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# Small farms in transition: How to stimulate inclusive growth?

## Follow-up report on the IAMO Forum 2019

When looking around the globe, agricultural production is primarily organised into small farms, which provide circa two billion people with income and employment. They contribute to almost 40 percent of agricultural production, and yet members of small farm households are frequently poor and malnourished. Members of small farm families account for almost half of those who are undernourished as well as the majority of people living in absolute poverty. — In most of the former centrally planned economies many small farms were created after the land was privatised and the collective farms were dismantled. However, their role varied and varies in different parts of the region. Legal regulations with regard to type and manner of privatisation and restructuring greatly influenced the development of each national agricultural structure. In addition, the overall economic situation in the first years of transformation were decisive. Small ag-

ricultural farms functioned often as a social buffer in difficult times. However, the future of small farms is extremely insecure. For example, a potential successor of a small farm may not want to take over the business and usually takes on a non-agricultural profession, which often has them relocating away from rural regions. In addition, the official agricultural policies in most countries do not plan on any special subsidies for small farms, which leads to the question of whether small farms even have the potential to develop and are able to contribute to the economic growth of agricultural regions. — The IAMO Forum 2019 in Halle (Saale), held in cooperation with the World Bank, offered 202 participants from a total of 33 countries from 26 to 28 June 2019 a platform to deepen their understanding of current issues, challenges and perspectives of small agricultural farms and to expand their knowledge about their economic, social and polit-



Plenary speaker George Rapsomanikis in talks with a conference participant



ical implications. In their presentations and talks, the scientists provided recommendations among others with regard to an inclusive development of small farms while taking various approaches within and outside of the agricultural sector into consideration. — The presentations and discussions of three plenary and 18 parallel sessions as well as a panel discussion focussed on the current situation of small farms, political options for supporting them and the discussion of possible future scenarios for semi-subsistence farms. In addition, the 30th anniversary of the transformation process in Central European agriculture and the 25th anniversary of the founding of IAMO were celebrated.

The presentations from the plenary and parallel sessions can be viewed on the internet site of the conference: <https://forum2019.iamo.de/presentations>

– Passwort: forum19\_IAMO!



Plenary speaker Petr Jehlička reported about food subsistence in Central and Eastern Europe.

### Current situation of small farms, challenges and opportunities

The main feature of small farms according to the view of the first plenary speaker, **George Rapsomanikis** (FAO), is a diverse production structure intended to minimise risks. The development of a self-sustaining, starch-based staple plays a dominant role. In addition, small farms are extremely productive when regarding work performance and land utilisation, yet many small farmers live in poverty. The greatest challenges according to Rapsomanikis are adaptations to the climate change, a growing popu-

lation and the lack of or lack of access to markets for their products. Supporting measures must therefore first and foremost be investments in education, healthcare and infrastructure as well as funding of 'intelligent agricultural technologies'. Through the [development of innovative business models](#) small farmers could also be included into the value chains. — **Petr Jehlička** (Open University, London) was the second plenary speaker, who spoke on the common practice of subsistence farming in Central and Eastern Europe. While in socialist times [many people were](#) already raising their own food in part in [small gardens](#), the number of gardens has increased again rapidly since the beginning of the 1990s. The practice of subsistence farming does not depend on social class or income and is not predominantly for economic reasons. Social aspects play a greater role, such as the desire for fresh and healthy products, learning new skills or new knowledge, the community amongst each other and the sharing of one's own harvest. In addition, planting one's own garden often includes less chemical fertiliser and insecticides, i.e. a sustainable and environmentally conscious process. Subsistence is therefore a 'silent' contribution to a sustainable strategy in agriculture – ['quiet sustainability'](#). On the whole, Jehlička considered this development a sign of high durability in economically difficult times, which is why it can be a recommendable concept for other countries. However, it is neither a 'cure-all', nor an alternative to the formal food industry, but rather more of a valuable supplement.

### ————— **Political options for small farms between growth and socio-political goals** —————

In Russia, small farms and household gardens were an important supplier of food in the years following the start of the political and economic transformation. Plenary speaker, **Stephen Wegren**, Professor at the Southern Methodist University in Dallas provided his contribution of a look into the future of these households. Since 2000, privately owned commercial farms, in particular agro-holdings and mega-farms, have been taking control of the food supply in Russia. Especially these large enterprises profit from the agricultural policies and subsidies. Although small farms and gardens will always exist due to their value as a hobby, their economic significance within the agricultural production system is declining in today's Russia. Potential exists for small and medium-sized farms in Russia according to Wegren, especially in the production of premium foods such as cheese and organic products. — **Heather Zhang**, Professor at the University of Leeds then took to the podium to explain the situation of small farmers and the agricultural political development in China. Small farms continue to play an important role in supplying food to the Chinese population. The market and political reforms of the late 70s and 80s caused a resurgence of family farms and jump-started the agricultural industry. This resulted in an increase in agricultural income and a reduction of poverty. Since then the agricultural regions have been cut off from economic growth. The social inequality between rural and urban regions continues to increase for example with income and life

Plenary speaker Stephen Wegren answers questions from the audience.



Heather Zhang speaks on the second conference day as plenary speaker about the situation in China.

expectation. Zhang criticises that the situation has deteriorated due to neglect of rural infrastructure and a massive migration from rural regions. In order to counter this trend, the Chinese government has been implementing a number of measures to support small farmers for several years now, such as the lowering and abolishing of agricultural taxes and fees, as well as increasing subsidies and market interventions to benefit small farmers.

### —The future of subsistence farming—

The third conference day focused concretely on aid for small farms, which also sold part of their production. The plenary meeting offered a platform for international organisations to present their work in the transformation countries. The organisations were represented by **Sergiy Zorya** (World Bank), **Sara Savastano** (International Fund for Agricultural Development (IFAD)) and **Boban Ilic** (The Regional Rural Development Standing Working Group (SWG) in South Eastern Europe). — **Sergiy Zorya** summarised at first the strengths and weaknesses of small farms in Central Asia. Expressed relative to the land size, they often had yields higher than large farms, their products are profitable and market-focused and they can react flexibly to market opportunities. Their deficits are in ensuring uniform quality and food safety standards, small production volumes, the lack of professionalism and limited access to financial opportunities due to a lack of securities. A closer cooperation, for example in the form of co-ops would be beneficial, but has been rejected due to past experiences in central planning. In order to make the farms more professional and to improve inte-

gration into the value chain, according to Zorya, innovative and proactive government action is necessary without unilaterally benefiting the large farms, which has been the case. Zorya sees the role of the World Bank especially in promoting political dialogue. Due to state capacity limitations, they want to finance public goods and services for the agricultural industry and to ensure small farms have access to these funds. Additional measures include subsidies for investments in joint assets as well as the promotion of productive partnerships with agricultural enterprises (example: dragon head enterprises in China). Zorya concludes that small household farms will continue to play an essential role in Central Asia's agriculture. However, structural transition to professional and commercially functional farms will only be possible through securing land ownership and functioning leasing options as well as innovative agricultural policies. — In the second talk **Sara Savastano**, Director of Research and Impact Analysis at IFAD, presented IFAD's impact analysis procedure. The organisation grants low-interest rate loans and subsidies to developing countries for financing projects and programmes for agricultural development with the objective to improve their food supply, to increase income and to strengthen their resilience. The IFAD has developed a multi-level system for assessing the impacts of such credits. It controls whether monitored changes actually are caused by development projects. Savastano declares that a simple comparison of areas with and without aid projects or comparing indicators before and after projects often



Discussion about the contradictions between small and large farms

misses factors, which also effect changes, e.g. economic factors, natural disasters or conflicts. The impact analysis of IFAD should record the quantifiable impacts of aid projects better than before. — In the discussion following, Sergiy Zorya mentioned that in addition to traditional mechanisms such as increase in productivity, research and development projects in the agricultural sector, infrastructure development, strengthening of agricultural co-ops also new mechanisms are decisive which provide small farms with the opportunity to produce products that are profitable and labour-intensive and to provide them with access to public financial goods and services. Sara Savastano highlighted that the work of IFAD is focused on cooperation, communication, integration and wide dispersion of knowledge. Academies, research centres, public and private institutions generate this knowledge, which is then used by global organisations, banks, political decision makers, the private sector, NGOs, individual producers and consumers and therefore also benefits the poorest of the population. — The podium discussion moderated by **Sophia Davidova** (University of Kent) concluded the IAMO Forum 2019 with additional highlights. The topic being discussed was how in light of the current trends and developments especially climate change, shortages of resources, urbanisation, technological transformation, migration and changes in work, small farmers could benefit even more from the services of international organisations. **Sergiy Zorya**, **Sara Savastano**, **Aleksandr Petrikov** and **Lino Dias** all discussed the issues. — **Sergiy Zorya** from the World Bank looked at

the future of small farms. Whereas semi-subsistent farms are rare in the more developed countries, continuation of their existence in developing countries is very likely. Also in the developing countries, small market-integrated (commercial) farms should dominate the future. In developed economies, this type of enterprise will be increasingly taken over by larger farms. Urban microfarms are becoming more popular and a social trend due to technological advancements, climate change (less space available) and the change in consumer opinion about food. — **Lino Dias**, Vice President of Smallholder Farming at Bayer AG, presented the perspective of a large enterprise that produces the production factors for the agricultural industry. When working with small-farm agriculture entrepreneurial interests as well as social responsibility play a role. He presented various examples for the **'Better Life' approach** by Bayer where small farmers are integrated into programmes that help them to obtain better market access and to increase their income. In order to reach more farmers he believes that an expansion of successful programmes is necessary. — The contribution by **Aleksandr Petrikov**, Director of Nikonov All-Russian Institute for Agrarian Problems and Informatics (VIAPI), made it clear that in Russia the value of small farms is often underestimated, but their definition differs greatly from the international perspective. So, for example, the significance of small farms according to Russian standards has even increased in various areas, with the exception of the pork and poultry sectors. Petrikov states that the future of small agricultural farms in Russia strong-

ly depends on government policies, in particular with regard to access to credit and availability of financial support. — In the lively discussion, many topics were addressed, including digitalisation of the agricultural sector and the question of who will feed the world in the future. Sergiy Zorya emphasised that digitalisation is a great topic with the World Bank and asked the question whether and to what extent digital farming will replace agricultural employees. Small farmers would be especially affected, if they do not have any other options except for farming. Sara Savastano mentioned that the IFAD also opens the private sector and this in particular in areas in which digital technology plays a role. Lino Dias answered the critical question of Bayer's motivation to help small farmers and explained that the company in addition to its social commitment also perceives this target group as a future market. Although this market is difficult to tap, he sees it as an opportunity. With regard to the question who will feed the growing population in the future, the discussion participants unanimously agreed that the small farmers, especially in Asia, will continue to play a decisive role. Then Sara Savastano emphasised that small farmers will have to concentrate even more on the quality of their products, since these properties are becoming more relevant for consumers with increasing incomes also in emerging countries. — In conclusion, it can be determined that due to the heterogeneity of the situation of small farms there are no blanket solutions. It will especially depend on how these farms succeed in acquiring additional sources of income through other agricultural enterprises,

Thomas Herzfeld thanks participants of the IAMO Forum.



Celebration of 25th anniversary of IAMO (upper right)



View into the lecture hall



End of the second conference day with barbecue on the Saale River

outside of agriculture or through special marketing strategies. In light of the important role small farmers play for ensuring the food supply, fighting poverty and providing environmental services this form of agriculture should be treated equally to other forms of enterprise.

The IAMO Forum 2019 was organised by employees of the Department of Agricultural Policies in cooperation with the World Bank. The entire conference was sponsored by the German Research Foundation (DFG), the Landwirtschaftliche Rentenbank, the Federal State of Saxony-Anhalt and the city of Halle (Saale). In addition, with the financial support of the Leibniz-Wissenschaftscampus Eastern Europe – Global Area (EEGA) post doctorates were able to hold two successfully organised and audited meetings and to invite speakers to this.

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## Credits

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