

"Smallholders in Commodity Markets"



- Position Statement -

Agriculture is the foundation of many developing country economies, particularly the least developed countries. In terms of both volume and transaction value, commodity crops are key agricultural products, generally produced by smallholders and often the mainstay of a country's foreign exchange earnings. For instance, over 70% of all coffee grown on the planet comes from smallholder farms.

Global markets are intensely competitive and smallholders have to compete directly with increasingly efficient and mechanised agri-business. Hence skills required in both commodity production and trade are becoming more complex. Developing country shares of agricultural commodity exports have slumped, from 31.7% in 1970-1972 to 26.4% in 1998-1999. Moreover, due to extensive trade liberalisation, producers are experiencing deepening import penetration in their own markets.

CABI's aim is a vibrant smallholder sector in all countries

We believe that in the wider interests of the environment and society, smallholders' interests must be defended, and that they must be assisted to survive in the modern global economy. Smallholders have to be protected because:

- ❑ Large-scale mechanized farms and agri-businesses have a poor record of protecting biodiversity and the environment
- ❑ Cities in developing countries are growing too fast and have inadequate and chaotic services. Absorbing more people and depopulating the countryside is not a viable option and could lead to socio-political destabilisation as well as worsening poverty
- ❑ The political, economic and climatic future is now so uncertain for many countries that over-reliance on agri-businesses and foreign finance is dangerous; there is safety and stability in the diversity that community-scale farming sustains

CABI believes that by supplying a range of services we can empower smallholder farmers to choose their own future. We can help them develop quality products and realise an improved commercial value for their commodities. These services can be subsumed under the broad heading of 'knowledge for development'.

If smallholders are to survive, they and their communities will require help to radically re-organise and retool to provide themselves with the knowledge to sustain profitable ventures. Such restructuring also implies that we will need to understand them better: their doubts and aspirations, their needs and limitations.

In essence, we want to underpin the change from a peasant lifestyle to an entrepreneurial, informed and knowledge-intensive way of growing commodities. This will be based on access to information on accurate market information, brand positioning, quality improvement and pest and disease management, to name but a few areas.

To do this on a large scale will require substantial investment, but with modern communications technology, the means are now available to help bring this about. CABI's aim, with its long tradition in agricultural information and direct farmer interaction, is to play a central role in giving smallholder farmers the knowledge to compete in the global economy.

Prospects for these farmers and their families and communities are not encouraging at present, but we firmly believe that with imagination and enterprise, the future for many of them can be both profitable and sustainable.