop as payment for maintaining the farm and harvesting the cocoa. Most caretaker farmers are male, again reflecting gender norms. However, caretaker farming is often based on family farming – where women work as unpaid labour.

The division between reproductive (household) and productive (market) activity is blurred. Young trees are grown alongside subsistence crops and other crops which are tended by women. And women are usually

responsible for planting the trees, taking care of the young trees, pod breaking, carrying the crop, and fermenting and drying the cocoa.

It is well recognised within the chocolate industry that early plant care and post-harvest activities are critical for ensuring productivity and quality, and essential for meeting changing tastes within more segmented consumer markets. Early plant care (particularly pruning the young plants) is important for enhancing yields-per-tree later on, and therefore for raising output. Drying and fermentation are critical to the final flavour of the cocoa beans that go into quality chocolate. Farmers often take a shortcut by reducing the time spent on post-harvest activities in order to sell the beans quickly, which results in an adverse effect on quality.

Practitioners recognise that women are often more careful and more aware that tending the crop diligently yields better results. This is why women's engagement could play an important role in addressing the future socio-economic sustainability of quality cocoa production. As well as empowering the women farmers themselves, involving women more could address the sustainability of the cocoa supply.

Small advances

Some actors within the sector are beginning to wake up to the importance of the role women play in cocoa production (particularly those aspects that are important for maintaining quality).

Kuapa Kokoo was an early initiative that supported women working in the cocoa sector. Kuapa is a Licensed Buying Co (LBC) and cooperative that was established in Ghana in 1993 after the sector was partially liberalised. It has 62,000 members, 26% of whom are women. Approximately a fifth of the cocoa produced by Kuapa members has fair trade certification, and it is the only fair trade certified LBC. Kuapa owns 45% of the fair trade chocolate company, Divine Chocolate, in the United Kingdom and America.

From the beginning, Kuapa was supported by UK-based fair trade pioneers, Twin. They helped them to develop a gender strategy that would encourage women cocoa farmers to become members. It carried out a gender assessment of Ghana's cocoa sector in 1996, and established a gender programme two years later. This targeted women members and provided support in the form of training and skills enhancement, and helped women members to secure credit. The gender programme also promoted women's representation at all levels of the organisation – with a great deal of success. Twelve of Kuapa's 20-member National Executive Committee are now women.

Many of Ghana's chocolate companies are becoming aware that promoting gender equity and recognising women farmers can play a part in improving quality. For example, international chocolate giants, Cadbury/Kraft, who have been working with the non-governmental organisation, Care, have been

supporting women farmers' cooperative groups since 2006. And national training programmes too are beginning to target women farmers. The Cocoa Partnership, established by Cadbury, includes a gender focus when supporting local cocoa growing communities. However, it is important to recognise not only women farmers who have land in their own right, but also the large number of women who work in unrecognised roles as unpaid family or casual labour.

Despite some advances, deeply embedded gender constraints persist – making it hard for women in the cocoa sector to be recognised as cocoa workers and farmers. Strategies need to address these constraints to enhance women's participation. These strategies include:

- recognising women as unpaid family and wage labour in their own right, whose contribution needs adequate remuneration;
- training and education that is focused on enhancing women's participation and learning – and providing childcare support where necessary;
- ensuring women farmers have better access to inputs, including credit and extension services;

- making marketing channels more easily accessible for women farmers; and
- enacting the legislation needed for women to have equal access to land ownership.

A significant shift needs to take place in recognising women's critical role, both to enhance their empowerment and underpin the future sustainability of cocoa. <

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Akua Gwamfua, president of a local women's collective, in front of her cocoa harvest



Alamy | Simon Rawles

The price of empowerment



Giel Ton

giel.ton@wur.nl
LEI Wageningen UR, the Netherlands

Jennie van der Mheen

jennie.vandermheen-sluijer@wur.nl
LEI Wageningen UR, the Netherlands

Lorenzo Castillo

jncperu@terra.com.pe
Junta Nacional del Café, Peru

Over the last couple of years, certification brands of coffee have steadily increased their volume of sales in Northern consumer markets, with an ever broader portfolio of products. On the face of it, this appears to be good news for groups of small producers who sell their coffee through these certification schemes. However, the growth figures are significantly lower for the brand that is most committed to working with farmers' organisations, the Fair Trade Labelling Organizations (FLO), also known as Fairtrade International, which brings together 25 fair trade initiatives from around the world.

What sustainability initiatives such as FLO, UTZ Certified and Rainforest Alliance have in common is that they offer farmers a better deal for their produce and give consumers the opportunity to contribute to poverty reduction by shopping with a conscience. However, they differ in the way they relate to farmers' organisations.

The fair trade system emerged in the 1980s when world market prices for coffee were low. These low prices made the fair trade minimum price attractive to farmers and formed the engine for organising producers into cooperatives and other similar types of organisation. As well as the guarantee of a minimum price, another cornerstone of the fair trade movement was its determination to support small-scale farmers in their struggle with the big agricultural corporations that procure and process coffee for the world market. So as well as paying a fair price, fair trade explicitly aims to strengthen the organisational capacities of producer groups – not only in terms of the logistics of

The Fair Trade Labelling Organizations (FLO) pay farmers a premium on top of the agreed fair trade price to strengthen the capacity of their organisations. However, competing certification brands don't pay such a premium.

collective marketing, but also in their activities to build political agency to influence markets. To do this, farmers' organisations require resources.

To become certified, farmers have to organise an internal control system and often have to receive training in good agricultural practices. This is costly, and feasible only when there is an organisation in place to provide these services. The certification schemes that compete with FLO tend to depend on trading companies or non-governmental organisations (NGOs) to organise farmers. However, this does not necessarily create strong and autonomous farmers' organisations.

The fair trade system is the only scheme that incorporates a built-in mechanism to generate the resources that strengthen organisational capacity. There is ample evidence that the fair trade premium has had

a positive impact on producers' organisations (see box, Fair trade strengthens producers' organisations). Nevertheless, some critics from competing certification initiatives argue that using the fair trade premium for organisational costs and investments is an 'inefficiency' – according to them, the increase in price, as a result of the certification, should flow into farmers' communities or go straight to farmers' incomes.

Under pressure

Despite the positive impact that fair trade has had on the livelihoods of farmers and on the capacities of their organisations, the fair trade system faces several threats. While fair trade coffee sales are growing steadily, other certification schemes such as UTZ Certified and the Rainforest Alliance are growing even faster (see table).

Certification Scheme	Sales 2009	Sales 2010	Growth rate
Fairtrade International	73,781	87,576	19%
UTZ Certified	81,928	121,234	48%
Rainforest Alliance	87,583	114,884	31%

Table 1: The volume of certified coffee sales (in MT)

Fair trade strengthens producers' organisations

In 2009, Valerie Nelson and Barry Pound carried out a meta-review of 33 case studies examining producers' organisations. They found that 22 reported organisational strengthening. Examples of the organisational strengthening they found were an increase in national and local influence, an improved level of democracy in decision making and levels of participation, an ability to survive better in hard times, and a better ability to attract other sources of funding. Increasing the strength of producers' groups and their bargaining power through capacity building, organisational development and marketing support are generally seen as important effects of the fair trade approach.

In another report, carried out by Douglas Murray and colleagues in 2003, the capacity to negotiate with new clients is also mentioned as an important positive consequence of fair trade improving capacity.

Most recently, research carried out by Christopher Coles in 2011 confirms that fair trade has much more far-reaching effects on producers' organisations. In fact, the mere existence of a purchasing cooperative can bring benefits to all local farmers through increased competition, which leads to securing higher prices from private buyers.

In 2010, Isabelle Vagneron and Solveig Roquigny reviewed 77 case studies that had been carried out between 1998 and 2009. Among the most documented impacts was the trade performance of producers' organisations – their ability to link their members to international markets, the ability of producers' organisations to support their members through technical advice and social projects, the ability of fair trade to help structure producers' organisations and strengthen their organisational capacities.

A number of cooperatives that have long operated within the fair trade system are beginning to sell through other sustainability schemes. Fair trade was founded when coffee prices were low and coffee farmers considered a secure market with advance contracts and minimum prices a blessing. However, the current high coffee prices are creating tensions between the short-term interests of individual farmers and the medium-term interests and obligations of the producers' organisations.

Fierce competition in coffee sourcing is the result, and intermediaries and buyers are trying to convince members of cooperatives to side-sell coffee to them instead. Cooperatives that have signed contracts with their fair trade clients several months before the harvest at what was then the market price, cannot adjust to the higher prices offered by these intermediaries at harvest time. As a result of this side-selling, many cooperatives have had problems delivering on their contracts, or have been forced to pay prices that are far higher than the price they will receive from their fair trade buyers. Some have been pushed to the brink of bankruptcy.

In an article in the *Stanford Social Innovation Review* in 2011, Colleen Haight described another emerging problem being encountered by fair trade coffee as a result of the emergence of the speciality coffee markets that offer higher prices than the fair trade price. Generally, the fair trade market does not offer higher prices for speciality coffees that differ in smell and taste – it distinguishes only between organic coffee, conventional coffee and natural or washed Arabica and Robusta coffees. But non-fair-trade buyers offer higher prices for other, more product-specific quality attributes. The same coffee cooperatives whose bargaining capacity was built by the fair trade movement are now applying this entrepreneurial capacity to sell speciality brands of coffee that can get a higher market price outside the fair trade system, while their poorer quality coffees are sold through the fair trade system.

Another important challenge for the fair trade system was the resignation of Fair Trade USA from FLO in late 2011. They have lowered the content requirements for products allowed to use the fair trade label from 20% to 10%. Even more threatening for producers' organisations is the admission of larger coffee



Fair trade farmer in front of his store, Uganda

plantations into their new certification system. Up to now, only coffee cooperatives composed of small-scale farmers could be certified as fair trade. Corporations such as Starbucks have long pushed for this rule to be overturned so that they could expand their fair trade certification to include more of their coffee suppliers, such as coffee plantations on bigger landholdings and contract farming schemes.

The way forward

Fair trade systems will have to make adjustments in terms of being responsive to the changing market for speciality coffees. They need to ensure that good quality coffee can fetch a higher price in the fair trade market.

The fair trade premium has proven to be a key driver for small-scale producers in terms of building their capacities and strengthening their resilience in the marketplace. All certification schemes benefited from this. The UTZ Certified and Rainforest Alliance certification schemes should include similar 'resilience-building' mechanisms in their certifications schemes. They should be aware that strong farmers' organisations are a prerequisite for sustained

and sustainable development in coffee. Particularly in times of falling prices, these organisations hold together the value chains that link smallholders, buyers and consumers. Without strong farmers' organisations, these group certification schemes will not be as sustainable as they appear. <

Links

The authors collaborate in the international research and policy development programme, Empowering Smallholder Farmers in Markets, which is implemented by AGRINATURA and ten national farmers' organisations. www.esfim.org

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Capacity building for quality production

'Fair trade has helped the process of increasing our knowledge about how to operate in the market. Our cooperatives have learnt to source materials, to track and trace quality in order to qualify for certification schemes and to produce special quality coffee under a number of brand names. We have now sixty catadores – specialist coffee tasters – who can classify coffee independently of the brand or scheme that buys the coffee. Internal pricing has been adapted: coffee with 85 points gets a higher price and coffee below 70 gets "punished". The cooperatives used the fair trade premium to invest in learning, training and infrastructure.' (Lorenzo Castillo, Junta Nacional del Café, Peru)

What future for Vietnamese bamboo?



Olivier Renard
o.renard@iram-fr.org
Institut de recherches et d'application des méthodes de développement (IRAM)

The Chinese bamboo industry is well developed, particularly in Anji and Linan counties in the eastern province of Zhejiang. Growers here achieve high yields, implement good plantation management practices, and there has been impressive supply chain development over the past 30 years. Bamboo production accounts for more than 30% of farmers' incomes in Anji. Away from agricultural activities, bamboo continues to contribute to the local communities through a number of efficient and innovative value-added industries. In fact, most of the income from bamboo comes from non-agricultural activities. Of the 50,000 households involved in the bamboo industry, 35,000 are engaged in processing and 3000 are involved in marketing bamboo products. In addition, more than 10,000 workers come from outside the county to work in the bamboo sector.

A stark contrast

Over the border, in north-west Vietnam, it is a different story. Here, the industrial supply chain for bamboo is still underdeveloped and inefficient. Bamboo is often exploited in an unsustainable way by the small and medium-sized enterprises (SMEs) involved in its production. Immature bamboo culms are cut for short-term day-to-day needs, yields are decreasing and overexploitation has led to soil erosion and loss of soil fertility. More than 70% of demand is for low added-value products such as bamboo culms for the construction sector and for pulp and paper factories. Up to 75% of processed bamboo can be lost as waste. In China, just 5% of processed bamboo ends up as waste.

Because the supply of good quality Vietnamese bamboo is not reliable, investors are reluctant to invest in sizeable processing plants. And as is the case with most supply

In eastern China, thousands of smallholders generate substantial incomes from bamboo. But across the border in Vietnam where conditions are, if anything, more favourable, smallholders are moving out of bamboo. An opportunity will go to waste here unless local authorities take the initiative.

chains in Vietnam, there is limited coordination between supply chain actors, there are no professional organisations and no vertical integration. Companies that produce added-value products, such as flooring and furniture, are located outside the province, mostly around Hanoi, and are taking a good deal of this added-value to those richer provinces. They do not engage with pre-processing bamboo suppliers to develop long-term supply strategies, either upstream with small workshops sorting and cutting bamboo or with local SMEs that produce semi-finished slats and other basic products. The SMEs are more involved locally and could strengthen upstream links to improve quality, but they are limited by a lack of skills, shortages of capital and inadequate access to market information. As a result, the industry is failing, and producers are looking elsewhere for their livelihoods. New bare land is starting to be planted with other, apparently more profitable crops, such as cassava, maize and acacia.

This contrast between the Chinese and north-west Vietnam experiences raises questions from which lessons can be learned.

Responsive governance

The Chinese government's support at the early stage of development in the 1970s and early 1980s focused on production – inputs were subsidised, productivity was rewarded, active extension services were offered and research was supported. The backbone of the extension system was the 'model farmers' scheme, which received substantial financial backing from the government, and was the keystone of the propaganda for the development of moso bamboo (a species of giant timber bamboo). The government encouraged the establishment of bamboo societies, associations of regrouping experts (mainly technicians) and civil servants from different services working together with farmers, businesses, and intermediaries. The Bamboo Society, which grew out of this movement, encouraged stakeholders to believe that market opportunities would expand, and was instrumental in bringing about an improved legal framework, better infrastructure and a beneficial tax system

that reduced the tax on forest products from 18% to 8% and eventually to zero. The securing of land ownership and the removal of counterproductive measures were key factors in the rapid expansion of the bamboo supply chain during the 1980s. The timing and the scope of reforms was critical for success, as was the economic context in which they occurred.

In the late 1980s, 'company-plus-farmer' models were developed to make the industry more efficient. These were later replaced by a model that linked companies, farmers and semi-processing factories to maximise the use of resources and allow economies of scale. The result was a high level of vertical integration in the value chain, which linked growers to bamboo companies that supplied what they needed as well as giving technical advice and marketing support.

The bamboo chain developed so well that now companies face a shortage of locally grown bamboo. They continue to innovate, to maximise the use of bamboo poles and to increase their profitability. Local authorities

Sustainable management of Chinese bamboo

China offers interesting lessons on farm management practices. In some regions, before the socialist revolution, landlords used to mark their bamboo culms to discourage theft and manage their plantations. This 'Neiyu system' involved writing the year in which the crop would shoot, and a few sinograms to identify the owner.

Today, this marking system is still applied and is used for the sustainable management of plantations. It helps landowners to know which culms to cut to ensure consistent quality, and to give instructions to farm workers. This is a simple but efficient way of dramatically reducing transaction costs.

This system does not exist in Vietnam. Companies processing bamboo for quality products have to select from culms that have already been harvested to meet quality expectations. This makes transaction costs much higher, and makes it harder to guarantee quality.



Reuters | Quang Nhu

Transporting bamboo, near the Vietnam border, China

too have an interest in supporting the bamboo business because a flourishing value chain contributes to increased tax revenues. One of the measures to support the companies in Anji includes allowing bamboo to be imported tax-free from other provinces when the local supply cannot meet demand.

Shadow of a communist past

While Chinese farmers are constantly on the lookout for market opportunities for bamboo and bamboo products, Vietnamese farmers are looking for opportunities outside the failing bamboo sub-sector. Bamboo doesn't generate income in the first four years, so poor Vietnamese farmers – even if they intercrop with peanuts or cassava for the first two years – cannot afford to wait for bamboo to become productive. Unless they get support from non-governmental organisations (NGOs), private business or the government, they cannot afford to plant bamboo.

In the past, Vietnamese authorities invested very little in developing Luông's bamboo value chain. Farmers' cooperatives were governmental and the concept of contractual relationships between cooperatives and private sector companies was alien to the communist system. Now, the systems are changing, and farmers are free to form groups and engage in business relationships with private sector companies. However, at the local level, this is not happening – mostly as a result of a lack of capacity in local government and a lingering fear of taking the initiative. So despite the improving economy and other favourable competitive advantages, such as lower salaries, a high level of education, good

infrastructure and easy access to ports, private companies are reluctant to invest.

Following the lead?

What could be done in Vietnam to unleash bamboo's potential to generate income for smallholders?

In theory, paying farmers a fair farm-gate price for their crop is the main leverage for improving household income. A fair price paid to farmers would help to foster sustainable management practices, improve quality, secure supply, lower transaction costs and mitigate the risk for investors. (Currently, there are very few final buyers, which affects the ability of farmers to negotiate a better price.)

But in practice, experience shows that securing a fair price is not enough. There are two other elements required for a value chain to develop – an enabling environment and a level of vertical integration between smallholders and processors.

An enabling environment is one that promotes vertical business relationships, improves access to credit, curtails bureaucracy and encourages local political support to develop infrastructural and development schemes. To strengthen the vertical links, it would help if leading processing industries had a presence in the production areas. An active sustained local industry can contribute to poverty reduction by offering additional non-agricultural incomes and opportunities, as well as by promoting more sustainable development – both socially and environmentally.

Learning from China, it seems that in Vietnam, regional and local governments are best positioned to spearhead the

development of the bamboo value chain. They can take the lead in establishing the enabling environment that is necessary for attracting and securing investment. An inclusive approach is required – one that targets both smallholders and processors, and facilitates the forging of business links between them with a view to long-term and sustainable production.

However, such interventions are complex and they require multi-actor engagement. External actors such as NGOs and service providers can support such processes in a meaningful way by facilitating links along the supply chain. This requires long-term commitment, which is often difficult to achieve in the current development aid system. <

(From the article by GRET's Olivier Renard, Patrice Lamballe, Nguyen Thi Huyen and Aurélie Vogel, 'Developing the bamboo supply chain in North West Vietnam: Benchmarking the Chinese model?')

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Contract farming *can* work



Olivier De Schutter
United Nations Special Rapporteur on the right to food

Recent years have seen an upsurge in large-scale land purchases by foreign investors, which can lead to peasant evictions and social upheaval. But less attention has been paid to the parallel rise in contract farming arrangements, which can also endanger the rights of smallholders and disempower farmers within the food system.

However, contract farming is a market-based approach that can work – providing it respects human rights and focuses on the right to food and strong institutional supervision.

When states and stakeholders weigh the pros and cons of a contract farming deal, they should ask the following questions:

- **Is the arrangement economically viable for buyers?**
An arrangement that is not viable for the buyer poses risks for the farmer too because it is more likely to be terminated, or because the buyer may renege on obligations when under financial stress. This can have detrimental consequences for the livelihoods of farmers.
- **Is the arrangement viable for farmers?**
The cost of participating is often disproportionate for small-scale farmers because fixed costs, including the cost of extension services, are higher for those who cultivate small plots.
- **Do both parties negotiate on equal footing?**
Because small-scale farmers are in a comparatively weaker bargaining position, they should have an opportunity to contribute to the wording of the contract. This ensures that the contracts reflect their needs, and that obligations are written in terminology that they will understand.

- **Are women's rights being enhanced or suppressed?**
All too often, contracts are automatically put in the name of the male holder of the title to land – the 'head of the household'. But when women are the main workers on a farm, contracts should be put in their name. In the case of a couple, contracts should be in the names of both parties.
- **Are pricing arrangements fair?**
The contract should show how prices incorporate production costs, risks and returns. While a variety of price models exist, a good benchmark is the formula used in fair trade schemes. The producer should be guaranteed a fixed minimum price based on what is needed to meet production costs and to ensure a living wage for all the workers concerned – but the prices paid by the buyer should rise if market prices increase.
- **Are the quality standards clear enough?**
Standards must be clear and specific so that firms cannot manipulate the application of vague standards; but they should also not be too complex, which could also allow firms to manipulate standards. Firms should demonstrate the standards visually to farmers, and explain in advance how crops are graded.
- **Will the agreement sustain or degrade the environment?**
Contract farming will increase its sustainability if it is based on workable, knowledge-intensive modes of production that rely on on-farm fertility generation and pest management rather than on external inputs.
- **Do dispute settlement procedures exist?**
In the vast majority of cases where one of the parties fails to comply with the requirements of the contract, there is no recourse to courts because the sums involved are too small and courts are inaccessible to the rural poor in many developing countries. Therefore, other forums should be established where farmers can raise concerns and conflicts can be mediated by non-governmental organisations or third parties.

The right to food depends heavily on improving small-scale farmers' access to markets. But access to markets is not sufficient on its own. A strong localised food chain demands that small farmers get a fair deal. Therefore we must improve their bargaining position. If these conditions are met, then contract farming can work for farmers and buyers.

Contract farming is based on private contractual arrangements that vary from case to case, and the devil, as always, is in the detail. But it is up to governments to scrutinise these details and ensure that farmers are not being hoodwinked. <

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Editor in chief: Heinz Greijn
heinzgreijn@learning4development.org
Web editor: Wangu Mwangi
Editorial board: Kaustuv Bandyopadhyay (PRIA), Niloy Banerjee (UNDP), Niels Keijzer (ECDPM), Sue Soal (CRDA), Jan Ubels (SNV) and Hettie Walters (ICCO)

Contributors to this issue: Stephanie Barrientos, Lorenzo Castillo, Bishwadeep Ghose, Carol Gribnau, Jennie van der Mheen, Diego Muñoz, Ethel del Pozo-Vergnes, Olivier Renard, Olivier de Schutter, Sukhpal Singh, Giel Ton, Peter Utting and Bill Vorley

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