Studies and Analysis

In defence of family farms: Which ones and why?

Overview of the Report produced by the Agriculture and Food Commission of Coordination SUD in 2007

Coordination SUD
Solidarité Urgence Développement

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Translated from French by Dorothée White

The Agriculture and Food Commission of Coordination SUD undertook this study in an attempt to put family farming back into it rightful place as the core business of development in the South. It underlines the benefits of small farms for employment, poverty reduction, cost effectiveness, reducing hunger, respecting the environment and restoring life to rural areas.

The study is based on bibliographies and case studies drawn up by partners of Commission members. This document is an overview of this study[1] and sets out the main results of the process. The first and second parts address the vital importance of small farms, and paradoxically, the lack of interest shown in them until recently by international development policies. In the third part, we set out what we believe to be the cogent arguments for defending family farming as an essential part of development in the Global South.

Family farms, the poor relation of public policy in the South

Family farms: universal, but in widely differing situations

The term "family farming" describes a type of production that bears the imprint of the structural link between economic activity and family structure. This relationship influences the decision making process, the type of farming, work organisation, production management and handing down an inheritance (Bélières et al. 2002)[2].

According to the FAO[3], 43% of the world's active population works in agriculture, and 53% in developing countries, so the majority of this population lives from farming. There are large differences between countries, with an average of 18% of the active population working on farms in Latin America compared with over 60% in Africa and Asia. The vast majority of this farming population works on a family farm.

1 ***Défendre les agricultures familiales : lesquelles, pourquoi ?*, Coordination Sud, 91 pages, 2007.** Available from http://coordinationsud.org/IMG/pdf/Agricultures_familiales.pdf.

2 Bélières et al., *Quel avenir pour les agricultures familiales d'Afrique de l'Ouest dans un contexte libéralisé ?*, CIRAD-TERRA, Montpellier, 2002.

3 FAO, *The state of food and agriculture*, 2005.

But these farms are very diverse, ranging from groups of hunter-gatherers practising agroforestry to totally mechanised farms where one person cultivates several hundred hectares of cereals. This wide variety gives rise to huge differences between family farms in terms of mechanisation, productivity and created wealth, and thus to divergent interests, particularly in regulating world trade.

This is why we will use the term "family farms" in the plural.

The concept of family farms is also significant in its opposition to agribusiness. We are using the term "agribusiness" here to refer to farms (usually large ones) where unrelated individuals are involved in ownership, management and farm work. Landowners supply the capital and employ staff to manage the farm and work the land, so they are looking for returns on their capital, and not returns on the work done, as is the case in family farms. There are also mixed models where landowners are present and manage farms, but are very largely dependent on salaried workers. In this document we will not include this last type of farm (landowner farming) as a family farm.

A vital sector for half of the population of southern countries, but forgotten by governments

According to the World Bank 2008 report, 1.5 billion people make their living on small farms. In Sub-Saharan Africa, 80% of farms are family ones[4], and over 60% of the active population works in agriculture. However, in 2004, only 4% of public investment went into agriculture[5].

Not only is very little public funding directed to agriculture in developing countries, but what little there is goes mainly to agribusiness and landowner farming.

The Brazilian government, for example, subsidises its agriculture heavily, because it produces a large proportion of the country's exports. But although family farms are far more numerous (4.1 million out of a total of 4.5 million), agribusinesses receive the vast majority of public funding. In 2006, the Ministry of Agriculture (in charge of agribusiness) had a budget of 58 billion Reais, whereas the Ministry of Agricultural Development (in charge of family farms) had 12 billion Reais.

This disparity between the heavy funding of agribusiness and smallholders left without funds is the same in many countries.

Successes when agricultural policy supports family farms

Countries that have set up ambitious agricultural policies in partnership with smallholders have seen very positive effects, extending well beyond the agricultural sector. They encourage a balanced development model that benefits a large number of people.

In the past, development in Europe, North America and some Asian countries (Japan, North Korea, and more recently China and Vietnam) has been achieved through strong, long-term support for smallholders. Productivity of farms increased across the board in these countries, and this continues thanks to greater investment of workers and diversified production, which results in less food shortage and poverty in rural areas, and thus less migration to cities. When jobs are available in agriculture, workers are not subject to the same pressure from job offers

4 Nagayets O., *Small farms: current status and key trends*, IFPRI, 2005.

5 World Bank *Report on world development 2008*.

in industry. Economic development very rarely comes about without farm subsidies and protected agricultural markets[6].

Agricultural polices that have worked have taken account of small farms in their particular contexts and have not been implemented from models defined by international institutions. So, effective support of small farms needs to be based on an understanding of the advantages of family farming worldwide.

It costs less to support smallholders than agribusiness, and not just financially. Family farms also cost much less in terms of negative externalities (unemployment and damage to the environment), and they create strong rural communities with job opportunities.

A lack of interest for agriculture in development strategies

Most developing countries abandoned ambitious agricultural policies that supported family farms in the late 80s.

This lack of interest in agriculture is also seen in the development strategies of national and international cooperation organisations. In 2004, less than 4%[7] of public development aid worldwide went to agriculture. It has been dropping continuously since 1980, when it received 16%. This proves that donors are abandoning agriculture.

The conventional wisdom is that family farms are backward and unproductive, so increasingly priority is given to agribusiness, which seems to be so much more modern and progressive. This attitude has helped drive the small amount of funding remaining for agriculture towards projects that rarely help family farmers.

A context that is becoming more favourable for family farms

It seems that international institutions are now becoming more aware of the advantages of agriculture. There are several reasons for this change internationally, and this is a ray of hope for more support for family farms.

Greater importance given to agriculture in development policies, but solutions are limited

Firstly, the results of development policies over the last fifteen years have been disappointing. In the last few years, development organisations have realized that it is not possible to reduce poverty simply by opening up access to essential services, but that people also have to be given the means to access them. In places where most of the population makes a living from farming, increased income means support for agriculture.

However, today's context is different from the context when countries were becoming independent, and governments rarely have funds to set up ambitious agricultural policies. The reduc-

6 Great Britain is the only country that was able to develop its economy while abandoning the farming community and totally opening its market, and this was due to its trading power and the security of supplies from the Commonwealth.

7 Public grants for bilateral and multilateral development for agriculture were 3.4 billion dollars in 2004 (World Bank *Report on world development 2008*).

tion of state control and market liberalisation imposed by Structural Adjustment Plans greatly limit the capacity of states, particularly African states, to set up policies of subsidies and protection for smallholders.

Donors are envisaging new forms of agricultural subsidies, some of which are mentioned in the World Bank 2008 report. This report proposes three development models for agriculture: a first agribusiness model for increasing productivity, a second connecting smallholders to niche markets and supermarkets, and a third for generating jobs in rural non-farm economies to compensate for the lack of opportunities in agriculture. The millions of small producers who cannot identify with these restrictive models are not mentioned. The proposals contradict demands from farmers' groups in the countries concerned.

Food crisis and new interest in agriculture

The rise in food prices highlights the limits of a system in which the staples of a majority of the world's population are produced by a handful of exporting countries. People are realizing that national producers need to supply staples once again, and do so sustainably and regularly. This change of direction has been illustrated recently by the many statements from national and international cooperation agencies who are deciding to increase investments in agriculture. But the funds are still not forthcoming. For example, in 2007, the *Agence française de développement* (French Development Agency – AFD) allocated only 8% of its funding to agriculture, and by 2011, aims to use "15% of its funds for rural development"[8]. Moreover, the type of agriculture to support is not clearly defined and still prone to debate, in southern countries as well as among international institutions.

Four main arguments in favour of family farms

Family farms can maintain and create jobs, slow rural exodus

● *Family farms providers of jobs in developing countries*

The World Bank estimates that in 2006, 1.5 billion people lived on a small farm (including 800 million workers). Moreover, at least 500 million non-landowning farmers had no access to land and were obliged to sell all or part of their working capacity, often to agribusinesses.

Because of what they are, family farms make the best use of available family labour. Decisions made on the farm are taken to make best use of the workforce present.

● *The workforce is just an expense for agribusiness*

On the contrary, in agribusiness, decisions are made contingent on the profitability of investments. The landowner will only invest if the capital invested has higher returns than other sectors (property, finance, industry, trade). The workforce is simply a factor in production costs.

8 AFD, Progress report 2007.

But the landowner can also choose to operate without a large workforce and mechanise, even if there is high unemployment in the region. There can be many reasons for choosing mechanisation: lower costs than salaries, difficulties in managing labour, speed of work.

- *Family farms contribute to slow rural exodus and to combat mass unemployment*

The massive unemployment or underemployment that exists in most developing countries leads to an opportunity cost of farm labour close to zero[9]. So farming is a way of employing this abundant workforce, intensifying farm work thanks to family solidarity.

However, when agribusiness gets more support than family farming, there is often competition for land and natural resources that get privatised, land concentration and faster rural exodus. Farmers' children or the farmers themselves are then forced to move to cities, despite the lack of work there.

The size of this migration to cities depends on the country and the region, on the amount of government subsidies to agribusinesses and the numbers of families giving up farming. The result is twofold. Family farms are unable to continue producing food, and cities have great difficulty in absorbing the new arrivals. Although big cities are growing economically, they seem incapable of offering jobs to all these new arrivals.

Unless large new supports are found for family farms, there will be no possibility in the future of guaranteeing jobs and income to people in developing countries with large population growth. If family farming is supported, when cities need labour to develop, the salaries offered can draw in the less productive rural populations (or rather, the lowest paid), and then the opportunity cost of labour will increase, in cities as well as in the countryside. There will still be some rural exodus, but it will be more gradual, and more by choice than obligation.

Small farms reduce poverty and promote fair economic development

- *How agriculture reduces poverty*

According to the World Bank 2008 report, three quarters of the poor people in developing countries (883 million people) live in rural areas. However, the report shows how effective agriculture can be in reducing poverty. The report shows that growth in this sector is two or three times as effective for reducing poverty than growth in other economic sectors.

Lipton (2005) states that productivity increases in some family farming sectors in Southeast Asian countries played a crucial role in reducing mass poverty in the 1980s. Despite this, governments and donors continue to fund agriculture that they believe to be "modern", that is, usually agribusiness (large areas, effectiveness, highly mechanised)[10]. For them, this type of farm is supposed to drive regional or national economic development in the long term, and so reduce poverty.

But the inbuilt inequalities in this type of development have to be taken in account. The landowner is the only one to benefit from this increased productivity, not the local workforce. This accentuates income inequalities in society. What is more, as we shall see later, these productivity gains are mainly the result of government subsidies. It is to be regretted that subsidies make a small part of the population richer, instead of being used for the majority, i.e. family farmers.

[9] A opportunity cost of labour close to zero means that the worker does not forego higher pay by doing this work. The pay and the number of jobs offered outside of agriculture are very low and do not encourage workers to change jobs. If the opportunity cost increases, workers can change jobs to increase their income.

[10] For example, for the government of Senegal, agricultural development necessarily takes place via large farms created with foreign capital producing for the European market. (Afrique agriculture, February 2008).

- *Family farms: productive agriculture*

From an economic standpoint, family farms, if they are supported, are more effective for development than agribusiness.

The argument put forward for agribusiness is that it produces more per worker. This is possible using mechanisation or extensive farming techniques (e.g. ranching). But of course there are very few workers per hectare in this type of farm.

Family farms, on the contrary, use the whole family workforce on the little land available. Land is rare, so it is put to maximum use. The per capita income is often low, but then the area farmed is also very small. The result is a very high productivity per hectare for these little farms using more intensive techniques and crops that are better adapted to the labour available.

Moreover, rural economists have shown diseconomies of scale created by structures that are too large (often managed as agribusinesses) whereas smaller farms prove to be more economically effective. This inverse relationship between size and effectiveness is also true for developed countries, as Rosset (1999)[11] has shown.

So for a given area (a field, a region, a country), family farms produce more wealth (GDP) than agribusiness does And this production is carried out labour-intensively, which is important in areas of high unemployment.

- *Family farming encourages innovation by investing income*

Since agribusiness aims first and foremost to get returns on investment, the means that governments have found to drive innovation in this sector is to facilitate investments. For example, Brazilian public banks easily grant long-term loans to major landowners. Since these loans are rarely repaid, these are in fact subsidies to agribusiness, which is very costly. Agribusiness debt rescheduling costs several hundred billion Reais.

On the contrary, unlike agribusiness, family farms invest in the farm itself, even if the rates of return are not as high as in other sectors of the economy. A family that has a good harvest or gets good crop prices, and so more income, will invest the extra money in the farm, because it is their home as well as their livelihood. These investments are often directly or indirectly productive, and make for improved capacities or methods of production. In this way, the improvement of systems of production is not subject to profitability of capital, but to the producers' capacity to invest.

Family farms can feed people

- *Family farms are the key to reduce food insecurity*

First of all, family farms feed the farmer's family, and make them self-sufficient, at least in part, for their food needs. This aspect is quite considerable in a world in which more than 820 million people were underfed in developing countries in 2006[12] and three-quarters of them in rural areas. These are very often farmers who cannot produce enough food to feed their family correctly. It is not by encouraging smallholders to leave their fields and end up unemployed in cities that the food shortage will be reduced, but by giving them the means to produce enough food for their families and some over to produce some income too.

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11 Rosset P., *The multiple functions and benefits of small farm agriculture*, Food First, 1999.

12 FAO, *The state of food and agriculture*, 2007.

Opening developing countries to trade in agricultural produce will not reduce undernourishment either, because hungry people have no money. It is often the lack of sources of income in rural areas that prevent some of these people from buying the food that is available. Recently, India still had stocks of several million tonnes of cereals, while 200 million Indians went hungry (Sharma, 2005)[13].

In the same way, at a global level, the drop in cereal prices between the middle of the 1990s and 2006 and the opening of customs barriers went hand in hand with an increase in the number of undernourished people.

● *Family farms can supply local markets*

The large growth in population in most developing countries and their gradual urbanisation poses the question of the capacity of family farms to meet the increased demand for food, as soon as they have sufficient means to invest.

In fact, family farms have proved that they can increase their production to meet the demand, firstly by increasing the areas farmed, and then by choosing more intensive techniques.

For example, over the last twenty years, the landlocked countries of the Sahel (where family farms are predominant) have increased their cereal production to keep abreast of the population growth, and have remained self-sufficient in cereals[14]. For ECOWAS countries, food production increased from 59 million tonnes in 1980 to 212 million tonnes in 2006. According to the authors of this study "everywhere that farmers have received a minimum of incentive to production (better production techniques, high enough prices and secure outlets), they have done wonders, both for cash crops and food (rice in the Niger Office zone, tomatoes in Senegal)".

● *Family farms can also be efficient in exporting*

The governments of developing countries often see agriculture as a source of foreign currency, and so encourage export cultures.

Because they are flexible and can easily alternate between growing staples and cash crops, small farms are able to supply international markets. Whereas agribusiness requires large investments and is penalised by its own inertia, family farmers can adapt their crops from one year to the next depending on prices and trading opportunities. But obviously, to do this, they need reliable information, and the means to produce and market their crops.

There are many examples of the effectiveness of small farms in producing cash crops. In West Africa, after attempts to hand the production of cotton, peanuts and cocoa over to big companies or private plantations, the colonial powers approached smallholders (with a tax system close to slavery). The role of small farms as suppliers for export markets was confirmed at the time of independence, with programmes of price stabilisation and financial backing for investments.

However, in Latin America, the importance of agribusinesses in producing marketable goods seems to prove their superiority for supplying the export market. But we need to look at all the advantages given to agribusiness, which distort competition with small farms: credit facilities (which are often hidden subsidies), huge farms from the colonial period or bought at very low cost and very cheap labour (almost slavery in some cases). Despite this, family farms

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[13] Sharma D., *Whose livelihoods are we talking about ?*, ICT, 2005.

[14] Blein, Soulé, Faivre-Dupaigre et Yérima, *Les potentialités agricoles de l'Afrique de l'Ouest*, FARM, 2008.

manage to get shares in the export market. In Honduras, smallholders have become the main coffee producers, thanks to a policy of support based on credit access for family producers and research done on small farm production.

So the particular nature of small family farms allows them to shore up food security for the people who depend on them directly (sometimes over half the national population), supply fast growing local and national markets, and bring in foreign currency by producing agro-export crops.

Family farms manage resources, the environment and land sustainably

● *Family farming conserves natural resources and helps renew the soil*

Investments granted to agribusinesses encourage specialised production to optimise the capital immobilised, using economies of scale (a single large investment on a large area rather than several small investment on small areas). This leads to a trend for monocultures over very large areas or immense intensive stock raising units. This type of practice means there is little exchange between crops and stock raising (crop residue for animal feed and manure for fertilising) and has negative effects on the environment, such as poorer topsoil, polluted rivers (by stock effluent and soil bleaching), poor biodiversity and more harmful crop pathogens and pests.

Family farms maintain a strong link with the land, thus have a major preoccupation to preserve fertility and natural resources, and to manage sustainably biodiversity. Nevertheless, population pressure and dismantled traditional farming systems can induce overexploitation of natural resources and deterioration of soil.

However, Mary Tiffen, Georges Rossi and Esther Boserup, among others, have shown that if small farms received enough financial support, they could cope with crises caused by large population growth by increasing their productivity thanks to large investments (like terrace construction). The dynamism of Fouta Djalon, in Guinea, coping with demographic pressure and conserving the environment by new cultural techniques, is a good illustration of this argument.

● *Building strong rural communities*

By keeping people on the land, and by interacting with other entities involved in the food supply chain, family farms make a particularly large contribution to building strong rural economies.

A study by Ongwen and Wright (2007) for the Ecofair Trade project highlights the fact that the economic activity of smallholders has positive effects on the rest of society, because smallholders are better integrated into the local economy. The authors claim that "keeping a farmer on her land is keeping three other jobs going, because she uses shops, schools and services". In this sense, small farms are not just a solution for unemployment, but also a solution for keeping strong rural communities.

On the contrary, a case study of agribusiness palm oil plantations in Indonesia shows that they create absolutely no added value in the area around the plantation in Kalimantan. This is because the processing plants are in Java, Malaysia or the Netherlands. So Kalimantan basically just supplies land, without being able to participate in any economic development from palm oil. ●

Coordination SUD
(Solidarité - Urgence - Développement)

Coordination SUD (Solidarité - Urgence - Développement) was founded in 1994. Today, it is made up of more than 130 French international relief and development NGOs.

Coordination SUD ensures a dual mission: supporting and reinforcing French international solidarity NGOs and national platforms of NGOs, as well as representing and promoting their positions vis-à-vis public or private institutions in France and abroad.

- *Representing international solidarity NGOs*

In France, Coordination SUD maintains relations with French public authorities in order to act on behalf of NGOs. It studies the evolution of public development cooperation policies and especially overseas development assistance (ODA) policy, in order to lobby public authorities for an increase in ODA and better-quality assistance.

At the European level, Coordination SUD strives to see that the concerns of French NGOs and their partners are taken into account in European policy, and it follows the issues related to development aid policy. It also monitors the terms of access by NGOs to European Union financing.

At the international level, Coordination SUD represents French NGOs during international discussions at the United Nations and other multilateral bodies such as the WTO, World Bank or the IMF. Coordination SUD also participates in building an international citizen movement by weaving ties with the national federations of NGOs in countries of the North and of the South: ABONG in Brazil, VANI in India, CONGAD in Senegal, etc.

- *Support for actions by French NGOs*
  Through working groups and commissions

Through working groups and commissions. Coordination SUD working commissions represent occasions for exchange and the drawing up of common positions among international solidarity organisations. They work on major issues of international solidarity (financing and capacity building, European cooperation, emergency humanitarian aid, education, agriculture and food, etc.).

Via a resource centre. The role of the resource centre is to reinforce the abilities of French international solidarity organisations through various tools (training sessions, information service, publications, and individualised advice).

Through a privileged system of communication and information. Through the information it distributes to its members, Coordination SUD gives them access to useful and practical data for their functioning. It also facilitates its members' communication through the setting up of specific tools such as its website:

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Coordination SUD's Agriculture and Food Committee

Chaired by GRET and CFSI, Coordination SUD's Agriculture and Food Committee (C2A) brings together international solidarity NGOs that act to ensure that the lot of farmers in developing countries is taken into account in international trade negotiations.

The group aims to coordinate work by its participants, ensure consultation among member NGOs, and advocate for them to social stakeholders and international policy makers.

It agrees on the positions held in the name of Coordination SUD in a number of arenas (Concord Europe, FAO, WTO, UNCTAD) and exchanges information on current international stakes. It has been mandated by Coordination SUD to take positions in the name of the group during the principal international meetings on agriculture and food.

The Committee is made up of two groups: CRID and CFSI, and the following NGOs: OXFAM France-Agir Ici, AITEC, CCFD, Fédération Artisans du Monde, GRET, IRAM, Peuples Solidaires, Secours Catholique-Caritas France, Secours Populaire Français, AVSF.

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