

Linking Farmers to Markets and Rural Poverty in South(ern) Africa: Un-sticking a Stuck Situation

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**A MERC SEMINAR PRESENTED BY
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How is our appetite?

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- Reality or shifting sands?
 - Poverty: Eradication or Alleviation?
 - Long-term (**impacts**) or easy-wins (**outputs**)?
 - Evidence-based (**baseline**) or shooting from the hip? – Bulls' eye story
 - Ideological, idiosyncratic or horses-for-races?
 - Making or assisting farmers?

*If you do not know where you are
going, any road will take you
there (Alice's Adventures in
Wonderland, Lewis Carroll,
1865)*



What is the issue?

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- Markets play a basic role in economic welfare
- Therefore, access to markets is compelling for poor rural households
- Access to good markets essential for selling produce, obtaining inputs, credit, consumption goods at competitive prices, learn/ adopt new technologies, sell labour, etc
- Although improved market access is critical to sustained and broad-based poverty alleviation (read: wealth creation) it is neither a silver bullet nor sufficient precondition (social, political and technical processes of change are also important)



- Cut off from markets, households are forced into self-sufficiency
- Thus, exposed to poverty traps and intergenerational transmitted poverty
- Barriers to entry into dynamic markets



What is the background?

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- The mirage: data on small-scale farming sector data
- Only known comprehensive survey – DAFF & Statsa (1999)
- About 8 million households in non-metro areas in SA
- 17% (1.3m) have access to farming purposes
- 97% of the 17% engage in farming activities for generations



- 831871 (64.5%) farm on land less 0.5ha
- 23545 (18.3%) on land between 0.5 to 1.0h(GHS, 2006).
- Secure land tenure (?)
- Have multiple livelihoods strategies
- 96% of these HHS are black and 56.5% are women
- 64.1% spend less than R800 per month
- 20.8% spend between R800 – R1200 pm

Case study 1: Eastern Cape Red Meat Project

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- Starting with what you have (story of Moses and his staff)
- Migrating small-scale farmers from informal subsistence to formal commercial farmers (incremental success)
- Improvement of technical production skills
 - custom feeding scheme; breeding; pasture utilization
- Development of infrastructure
 - Revitalization of auction pens
- Market development
 - Pre-slaughter sale agreements



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Case study 2: Small-Scale Wool Producers

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- 3 million sheep owned by 200, 000 black small-scale communal farmers
- Own 13% sheep flock but produce only 3% of total wool
- Poor infrastructure (pre-intervention)
- Long history of sheep farming
- Single-channel marketing (no risk of side selling)

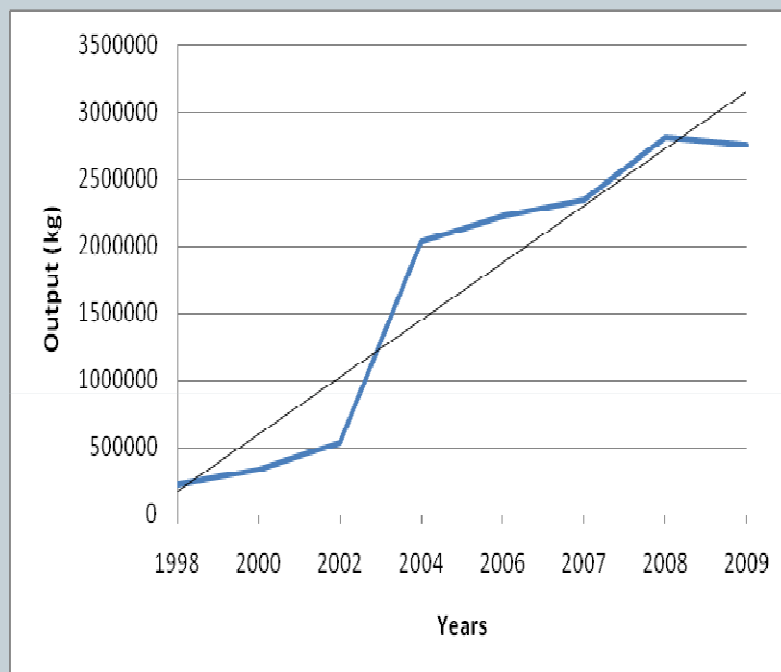


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Production and income trends

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Trends in wool production by small-scale wool farmers

Season	Output (kg)	Value (R)	Commercial Price (c/kg)	Communal Price (c/kg)
97/98	222 610	1 502 908	1 225	675
99/00	336 700	1 965 557	1 102	584
01/02	535 911	6 927 640	2 277	1 293
03/04	2 029 556	17 768 955	2 109	876
05/06	2 222 883	14 954 931	1 695	673
06/07	2 345 991	30 791 496	2 594	1 313
07/08	2 809 551	45 514 726	3 239	1 620
08/09	2 756 441	34 659 116	2 548	1 257

Communal wool production and farmers' income from 1998 to 2009

Summary of achievements

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- **Results achieved:**
 - Quantity 222, 610 kg (97/98) – 2, 756, 441 kg (08/09)
 - Increased incomes and per unit prices
 - Increased number of shearing shed
 - Improved sheep flocks
 - Improved relations between stakeholders
 - Improved social indicators
 - ✦ Household Saving Accounts (60% - 77%)
 - ✦ School fees borrowed money (78% - 52%)
 - Improved infrastructure and access to information in the communal areas

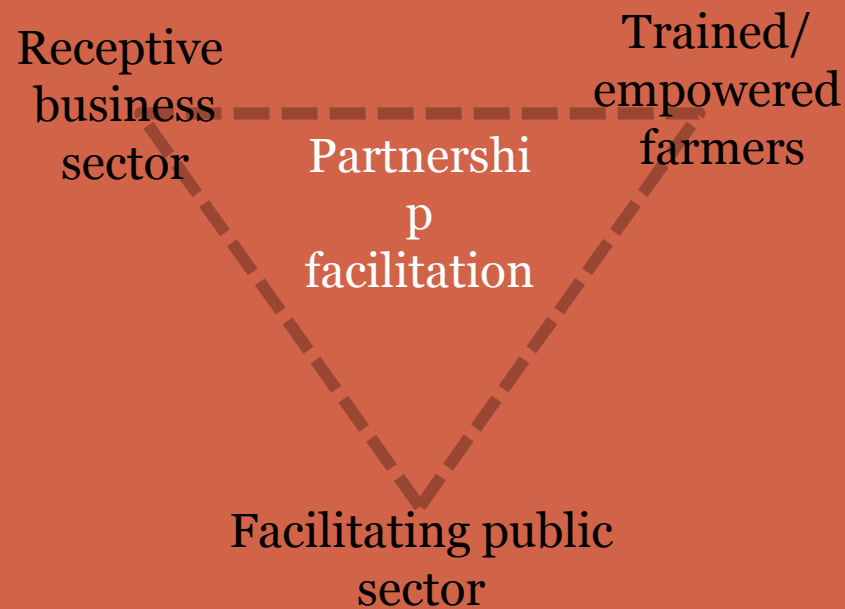
Success Criteria

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- Economic viability: incomes
- Technical efficiency (labour and input shortages)
- Livelihood generation
- Social values
- Institutional organization
- Human assets: skills, labour
- Future plans

Chain-wide learning and collaboration

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Successful linkages between small-scale farmers and dynamic markets hinges on collaborative arrangements between a) trained and organized farmers, b) a receptive business sector, and c) conducive public policies and programmes.

These require: specialized partnership facilitation



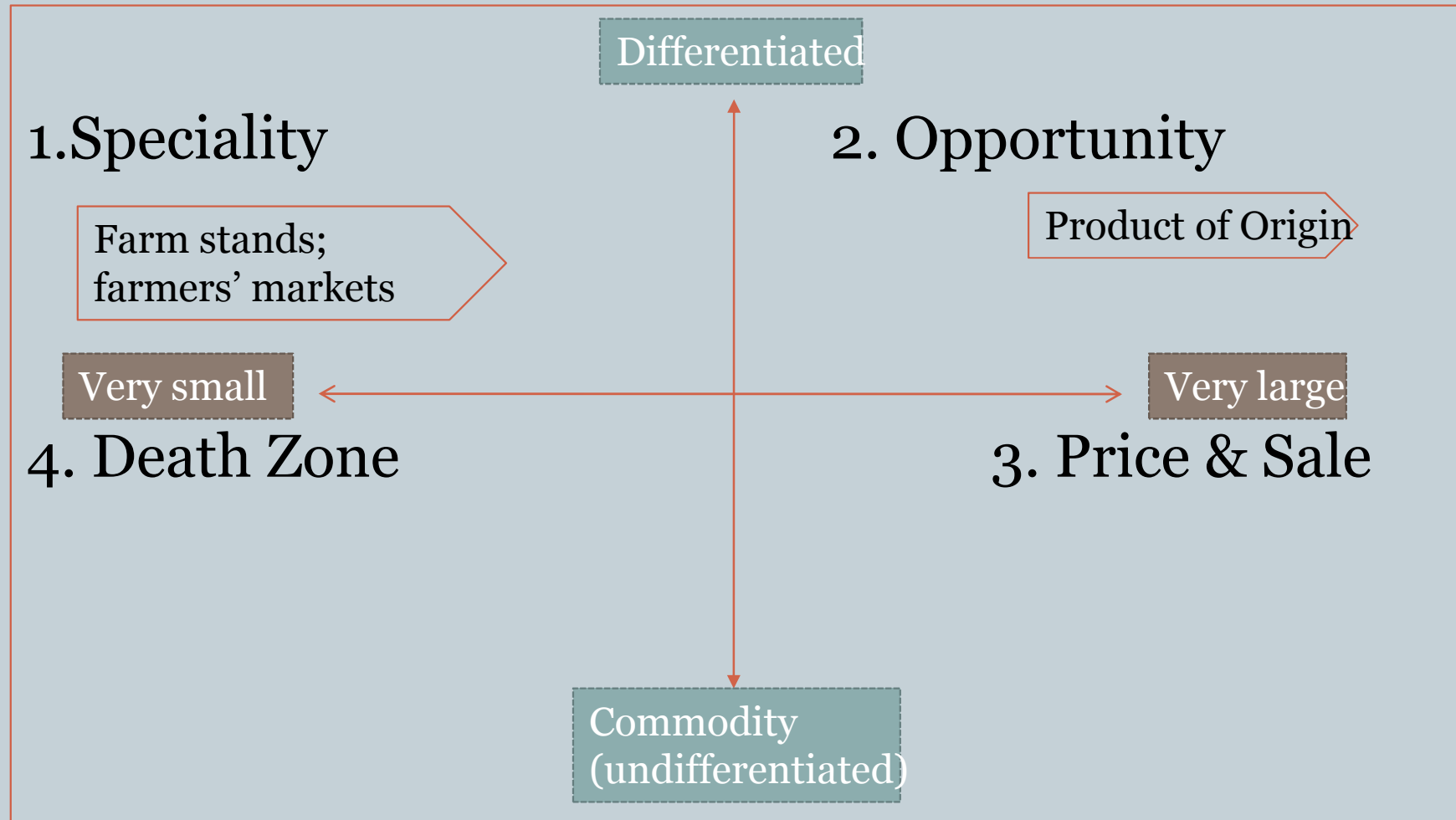
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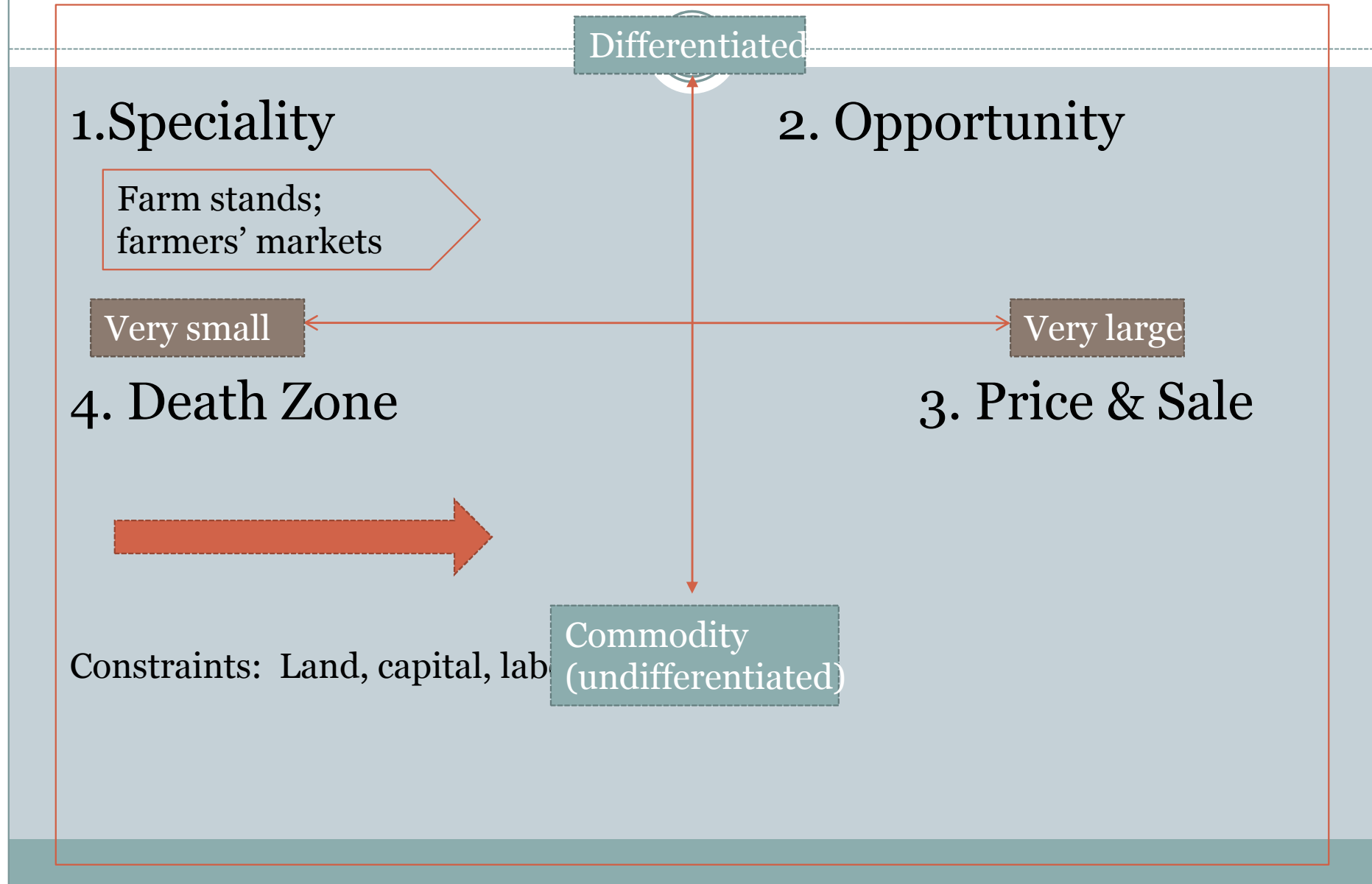
Scenarios: Participant Quadrants

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Option 1: Get Bigger

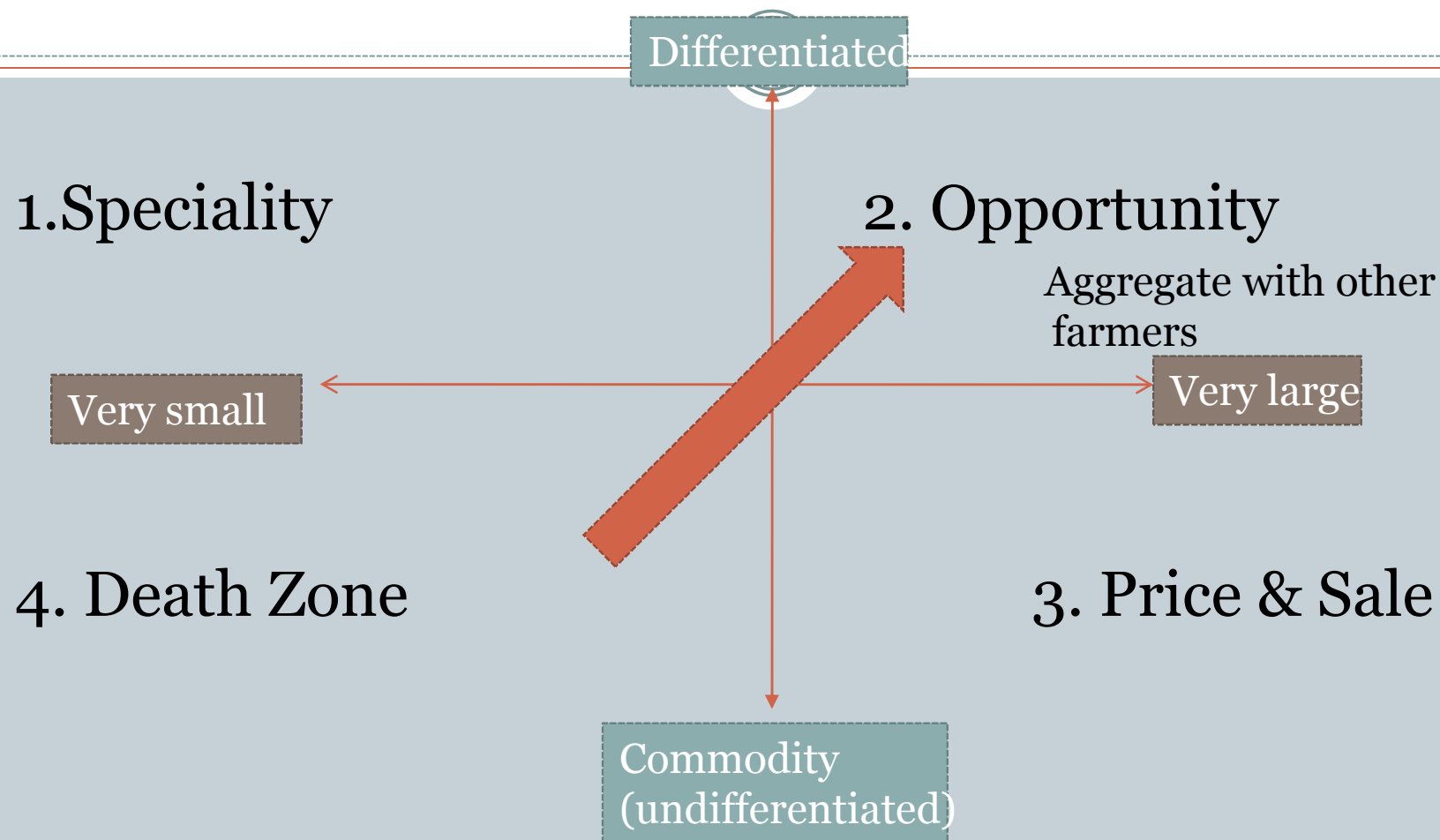




Option 2: Convert to Specialty



Option 3: Aggregate (horizontal coordination)



Constraints: Institutional dynamics, free-rider syndrome, etc.



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Degree of cooperation: Working together...

“No-one is smarter than all of us” – Anon.; *Injobo ithungwela ebandla* – a Zulu maxim

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Step 2: Define scenarios for different futures

Illustrative

HIGH

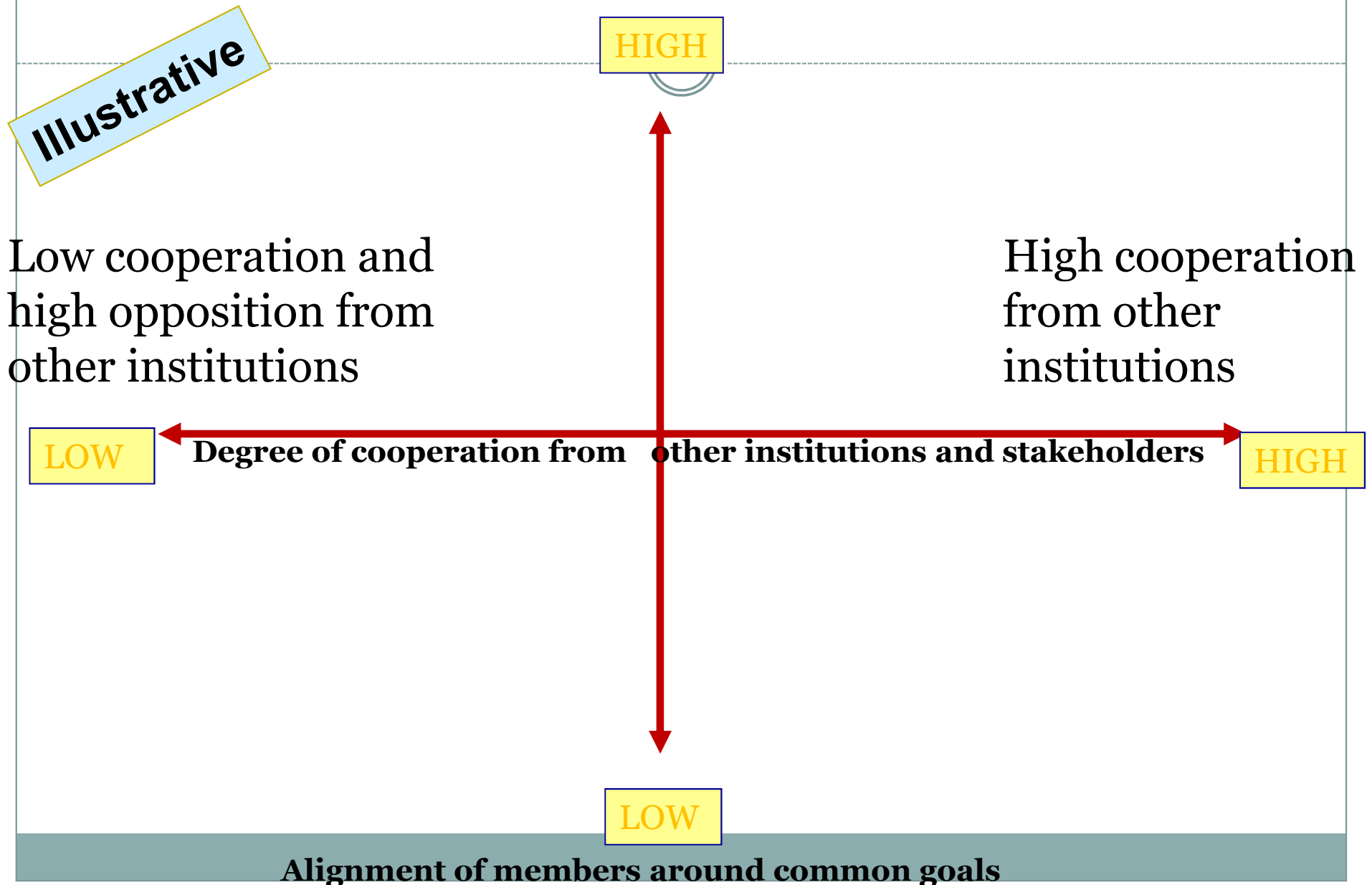
Members highly aligned
around common goals

LOW

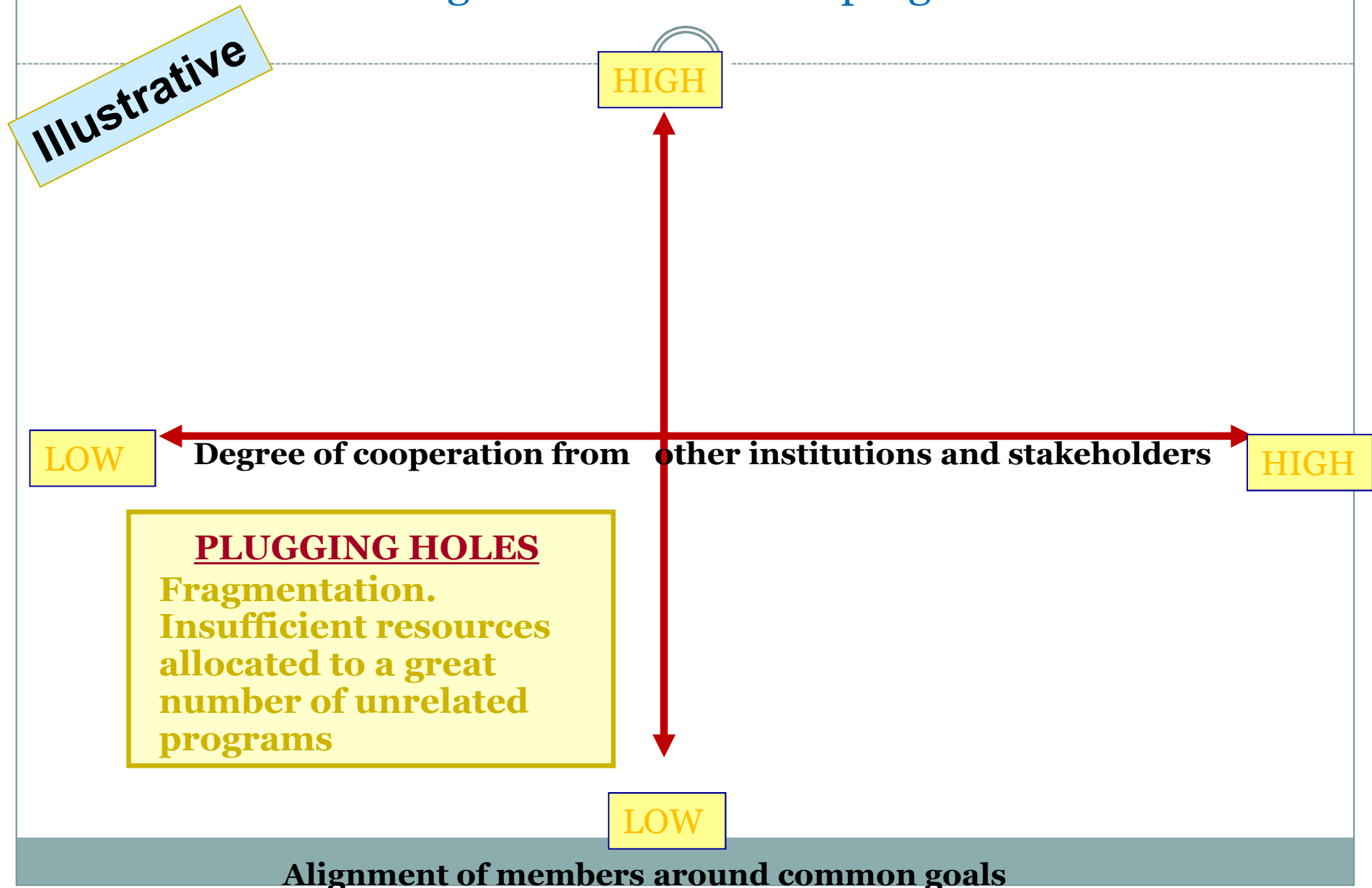
Members fragmented into
groups with differing goals

Degree of alignment of members around common goals

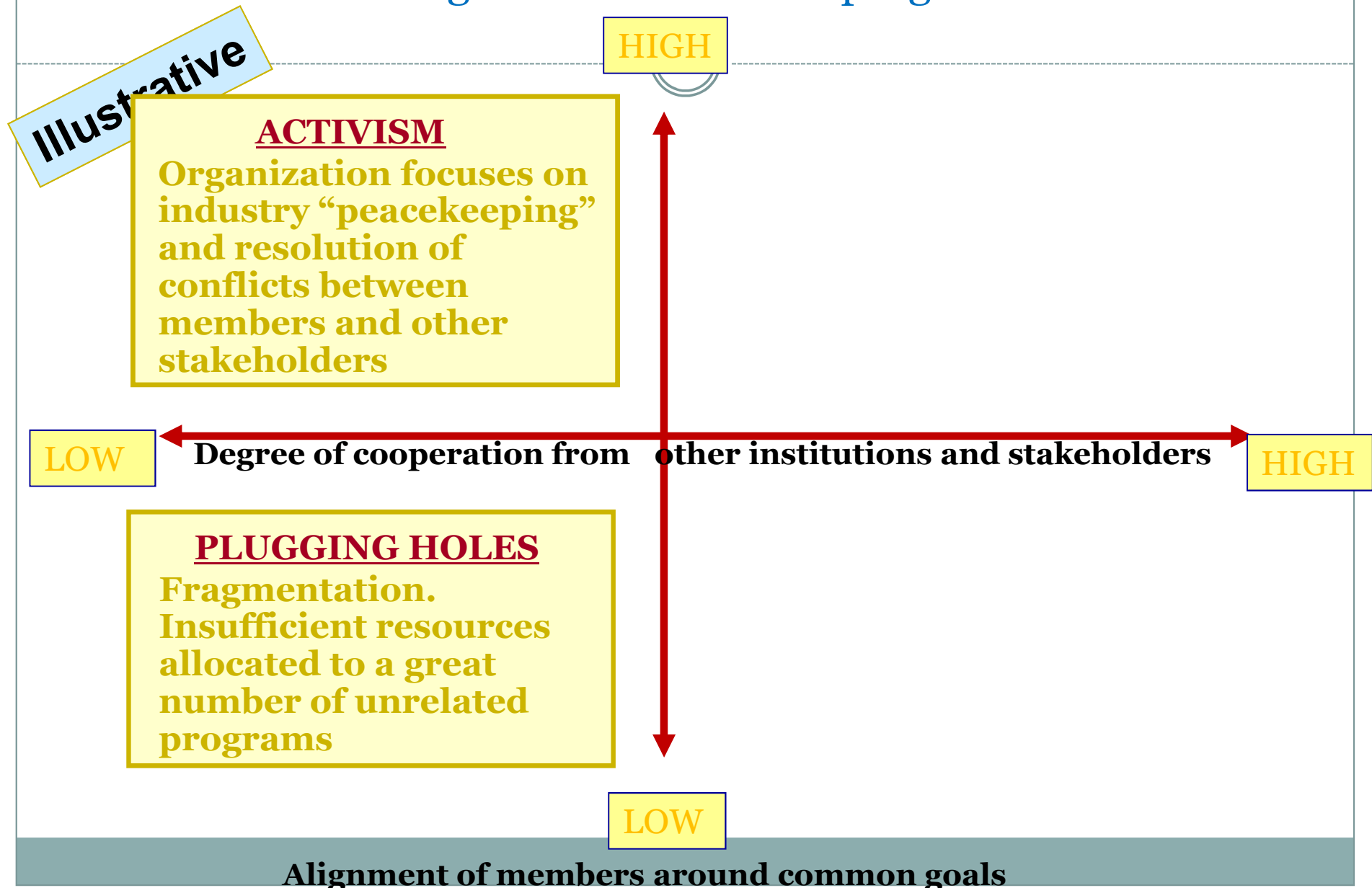
Step 2: Define scenarios for different futures



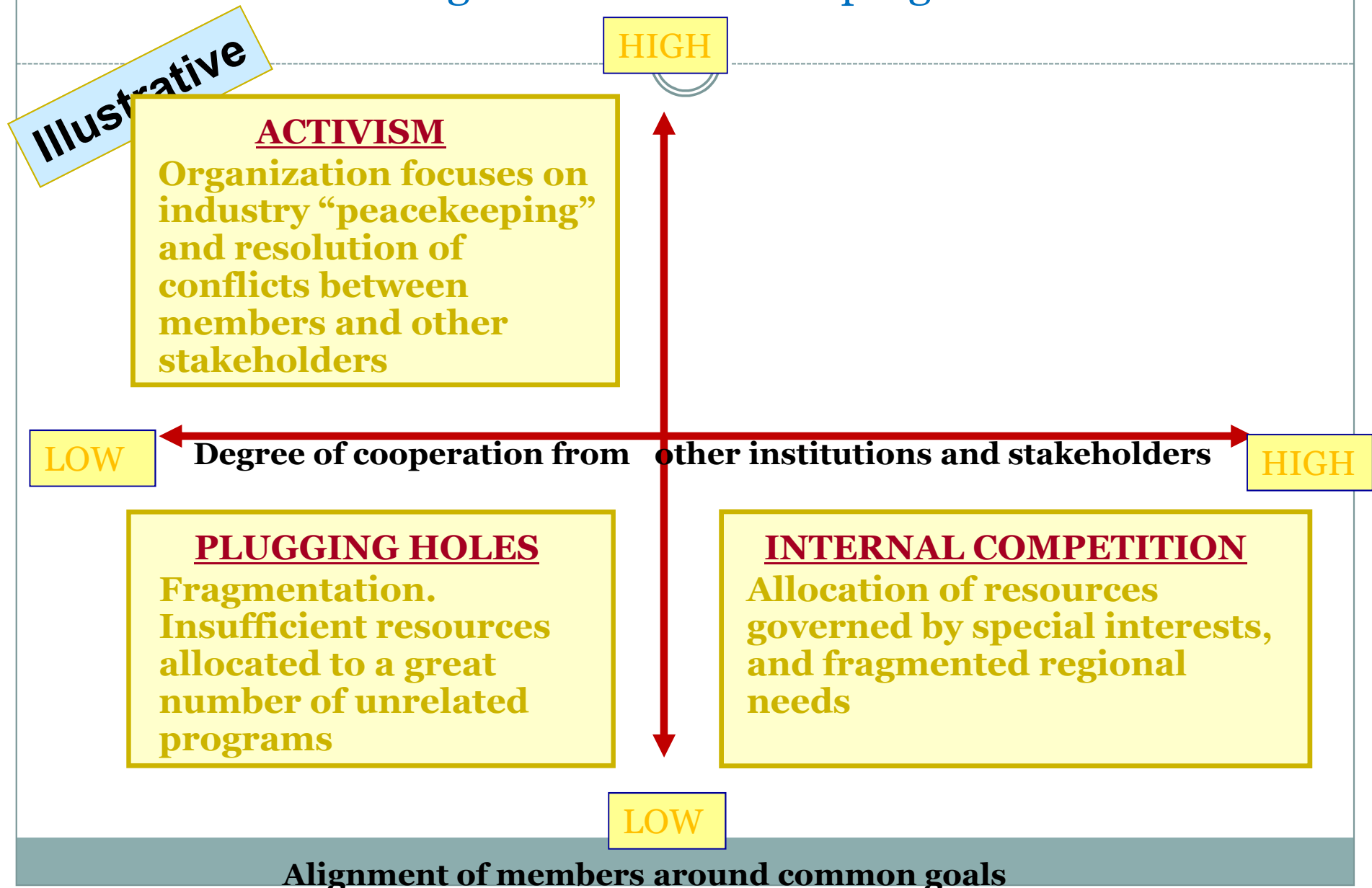
Steps 2 & 3: Define scenarios for different futures and agree on ideal mix of programs



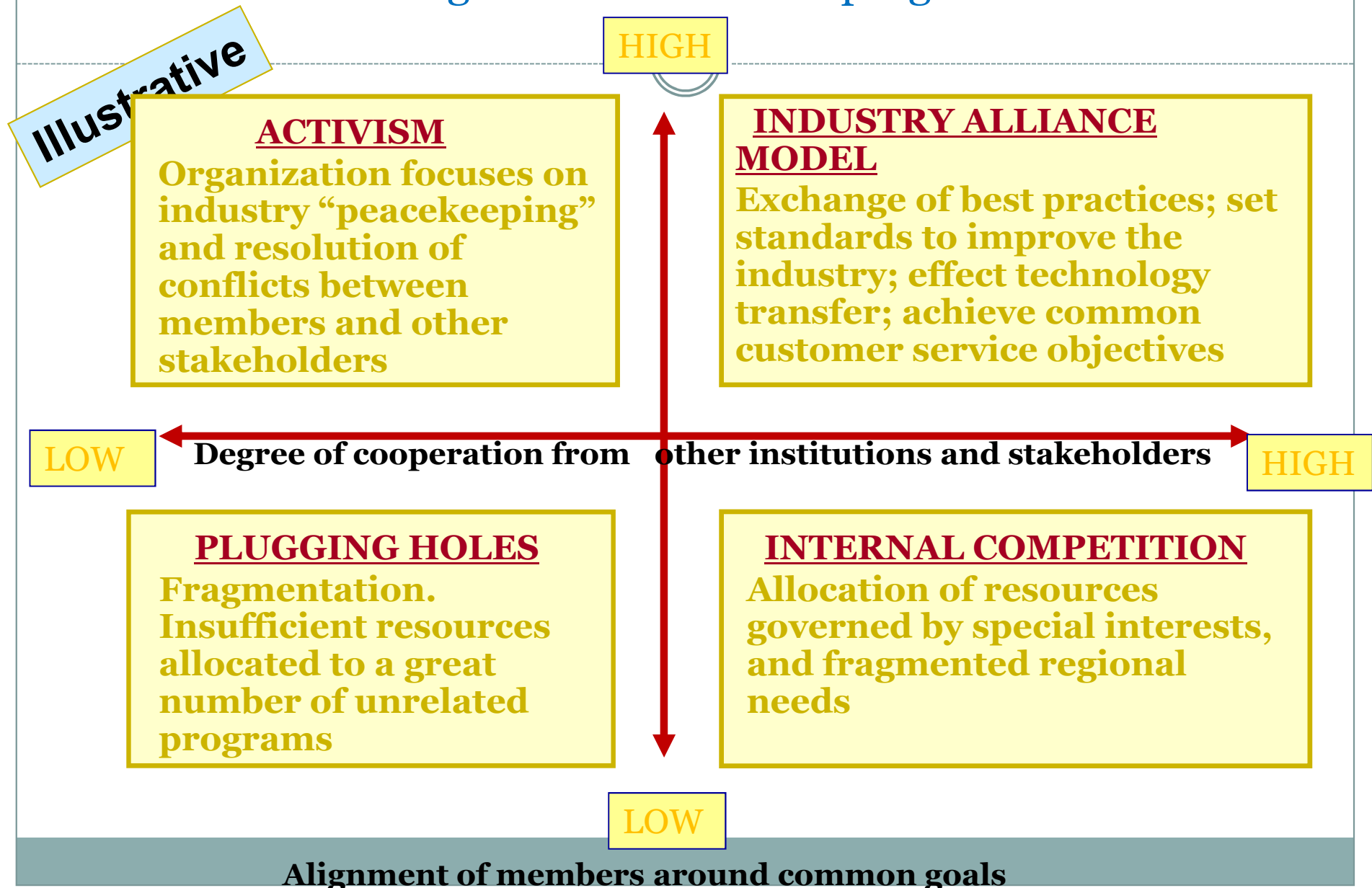
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Key messages

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- Small-scale farmers can meet the needs of modern agri-food markets

Requirements:

- threshold investments, receptive business sector, conducive public policies & programmes, specialized facilitation (often) – producers must evaluate their market options carefully
- Collective action remains an important strategy for increased small-scale producer participation in dynamic markets



- Existing producer organizations have mixed record of success
- Ability to introduce innovative management models (i.e. supplier differentiation and clusters) a key factor for successful small-scale producer participation in dynamic markets
- Intermediation is key to bridging the dichotomy between small-scale farmers and modern organized markets
- Farmers should use policy influence on business strategy as well as public policy (e.g. SA New Growth Path)

Selected References

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Taylor JE (2008). *Rural Poverty and Markets*. Background Paper for the IFAD Rural Poverty Report 2010

Tregurtha N, Vink N & Kirsten J (2009). *Presidency Fifteen Year Review Project: Review of agricultural policies and support instruments 1994-2009*

Cabinet Statement on the New Growth Path

Statsa (2006). *General Household Survey*



Conclusions

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- Flexibility in the definition of ‘viability’
- No one-size-fits-all approach
- Avoid narrow definitions of ‘commercial’ and ‘subsistence’ farming – livelihoods
- Creativity by all stakeholders key (access to credit and the collateral cope-out – e.g. PTO)
- Assisting small-scale farmers and dealing with poverty are long-term endeavours!

How replicable are success cases?

Answer: No carbon copies but extrapolation of specific lessons

Finally ...an Exhortation

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“...No one, after putting his hand to the plow and looking back, is fit for the kingdom of God” (Luke 9:62 –NASB)

“...Anyone who begins to plow (plough) a field [puts a hand to the plow] but keeps looking back is of no use in [or not fit for] the kingdom of God” (Luke 9:62 – The [expanded] Bible™)



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