



Leibniz Institute of Agricultural Development  
in Transition Economies

*Theodor-Lieser-Str. 2  
06120 Halle (Saale), Germany*

**Sina Lehmann**  
*Public Relations  
Tel.: +49 345 2928 -329  
presse@iamo.de  
www.iamo.de/en*

## **P R E S S R E L E A S E 05/2019**

### **The future belongs to diversified and entrepreneurial farmers (regardless of their size)**

Over 190 experts from the fields of research, business and international organisations discussed the challenges and prospects for small farms at this year's IAMO Forum.

**Halle (Saale), 22 August 2019 – From 26 - 28 June 2019 the IAMO Forum 2019 focused on the issue of “Small farms in transition: How to stimulate inclusive growth?”. With 193 participants from 32 countries, this year saw the conference achieve a record number of visitors. Centre stage were small and family-run farms, the number of which is currently estimated at around 570 million worldwide. They play a key role in combating hunger and poverty. In developing countries smallholders produce around 80 percent of all food, although a large amount of this is consumed by the households themselves. However, their future development is a contentious issue and support programmes frequently favour medium and large-sized farms. The international experts discussed suitable development strategies and current findings in three plenary meetings, one special meeting, 18 parallel meetings and one panel discussion.**

The conference was opened by IAMO Director **Thomas Herzfeld**. In his introduction he emphasised the important role played by smallholders in the provision of food, fuel and fibres for the global population and transition countries in particular. Although there is no general consensus regarding the definition of small farms, many experts share the view that, in addition to farm size, other socio-economic parameters such as household income and access to public services should be taken into account. In addition, a number of observers also include the degree of participation in political discussion and decision-making processes as a criterion. Alongside the lack of uniform size boundaries, the often-limited availability of data results in the estimation of the extent of small farms. Measured by average farm size, statistics point to a decreasing number of agricultural enterprises in countries with a high income, whilst numbers have grown in countries with low incomes in the course of the past decades. Many experts share the view that the vast majority of small farms requires additional sources of income in order to continue to exist in rural areas in the future.

**George Rapsomanikis** from the FAO began by providing an insight into the living circumstances of small farmers. He identified their diverse production structures, which are often aimed at minimising risk, as a key characteristic of small farms. They concentrate on the cultivation of starch-based crops for their own use. In addition, small farms are extraordinarily productive, both with regard to the agricultural area used and the work performance of the families. Compared to larger farms they have higher product diversity and higher yields per hectare. Despite this, many smallholders live in poverty. According to Rapsomanikis, the greatest challenges lie in adapting to climate change, high population growth and the lack of and/or limited access to markets for the produce of smallholders. Supportive measures should therefore primarily be investment in education, healthcare and infrastructure as well as the promotion of “intelligent agricultural technology”. The development of innovative business models could also enable smallholders to be incorporated into value chains.

As second plenary speaker, **Petr Jehlička** of the Open University, London, spoke about the practice, common in Central and Eastern Europe, of food self-provisioning (FSP). Whilst during socialist times many people grew some of their food themselves in allotments, the number of gardens has increased again rapidly since the beginning of the 90s. The practice of self-provisioning is independent of social strata and income and does not occur primarily for economic reasons. Instead, social aspects play a role, such as the desire for fresh and healthy produce, learning new skills/acquiring new knowledge, community and the sharing of harvests. In addition, cultivation in gardens typically involves fewer chemical fertilisers and herbicides, in other words it is more sustainable and environmentally aware. Self-provision therefore makes a “silent” contribution to a sustainability strategy in agriculture (“quiet sustainability”). Overall, Jehlička sees this development as a sign of high resilience in economically difficult times, which is why it is a concept that can also be recommended for other countries. Nevertheless, it is neither a panacea nor an alternative to the formal food industry, but instead a valuable supplement.

To mark the 25th birthday of the institute, the afternoon of the first day of the conference featured a ceremony to which numerous guests from the fields of science, politics and society were invited. In their welcoming addresses the Parliamentary State Secretary in the Federal Ministry of Food and Agriculture (BMEL), **Michael Stübgen**, the State Secretary in the Ministry of Science of Saxony-Anhalt, **Thomas Wunsch**, and President of the Leibniz Association Professor **Matthias Kleiner** praised the institute's achievements in research on the agricultural and food sector of the former centrally-planned economies of Eastern and South-eastern Europe, Central Asia and China. The networking and exchange with the partner institutions in the target countries, the interdisciplinarity and methodological range of the research topics, the promotion of young scientists as well as the committed third-party funding strategy of the institute were particularly appreciated.

In the subsequent special talk **Aleksander V. Gevorkyan** of St. John's University in New York spoke about developments in post-socialist small economies since the political transition 30 years ago. Not all transition countries have recovered from the economic losses caused by the breakup of the socialist trade ties.

Looking at the agricultural systems - primarily dominated by smallholders - in Georgia, Armenia or Moldova, it is apparent that state expenditure and loans for the agricultural sector are low, in spite of the significant share of gross domestic product (GDP) accounted for by farming. There is a need to develop a sustainable agricultural funding system with optional focus on small individual farms and access to affordable credits with reasonable terms. In his lecture Gevorkyan also advocated paying greater attention to the specific characteristics of individual countries and their histories when planning measures to achieve long-term development goals. In the case of internationally-comparative analyses these characteristics may help explain the success or failure of reforms, respectively economic performance.

On the second day of the conference plenary speaker **Stephen Wegren**, Professor at Southern Methodist University in Dallas, provided a perspective for the future of smallholders in Russia. Small farms and domestic gardens have been an important supplier of food in the early years following the political and economic upheaval. However, since the 2000s private farms and agroholdings and mega farms in particular have taken over the supply of food in Russia. These large agricultural enterprises in particular benefit from state policies and subsidies. Whilst small farms and gardens will continue to exist due to their recreational value, their economic significance within the agricultural production system in Russia is now negligible. According to Wegren, future potential for small and medium-sized farms in Russia lies particular in the production of high-quality, artisanal products, such as cheese and organically-farmed produce.

**Heather Zhang**, Professor at the University of Leeds, subsequently detailed the situation of smallholders and the development of agricultural policy in China. Small farms in China continue to play an important role in the supply of food to the Chinese population. The market and political reforms of the late 1970s and 1980s stimulated a revival in family farms and boosted the rural economy. This was accompanied by a rise in agricultural incomes and a fall in poverty. Since then, rural areas have become detached from the prevailing economic growth, however. Social inequality between rural and urban regions continues to rise, for example with regard to incomes and life expectancy. Zhang criticised the fact that this situation has been made worse by the neglect of rural infrastructure and massive migration from rural areas. To counteract this trend, the Chinese government has responded for a number of years now with a series of measures to support smallholders, such as lowering and abolition of agricultural taxes and fees, increasing subsidies and market intervention in support of smallholders.

The third day of the conference was dedicated to specific aid for smallholders, in the form of two moderated panel discussions. In the morning **Sergiy Zorya** of the World Bank, **Sara Savastano** of the International Fund for Agricultural Development (IFAD) and **Boban Ilic** of the Regional Rural Development Standing Working Group in South-Eastern Europe (SWG in SEE) discussed the question of how the World Bank and other international institutions can better address the requirements of smallholders in transition regions.

**Sergiy Zorya** began by summarising the strengths and weaknesses of small farms in Central Asia. In relation to the area farmed, they often generate higher yields than large farms, their produce is profitable and

market oriented and they are able to respond flexibly to market opportunities. Their weaknesses lie in ensuring uniform quality and food safety standards, small production volumes, low levels of professionalisation and access to funding opportunities due to a lack of collateral. Increased collaboration, for example in the form of co-operatives, would make sense, but is rejected due to the experiences of the centrally-planned economy in the past. According to Zorya, professionalising farms and integrating them better into value chains calls for more innovative and proactive governments, which currently favour large farms. Zorya sees the role of the World Bank as primarily one of promoting political dialogue. Due to limitations to state capacity, the bank aims to finance public goods and services for the agricultural sector, thereby safeguarding access for smallholders. Further measures are subsidies for investments in mutual assets and the support of productive partnerships with agricultural companies (example: dragon head enterprises in China). Smallholders will continue to play an essential role in the agriculture of Central Asia, Zorya concludes. However, only with assured land ownership and leasehold market as well as the aid of innovative agricultural policies can structural transition to more professional and commercially-effective farms be achieved.

In the second talk **Sara Savastano**, Director of Research and Impact Assessment at IFAD, introduced the impact assessment processes at the IFAD. The organisation provides low-interest loans and grants to developing countries for the financing of projects and programmes for rural development, with the goal of improving food security, raising incomes and strengthening resilience. The IFAD has developed a multi-stage system for assessing the impact of such loans. It examines whether observable changes are actually the result of development projects. Savastano explained that a simple comparison of areas with and without aid projects or the comparison of indicators before and after projects often neglects factors that also cause change, such as economic factors, natural disasters or conflicts. The impact analyses of the IFAD should record the attributable impacts of the aid projects better than has previously been the case.

In his talk the third discussion participant, **Boban Ilic**, representative of the Regional Rural Development Standing Working Group in South-Eastern Europe (SWG in SEE), spoke of regional policy dialogue and the multi-stakeholder approach to socio-economic development in rural areas of the Western Balkan countries. He named the goals of the SWG as promoting regional co-operation, co-ordinating cross-sectoral policy and local, municipality-based development. The regional co-operation aims to facilitate regional and political dialogue between the Western Balkan countries as well as institutional co-operation through the establishment and support of regional technical working groups. Cross-sectoral political co-ordination is concentrated on improving evidence-based decision-making processes by conducting assessments and publishing reports on agricultural and rural development. Local, municipality-based development aims to promote cross-border co-operation in selected areas with similar development challenges, thereby promoting sustainable economic growth.

In the subsequent discussion **Sergiy Zorya** pointed out that in addition to traditional mechanisms such as increasing productivity, research and development projects in agriculture, infrastructure development, and

strengthening agricultural co-operatives new mechanisms can also be decisive, enabling smallholders to produce profitable and labour-intensive products and gain access to public financial goods. **Sara Savastano** stated that the work of the IFAD aims at co-operation, communication, integration and the broad dissemination of knowledge. Academies, research centres, public and private institutions generate this knowledge, which is in turn utilised by global organisations, funders, political decision makers, the private sector, NGOs, individual producers as well as consumers, thereby benefiting the poorest members of the population. IAMO researcher and discussion moderator **Nodir Djanibekov** proposed that both producers and users of knowledge should focus to a greater extent on rural growth models, which often also include poor smallholders.

The subsequent panel discussion moderated by **Sophia Davidova** looked at the question of how, in view of the latest trends and developments, smallholders can benefit more from the offers of international organisations. The discussion was participated in by **Sergiy Zorya, Sara Savastano, Aleksandr Petrikov** and **Lino Dias**.

In a short presentation **Sara Savastano** of the IFAD pointed to current developments that are presenting particular challenges to the future of smallholders. These are above all climate change, resource scarcity, urbanisation, technological change, migration and the changing nature of work.

**Sergiy Zorya** of the World Bank cast an eye at the future development of small farms. Whilst semi-subsistence farms are becoming rare in developed countries, they will continue to exist in developing countries. However, small market-integrated (commercial) farms will dominate the future in developing countries. In developed economies this farm type is increasingly being taken over by larger enterprises. As a result of technological advances, climate change (less land available) and changing consumer attitudes towards food, small urban farms will become increasingly popular and a social trend.

The third panelist, **Lino Dias**, Vice President Smallholder Farming at Bayer AG, presented the perspective of a large company that produces production factors for farmers. Both commercial interests and social responsibility play a role dealing with smallholding agriculture. He presented various examples of the “better life” approach of Bayer, in which smallholders are integrated into programmes that help them to acquire improved market access and raise their incomes. He considers the expansion of successful programmes to be necessary if more farm households should be reached.

The contribution by **Aleksandr Petrikov**, Director of the Nikonov All-Russian Institute for Agrarian Problems and Informatics (VIAP), pointed out that the worth of small farms is often underestimated in Russia. However, their definition differs considerably from the international perspective. As a consequence, according to Russian standards the significance of smallholdings is even increasing in various areas (with the exception of the pork and poultry sectors, which are dominated by larger companies). According to Petrikov, the future of small agricultural enterprises in Russia is heavily dependent on policies, in particular access to credit and the availability of funding (subsidies). It is also weakened by the low level of participation of small farms in co-operation between different levels of the value chain.

Numerous topics were covered in the lively discussion, including the digitalisation of agriculture and the question of who will feed the world in the future. **Sergiy Zorya** emphasised that digitalisation is a major issue at the World Bank and posed the question of whether and to what extent digital agriculture will replace agricultural labour. Smallholders will be affected to a particular extent if they have no options outside of agriculture. **Sara Savastano** pointed out that the IFAD is also opening up to the private sector and this is particularly important in areas in which digital technologies play a role. **Lino Dias** answered critical questions on the motivation of Bayer for supporting smallholders by explaining that in addition to social engagement the company also sees smallholders as a future market. Although this market will be hard to develop, it is regarded as an opportunity. With regard to the question of who will feed the growing global population in future, the discussion participants all agreed that smallholders will continue to play a decisive role, particularly in Asia. In conclusion, **Sara Savastano** reiterated that small farmers will need to concentrate more on high-quality produce if they are to enter the markets in developed countries, as this is of ever-increasing importance for consumers as incomes rise.

The IAMO Forum 2019 was organised by the IAMO Agricultural Policy department in co-operation with the World Bank. The conference received financial support from the German Research Foundation (DFG), the state of Saxony-Anhalt, Rentenbank, Leibniz ScienceCampus “Eastern Europe – Global Area” (EEGA) and the city of Halle (Saale). Further information on the conference can be found at: [www.iamo.de/forum/2019](http://www.iamo.de/forum/2019).

**Next year the IAMO Forum will take place from 24 - 26 June 2020 in Halle (Saale). It will address the issue “Digital transformation – towards sustainable food value chains in Eurasia”.**

*Text: 18.494 characters (incl. spaces)*

## **About IAMO**

The Leibniz Institute of Agricultural Development in Transition Economies (IAMO) analyses economic, social and political processes of change in the agricultural and food sector, and in rural areas. The geographic focus covers the enlarging EU, transition regions of Central, Eastern and South Eastern Europe, as well as Central and Eastern Asia. IAMO works to enhance the understanding of institutional, structural and technological changes. Moreover, IAMO studies the resulting impacts on the agricultural and food sector as well as the living conditions of rural populations. The outcomes of our work are used to derive and analyse strategies and options for enterprises, agricultural markets and politics. Since its founding in 1994, IAMO has been part of the Leibniz Association, a German community of independent research institutes.

## **Academic contact**

Prof. Dr. Thomas Herzfeld

Director of IAMO and Head of Department Agricultural Policy

Tel.: +49 345 2928 -100

[herzfeld@iamo.de](mailto:herzfeld@iamo.de)

[www.iamo.de/en](http://www.iamo.de/en)

## **Media contact**

Sina Lehmann MA

Public Relations

Tel.: +49 345 2928-329

[presse@iamo.de](mailto:presse@iamo.de)

[www.iamo.de/en](http://www.iamo.de/en)