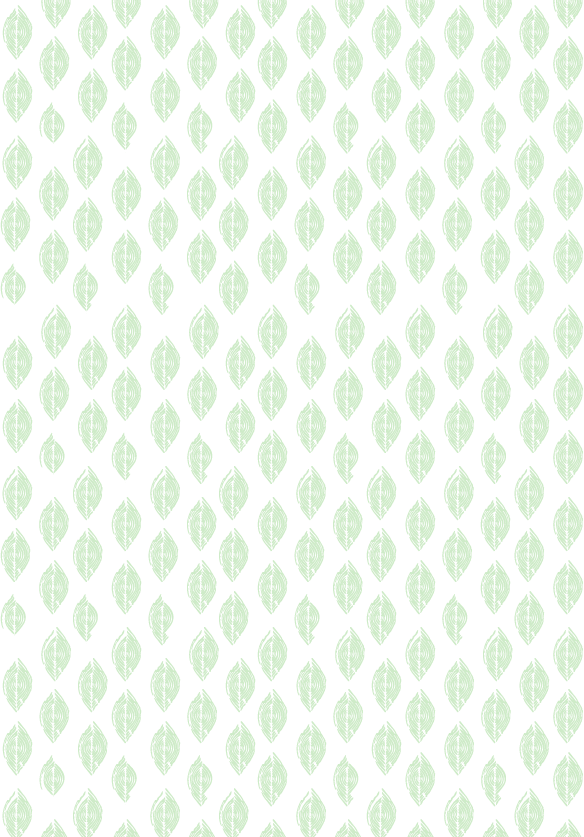
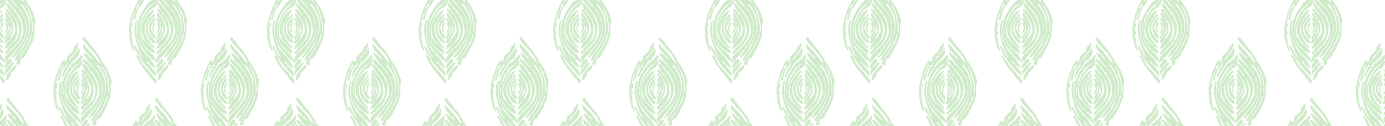
# CONCEPT NOTE



**Africa Agriculture Status Report (AASR) 2017**

The Business of Smallholder Agriculture



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# Focus

The prospects for African agriculture are better today than they have been for some years. Most African countries are still growing despite the slowdown induced by the decline in commodity prices in 2016, and the medium term outlook is good for continued growth in international, regional and domestic markets. Key African drivers are continued population growth, rising incomes, rapid urbanization, changes in national diets towards greater consumption of higher value fresh and processed foods, growing imports of rice and wheat, and more open intra-regional trade policies, all of which are helping to create new opportunities for Africa’s farmers. In many countries, the institutional environment has also improved and local governments, communities and the private sector have greater opportunities to participate in the agriculture sector. The business climate is also improving, albeit from a low level.

Most of sub-Saharan Africa’s economies are dominated by the agriculture sector (FAO 2012, UNCTAD 2015, and Gollin

2014). On average, agriculture accounts for 32% of gross domestic product and employs 65% of the labour force. In some countries, it contributes over 80% of trade in value and more than 50% of the raw materials used by industries (World Bank). In most countries, the bulk of agricultural production comes from smallholder farmers (SHFs), of which there are about 43 million less than 2 ha in size in Sub- Saharan Africa (Lowder et al, 2014)1. Yet these SHFs are often producing very low yields relative to farmers in other regions

1 Lowder, S.K., J. Skoet, S. Singh. 2014. What do we really know about the number and dis- tribution of farms and family farms worldwide? Background paper for The State of Food and Agriculture 2014. ESA Working Paper No.

14-02. Rome, FAO. <http://www.fao.org/do-> crep/019/i3729e/i3729e.pdf

of the world due to lack of improved inputs and agronomic practices, and they are living in poverty or still remain relatively poor. As

a result, there is a timely and significant opportunity to raise many farm households out of poverty through agricultural development and to increase farm incomes more generally. Moreover, since growth

in smallholder agriculture can create many additional jobs in the rural nonfarm

economy, especially along agricultural value chains, there is an opportunity to benefit many more poor households in peri-urban and urban areas, as well as help many SHFs diversify their incomes into nonfarm sources.

To seize these new opportunities, Africa’s farmers need to grow as businesses, and for this they need business rather than welfare support. This includes helping them link to markets, especially for high value products and export markets. They also need access to better technologies, modern inputs like certified seeds and fertilizer, extension,

and financial and insurance services. To encourage them to invest in improving their land and water resources, they also need secure property rights, which in the longer term will also facilitate greater consolidation of land into commercially sized holdings.

Governments have key roles to play in supporting SHFs grow as businesses by investing in rural infrastructure (roads, cold storage, warehouses, etc.), agricultural R&D, and human capital, and they must pursue enabling policies. But much of the direct support farmers need must come from agribusiness. Agribusiness must take the lead in developing supply chains for modern farm inputs like certified seeds, fertilizers, and mechanization; in developing marketing channels, especially for export and high value products; developing market information and farm advisory

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systems using the latest IT and communications technologies; and investing in value addition activities like agro-processing. In all cases, agribusiness needs to be encouraged to reach out to more SHFs. Private sector lending institutions and insurers also need to be encouraged to expand their services along agricultural value chains, and especially to service more SHFs.

Encouraging greater private sector involvement in agriculture requires an enabling business environment, often institutional support in organizing SHFs into cooperative or marketing associations, and innovative public-private partnerships to overcome market

failure and set up problems in linking more SHFs into modern value chains on a financially sustainable basis. Together, agribusiness and farmers with government support could create a trillion-dollar food market by 2030, as well as provide consumers with more nutritious foods (World Bank, 2013). The World Bank report on *Growing Africa: Unlocking*

*the Potential of Agribusiness* calls on governments to work side-by-side with agribusinesses, to link

farmers with consumers in an increasingly urbanized Africa. Improving prospects for tomorrow’s farmers entail more profitable management of existing farms, with enhanced access to technology, markets, finance, information and infrastructure – creating

the environment in which they and other actors can prosper (Fan et al., 2013).

Since business as usual is not an option in achieving the Sustainable Development Goals (SDGs), mechanisms for greater accountability based on the monitoring of progress on key commitments related to smallholders is of importance. If smallholders are to participate in the markets successfully, there is

an urgent imperative for them to start appreciating agriculture as a thriving business. There is a need to enhance the capacity of the smallholder farmers and facilitate their access to more productive resources in order to increase their productivity and increase their participation to local, national and international markets. This will help to increase their income and their contribution to national income generation and their wellbeing. Of course, a strong private-public- partnership (PPP) and institutional arrangements are important in the process to achieve this goal.

In an effort to encourage farmers and agribusiness to transform agriculture into a thriving business that generates employment, increases food security, reduces poverty, promotes economic growth and creates wealth through agricultural growth, the

Africa Agriculture Status Report (AASR) 2017 will be devoted to the theme “*The Business of Smallholder Agriculture*”. This year’s publication will focus on addressing challenges, and constraints and mitigating the most important agricultural risks – in order to create the environment in which smallholder farmers and other actors and businesses along value chains can prosper in the sector. Chapters in this report will look at investments, models and practices, approaches, and intervention strategies that can be applied to enable rural agriculture to become profitable amidst the challenges and opportunities faced by Africa

smallholder farmers. The findings and recommendations that will be included in this publication will (i) engage and inform policy makers the specific steps they should take to create a conducive business environment that enables smallholder farmers to thrive (ii) contribute to new ways of doing business and (iii) create a new sense of urgency to drive the achievement of the agriculture transformation agenda.

The 2017 Africa Agriculture Status Report will specifically focus on strategies that will enable smallholder agriculture to become a business that is profitable and generates employment as well as encouraging the youth to engage actively in the sector.

# Objectives

The main objective of this report is to; (i) provide an overview of the smallholder farmers and how they have adapted to the challenges they face as

economic actors; (ii) explore innovative strategies that can substantially raise the productivity and incomes of smallholder farmers; (iii) identify policies and programs that can support the movement of Africa’s farming systems from subsistence-oriented to market- oriented thriving businesses; (iv) identify the necessary conditions, appropriate technologies, and institutions that can propel and support smallholder agriculture businesses; (v) examine the past and the present role of public and private sector investment in agriculture and the success factors that can be scaled up to accelerate transformation.

# Target Audience

The target audience of the 2017 publication are policy makers, government agencies, professionals involved in the agriculture development and program implementation, private sector, donors, NGOs, and other development partners.

# Process in Production of AASR 2017

The process of producing AASR 2017 is summed up as follows:

* Contributors and authors to the AASR 2017 to provide an abstract (150 words maximum)
  + - 4 – 5 bullet points of key messages per chapter
    - 3-5 clear recommendations per chapter for policies, programs, and/or investments to scale
    - Not more than 10,000 words per chapter
    - Not more than 5 – 6 Tables per chapter
* Not more than 5 Figures per chapter
* Not more than 2 technical boxes per chapter (if required)
* References after each chapter in APA style
* Launch on September 5th, 2017 in Abidjan, Ivory Coast at the start of the African Green Revolution Forum

The contributions to AASR 2017 will be evidence-based, allowing for an opportunity to advance the understanding of Africa’s agricultural transformation from qualitative as well quantitative analyses. The AASR 2017 will have main sections as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Chapter** | **Title** | **Chapter Details** | **Author(s)** | **Contributors** |
| **Report Overview** | | | |  |
|  | Overview: Smallholder Agriculture - The Most Prolific Business in Africa | * Framing of smallholder agriculture as a business, and of agricultural transformation at the centre of economic transformation in Africa, just as they have been in every region of the world throughout history * Challenges facing SHFs in Africa today: their shrinking size; loss of public sector support; changing nature of agricultural value chains. * Three ways in which smallholders are adapting their livelihoods (commercial, transition and subsistence oriented households), * Scope for business oriented smallholder agriculture, and the types of business support smallholders need. * How the private agribusiness sector can help, and what is holding it back? * Smallholder agriculture business models/case studies | Peter Hazell- IFPRI  AGRA |  |
|  | A Business Review in How to Transition African Agriculture: Lessons from Asia for Africa | * What lessons can Africa learn from the Asia experience in economic transition through a smallholder-led agricultural transformation? * Can Africa hope to follow Asia and transition to export manufacturing in today’s global economy? What if it cannot? * What are the implications for the agricultural transition of Africa’s rapid urbanization, the growing dominance of the services sector, and a premature pattern of de-industrialization? * What can Africa learn from its own successful and less successful experiences with agricultural development? * Can Africa achieve a green revolution without the state interventions that characterized the Asian experience? Are market/private sector led revolutions possible for African agriculture? |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Business Pathways to the Future of Smallholder Agriculture in 2030/2050 | * Projections of possible future states of smallholder agriculture and food systems in Africa by 2030/2050 and identification of pathways to these scenarios. * How can the more favorable outcomes (in terms of Africa’s economic transformation and the SDGs) be achieved? * Providing high quality seeds, fertilizer, agronomic technologies that will adequately address and contribute to increased productivity (use case studies to illustrate this position). * Shifting networks of relationships for production, processing, distribution and consumption of food commodities and the challenges for SHFs * Promoting value addition, entrepreneurship and employment in the rural nonfarm economy * Brief outline of strategies for promoting farming as a business via interventions which aim to improve the business environment, provide key public goods, and foster innovative public-private partnerships * Developing output markets which sustain favorable incentives for investment by SHFs and others – what are the missing links and what evidence of positive impact is there? |  |  |
|  | The Role of Institutions and Governance: What are the Existing Failures of Public Policies? | * What is needed from governments in the way of public policy and investments to promote business oriented smallholder agriculture? * What can be learnt from past failures in public policies (with examples) * Include innovative types of PPPs * Progress in creating and maintaining enabling policies and supportive regulatory framework – cross country evidence. * Role of farmers’ organizations and structured policy advocacy/engagement systems in ensuring success in formulation and implementation of enabling policies. * Address land policy issues * Address the capacity constraints of many public institutions that work on agriculture |  |  |
|  | Engaging the Agribusiness Sector in Inclusive Value Chain Development | * How to promote more innovation and entrepreneurship amongst SMEs working along agricultural value chains * How can we best engage big agribusinesses and interest them in investing in smallholder agriculture businesses * How to get big agribusiness and SMEs working together more effectively along value chains (e.g. seed supply systems)? * Equally relevant is the development of supply chains for distribution of in- puts as well as ancillary services (e.g. financial services which foster access by SHFs). * Address interlocking markets * Including the roles of public and private sector players * How to engage the private sector in agricultural innovation systems, including use of modern IT and communications technologies for spreading knowledge. * What kinds of business models can help bring more poor marginalized smallholders into commercial farming, even if only on a part time/cash earning basis? |  |  |
|  | Strengthening Financial Systems for Smallholders | * What is new in terms of making more credit available to SHFs on a business basis? Explore new products, delivery channels, and partner- ships, along with greater attention to savings * Include value chain financing and role of insurance and guarantee funds in unlocking credit * Special attention to developments with savings groups and financial innovations with mobile phones and information and communication technologies (ICT) * Role of credit and insurance subsidies for farm credit * Relevance of farm credit banks (Are they doing enough?) |  |  |
|  | Building Resilient Farm Businesses in the Face of External Shocks | * Identification and prioritization of agricultural risks as well as main- streaming of risk management – cross country experience and lessons. * Reducing vulnerability and losses through investment in rural infra- structure e.g. irrigation facilities, warehousing and processing facilities. * Technology-based initiatives to manage risks: e.g. Climate Smart Agriculture; Improved planting materials and livestock breeds and reliable distribution systems which minimize risk of quality variability; effective crop-forecasting systems, crop insurance; disaster assistance * Minimizing risks in output marketing: the innovative options (e.g. contracting, WRS, collective marketing and commodity exchanges) * Ensuring that disaster assistance does not undermine ex ante risk reduction strategies. |  |  |
|  | Recommendations and Conclusions |  | Peter Hazell, IFPRI/AGRA |  |
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\*Issues on the role of **private sector**, **gender** and **youth** to be embedded in each of the chapters so they are holistically addressed throughout the report