

Integration of Small Farmers into Global Supply Chains

Presentation by

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to the

UN High-Level CSD Intersessional Meeting on African Agriculture in the 21st Century

9 – 10 February 2009, Windhoek, Namibia



Agriculture in Africa, Asia and South America

	Sub-Saharan Africa	Asia	South America
% of total labor force in agriculture	61%	55%	16%
% GDP from agriculture	16%	6%	10%
Agricultural Inputs			
Fertilizer use intensity (kg/ha)	12	146	89
% agricultural area under irrigation	0.7%	15.1%	1.8%
Social Indicators			
Total population growth rate	2.2%	1.1%	1.3%
Literacy rate, adult females	53%	71%	90%
Access to improved water source	58%	82%	88%
Access to improved sanitation	36%	45%	75%
Crop Yields (kg/ha)			
Cereals	1,101	3,467	3,314
Pulses	472	785	849
Roots and tubers	8,029	17,518	13,715

Challenges facing African agriculture

- Farmers are typically subsistence growers, planting site-specific, low-yield crop types;
- Unreliable rainfall patterns, exacerbated by global warming;
- Population pressure and land degradation;
- Underdeveloped input/output market systems;
- Underdeveloped roads, storage facilities and irrigation systems;
- Poor access to information;
- High levels of illiteracy;
- High prevalence of infectious diseases; and
- Ongoing conflict and warfare.

Opportunities for integrating small farmers in global supply chains

- Experience in growing bulk products, e.g. coffee, cotton, cocoa, tea, cotton, rubber, etc.
- Ample land, water and human resources
- Global specialty markets that offer better prices, e.g. organic, fair trade, etc.

Challenges for integrating small farmers in global supply chains

- Gaining and maintaining international competitiveness for products (coffee, cocoa, tea, cotton, etc.)
- Volatility of global commodity prices as supply exceeds demand
- Subsidies to farmers in the north depresses prices on the global market
- Shifts in consumer preferences, e.g. filter to instant coffee, anti-tobacco lobby
- Stringent requirements of specialty markets, e.g. certification for organic, fair trade, Rainforest Alliance, etc.

Strategies for integrating small farmers in global supply chains

- Form and organize commodity/farmers' associations
- Develop new models of partnership between farmers and modern markets
- Build and develop the value chain infrastructure, e.g. warehousing, packaging, transport, etc., including in remote areas
- Revitalize extension services, including technical services geared to modern markets, good agricultural practice
- Increase understanding of product quality along the value chain, and knowledge of market requirements

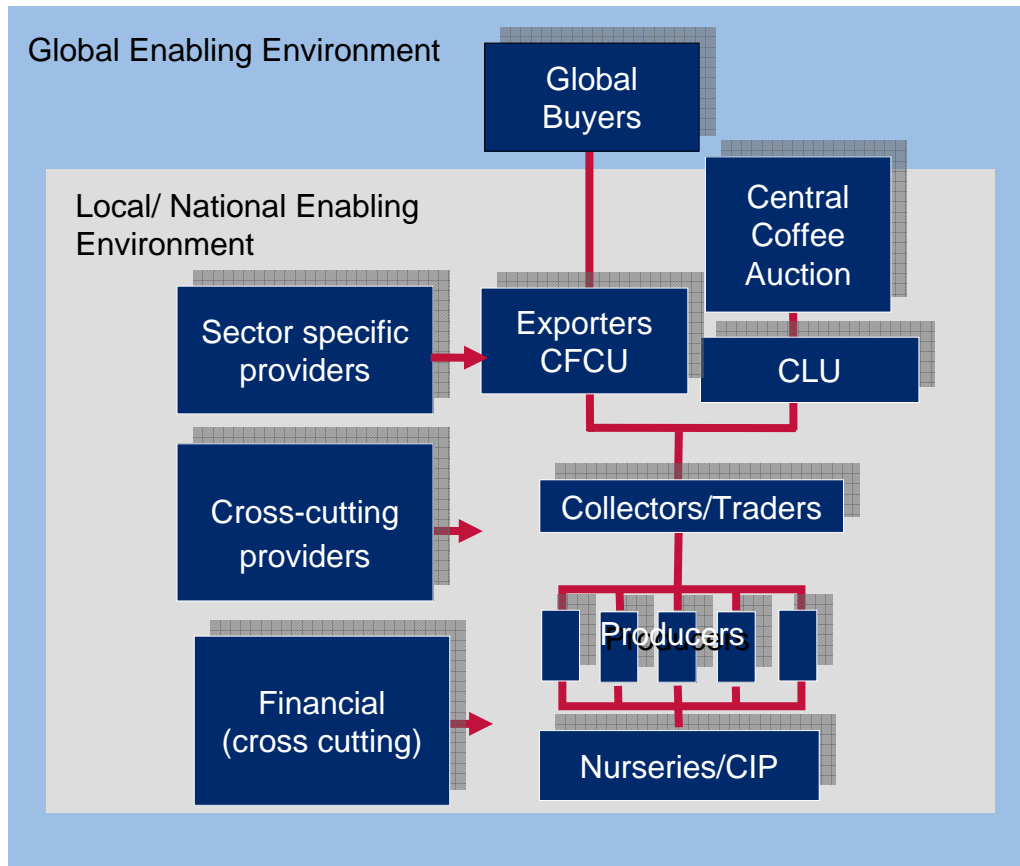
Strategies for integrating small farmers in global supply chains cont.

- Develop financial credit mechanisms that support farmers and farmer groups, and their linkages to the global supply chains
- Develop/promote new models of farming, including contract farming
- Strengthen support for production technology and research
- Address critical constraints to production, e.g. water policy, management and technology, land and land access

Integrating small coffee farmers in global supply chains: Ethiopia

- Ethiopia – 3rd (Africa) and 10th (global) coffee producer
- Coffee a major export crop in Ethiopia ,contributing 40% of export earnings and 25% of GNP
- About 25% of the population depends directly or indirectly on coffee for its livelihood
- Smallholder farmers produce 95% of the country's coffee
- Only 10% of coffee is exported as “specialty”; potential to export 50% with improved production practices
- Improved production practices, e.g. planting suitable varieties, pest control, proper pruning, etc. could increase production by 300%

Participants in the supply chain: Ethiopia



1. Global Buyers
2. Central Coffee Auction
3. Central Liquoring Unit (CLU)
4. Coffee Farmers Cooperative Unions (CFCU)
5. Private Exporters
6. Wholesalers
7. Local Collectors
8. **Producers**
9. Nurseries/Coffee Improvement Program

Starbucks campaign

- Poor prices for Ethiopian coffee due to lack of trademarking, farmers got a small share of the retail value of their coffee
- Starbucks retailed Ethiopian coffees for up to \$26 a pound, yet most Ethiopian coffee farmers struggle to survive on one dollar a day
- Campaign for Starbucks to recognize Ethiopian coffee brands (Yirgacheffe, Sidamo, and Harar) in 2006
- Starbucks and Ethiopia signed a distribution, marketing and licensing agreement in June 2007
- Potential for farmers to get a fairer share of the profits for their world-renowned coffee brands

Organic coffee market potential

- Organic coffee an untapped potential as Ethiopian farmers do not use agrochemicals
- Oxfam worked with three cooperative unions who increased certified organic coffee exports from 54Mt (2002) to 609Mt (2004)
- Increasing production to meet market demand requires promotional work, going through certification process (Fair Trade Labeling Organization), identifying markets, organizing farmers, developing long-term relationships with organic coffee buyers, etc.

Integrating small cotton farmers in global supply chains: Mozambique

- Assisting smallholder cotton farmers to use sustainable technologies , e.g. animal traction, conservation farming, IPM, etc. to increase production/yield/profit
- Supporting the formation of producer associations for increased negotiation power of smallholder cotton farmers (improved service provision, greater market access, better prices, supportive policies)
- To increase the value of the cotton produced, and diversifying livelihoods for farmers, through introduction of micro-ginneries and downstream activities such as oil processing, soap making, animal feed production, etc

Preliminary achievements in Mozambique

- Yield improved to 900 – 1,200 kg/ha (previously 300 - 600 kg/ha) due to improved farming methods
- Time savings from use of animal traction used for other activities, e.g. food production
- National Cotton Producers' Forum (FONPA) set up, and has mobilized over 20,000 smallholder cotton farmers
- FONPA negotiated for improved extension services, and a price increase from Mt 5.30 per kg to Mt 6.35 per kg for small holder cotton farmers
- FONPA lobbying government for an agrarian policy that protects and improves the livelihoods of cotton producers, and for agriculture banks to finance cotton production

Next steps in working with cotton farmers in Mozambique

- Complete micro ginning feasibility study
- Link smallholder cotton farmers to specialty markets, e.g. organic, fair trade
- Develop the value chain infrastructure, e.g. warehousing, packaging, transport, etc.
- Exchange visit to Mali

**Integration of small farmers into
global supply chains might be challenging,
but it is possible!**