Innovating to compete: Smallholder farmers' agency and markets in East Africa

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Small Producer Agency in the Globalised Market

Innovating to compete: Smallholder farmers' agency and markets in East Africa

Compiled by: The East African members of the Learning Network
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Abbreviations and acronyms

ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
ASDS	Agriculture Sector Development Strategy
BJCS	Bukonzo Joint Cooperative Society
CAADP	Comprehensive Africa Agricultural Development Program
COMESA	Common Market for Eastern and Southern Africa
COMRAP	COMESA Regional Agro-inputs Program
EAC	East African Community
KACOFA	Kapchorwa Commercial Farmers' Association
KENFAP	Kenya National Federation of Agricultural Producers
MAAIF	Ministry of Agriculture Animal Industries and Fisheries
NAADS	National Agricultural Advisory Services
NEPAD	New Partnership for Africa's Development
NGCU	Nyakatonzi Growers Cooperative Union
PMA	Plan for Modernisation of Agriculture
PO	producer organisation
RATIN	Regional Agriculture Trade Intelligence Network
RPO	rural producer organisation
SACCOS	Savings and Credit Cooperative Societies
SP	small producer
UBOS	Uganda Bureau of Statistics
UNBS	Uganda National Bureau of Standards
UNFF	Uganda National Farmers' Federation

Summary

Africa's small-scale farming is a crucial element of the continental economy, given the heavy concentration of the population in agriculture. There is considerable interest in the integration of smallholder farmers into markets, along with improved seeds, rural roads and credit facilities. National and regional agricultural policies have often put forward the view that smallholder farmers should be integrated into modern markets in order to increase their overall income. There has been concentration on helping small-scale farmers to meet the quality and quantity requirements of buyers like supermarkets, processors and export firms, mainly through organising them in value chains.

Research and experience from practitioners working with smallholder farmers show that this approach is not appropriate for the majority of Africa's smallholder farmers. Fewer than 20 per cent are organised in value chains or producing for supermarket export, and the majority of people are still buying most of their food in traditional, open markets and small retailers. This should inform our understanding of where and how the majority of farmers are trading: we need to start to see smallholder farmers not as recipients of an economic order but as active economic actors. Understanding how informal markets work may contribute to improved mechanisms that support the access and flexibility of informality while also considering food safety and environmental concerns, and avoiding corruption and other negative factors working against the interests of farmers and consumers.

In East Africa, smallholder farming accounts for about 75 per cent of agricultural production and over 75 per cent of employment (Salami *et al*., 2010). However, contributions of smallholder farming to the region's rapid growth have remained limited. Instead, the service sector is driving growth. In Uganda and Kenya, the service sector has developed rapidly, with a growth rate of about 9.5 per cent, and has outpaced agriculture's contribution to GDP (NPA, 2010; Salami *et al*., 2010).

In 2007 and the first half of 2008, the world experienced a dramatic increase in food prices to crisis levels, and the crisis led to macroeconomic instability and increasing poverty and hunger levels in many African countries. Inflation increased and smallholder farmers in most of East Africa cut back on the area planted due to high production costs. Despite the importance of smallholder farming in Africa, current policy and practice lack the conceptual and empirical analysis to support this important segment of the population to provide the basis for development as well as mitigating volatility of food prices. Attempts to modernise agriculture have not significantly changed its nature. Agriculture still supports the livelihoods of 80 per cent of the African population (ADB, 2010) engaged in subsistence farming, as part of a large portfolio of household income-generating activities

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The Learning Network at work: Public debate on markets and smallholder farmers, Fort Portal, Uganda

Introduction

This paper draws on studies by members of the East Africa Learning Network under the knowledge programme, 'Small Producer Agency in the Globalised Market' run by HiVOS, IIED, and a global network led by Mainumby in Bolivia between 2008 and 2012. The programme set out to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. It aimed to work with different actors – farmers' organisations, agrifood business, academics and development institutions – to bring new voices, concepts and insights into the global debate. It thereby seeks to support the development community, policymakers, producer organisations and businesses in their search for better-informed policies and practice.

The objective of this consolidated document is to present the main findings, insights, questions and challenges that the Learning Network members' studies produced in the region. Most of the source papers are unpublished but can be accessed on request to the authors. These papers contribute to the three major themes identified by the global network, as used also in Latin America and Asia:

1. policies, regional trade agreements, and smallholder farmers' agency
2. public and private institutional arrangements that promote small producers' agency in their economic organisations and value chains
3. the 'other markets': informality, economic rationalities and smallholder agency.

The East African studies were based on field interviews with farmers' groups, individual farmers and traders, key stakeholders in various value chains, and analysis of secondary data in Kenya, Uganda, Tanzania and Ethiopia. The preliminary findings were discussed in different regional and global events of the network, as well as in various seminars organised by the programme in Europe.

'Agency' is defined here as the ability of small-scale farmers and their organisations to position themselves in a market, to make effective choices to advance their interests and to be able to act on those choices. Through this lens, the studies found that most smallholder farmers are not organised, or are organised under structures that are more informal. With a development agenda focused on formally organised markets, policies and private interventions therefore benefit only a minority of small-scale farmers, often those with better assets. The majority of smallholder farmers – those excluded from or choosing not to get involved in formal structures – operate mainly in informal markets which may be well structured and may work better for them.

Given this, the debate needs to shift to where these small-scale farmers are rather than where we expect them to be. Instead of looking at small-scale farmers as victims of globalisation and 'beneficiaries' needing external help to be included in markets, we need to understand how the small-scale farmers make their markets work for them, and how they arrive at the decisions they make in order to access the market. In other words, how do they exercise agency, as individuals and collectively, to achieve their own objectives?

Against that backdrop, this paper explores from an agency perspective how smallholder farmers operate. It examines also how responses (or lack of them) from a policy perspective, business or development interventions have fostered or impeded farmers competing in local or regional markets. It identifies the opportunities for smallholder farmers to shape, inform and influence policies central to their being, and policy provisions that underpin their gainful participation in the current globalised market.

1.1 Structure of this report

This paper is structured to provide main findings on the three main themes used by the Learning Network, and also to provide the main messages on the dilemmas confronting small-scale producers in global, regional and national markets.

- The rest of this introduction (Section 1) reviews the context of smallholder faming in East Africa, and summarises the main findings of the studies.
- Section 2 presents the main findings on smallholder farmers and the markets that work for them.
- Section 3 synthesises institutional arrangements and practices being promoted or reshaped to the advantage of smallholder farmers.
- Section 4 summarises the most important findings on national policies and regional trade agreements on agriculture, policy spaces and smallholder actions to shape policy.
- Section 5 provides a brief conclusion.

1.2 The changing context of East Africa

Two decades ago, a series of agricultural reforms in East Africa were designed to remove inefficiencies of the then state-led agricultural and marketing system through the cooperative system. In their heyday however, farmers' cooperatives performed well to improve production and collective marketing but generally suffered political interference, which brought their downfall. In Tanzania for example, after the Arusha Declaration in 1967, cooperatives begun to be perceived as vehicles for furtherance of socialist policies (TFC, 2006). Kilimanjaro Native Cooperative Union (KNCU), based in Moshi, was one of the most successful cooperative unions in the region during the 1960s and 1970s but was undermined by the government's disruptive policy measures and interference (TFC, 2006; Maghimbi, 2010).

Similarly in Uganda, around the same time, the cooperative movement survived but in weakness due to mismanagement and political interference. The political turmoil following the overthrow of President Amin in 1979 further aggravated the situation. Today, long-standing cooperatives are struggling to cope with economic realities and are far from being models of member self-empowerment. The new wave of farmers' cooperatives under the new Cooperative Societies Act are independent, member controlled and governed by democratic principles.

However, and importantly, only a small percentage of farmers belong to these organisations, despite their perceived success and organising imperative for the farming community. Most attention in policies and programmes is focused on farmers in formal organisations, although such farmers are only a small minority. Therefore, mainstream policies and programmes are blind to where the majority of farmers are, and the support mechanisms that it was hoped would make agriculture the engine of growth are exclusionary for the majority. The debate needs to shift to an understanding of how the majority of small-scale farmers are making markets work for them.

In sub-Saharan Africa, small-scale farmers are the key players in food supply as they contribute up to 90 per cent of the food consumed (Salami *et al.*, 2010). However, conventional knowledge is limited on how this majority (non-formally organised) navigate outside the formal realms and confront the debilitating effects of globalised markets on their own terms. Instead of looking at small-scale farmers as victims of globalisation, needing external help to integrate with the market, the debate needs to shift to how the small-scale farmers make markets work for them, and how they arrive at their decisions in order to access markets. In other words, how do they exercise economic agency as individuals and collectively?

Increasingly, in regard to accessing markets, we find small-scale farmers with one foot in informal trading relationships and the other in formal institutions. Assessing the benefits, costs and risks of operating informally or formalising or the possible combinations, is something constantly negotiated. For the majority, social networks and social control can ensure better deals in markets without having to assume the costs of participating in formal economic organisations. Thus, despite their asset limitations, small-scale farmers develop different strategies to make markets work in their favour.

Small-scale farmers and the markets that work for them

In East Africa, modern markets characterised by the growing importance of supermarkets are seen as the best opportunity to link farmers and customers effectively, given the growing share of food sales in supermarkets (Fukunishi, 2010). Much of their stringent requirements, such as uniform quality, high standard of hygiene and timeliness of supply, can be difficult for small-scale farmers to meet. The thinking is that these challenges can be counteracted with good extension services and collective action to allow small-scale farmers to enter modern markets. This is presented as 'making markets work for the poor' but in reality, the majority are deciding which markets work for them by weighing their opportunities, costs and risks of trading in high-value and traditional markets and deciding what forms of organisation they need, and when they need them, to succeed in markets.

In their study for the learning network, Bihunirwa and Mohammed (2011) found a significant level of informal cross-border trade at the border posts of Busia and Mpondwe – the busiest and most important to Uganda's mainland import and export trade. Statistics from the Uganda Bureau of Statistics (UBOS) reveal that informal exports of agricultural commodities continue to grow amid new regulations designed to increase trade through formal means (UBOS, 2007).

Rapid urbanisation is creating market changes. Higher incomes and emergent middle classes with a more diversified diet are opening new and more opportunities for smallholder farmers to supply this demand with the preferred flexibility and products. In Kenya for example, Mugoya of the Learning Network found that 42 per cent of all marketed milk is sold informally from the farm to the consumer and this channel is sustained for several reasons. The milk is perceived as high quality (fresh, creamy, rich and tasty) by consumers, and conveniently delivered to the consumers' door. Further, milk sold by this channel is of flexible quantities, determined by the consumers' preferences (Mugoya 2011).

Equally, the city population in Uganda, particularly the immigrants from rural areas, have a discernible impact on the food market, preferring their local foodstuffs and informal mechanisms that serve their preferences. For example, immigrants from northern Uganda who left their region due to prolonged conflict and settled in Kampala are known to prefer their groundnut and simsim paste (locally called 'odii' in northern languages) and have influenced other urbanites to believe that the paste from northern Uganda is superior because it is known to be whole and natural. This development has created a huge market opportunity for groundnut and simsim paste from northern Uganda, where a lot of northerners connect with the urban market through their social networks. There are designated 'odii' stalls in many city markets run mostly by northerners who get their supplies through connections back home.

Other groups of the immigrant population exhibit similar preferences for their own local or regional products. Southwestern immigrants in the city have a preference for their own ghee and, like the northerners, have made other urbanites prefer southwestern ghee for its long tradition, thus creating a big market for ghee producers and harnessing social networks to trade. By recognising the high demand for green fresh maize for roasting in urban centres, many small-scale farmers sell their maize green (the form in most demand in urban areas as a popular snack), without having to wait for it to dry and sell as grain as would usually be required in a formal marketing system or value chain. Therefore, markets that actually work for smallholder farmers are not necessarily formally organised markets, as a lot of produce bypasses these formal means as small farmers weigh up their choices on how to trade gainfully and take advantage of the growing domestic market.

2.1 Banana growers in Kabarole district, Uganda

A case study of small-scale banana (matooke) growers in Kasenda subcounty in Kabarole district in Uganda exemplifies this aspect of smallholder farmers and informality (Bihunirwa & Mohammed 2011). This example gives an insight into market participation based on informality and social networks for success in markets. This is facilitated by migration, better roads and communication technologies, and decentralised government policies which have contributed to linking rural-to-urban development in terms of markets.

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Matooke farmers in Kasenda subcounty, Uganda

Banana producers in Kabarole are usually disadvantaged in bargaining for higher prices because of the highly perishable nature of bananas, lack of local capacity to process or store the commodity, and their low placement in the value chain. Their situation is worsened by lack of information on prices, rendering them vulnerable to intermediaries as there is no or minimal information flow along the chain. Despite this, the importance of bananas for providing for the nutritional and income needs of the farmers cannot be understated. Bananas are considered one of the most important food-security crops in Uganda, and an important cash crop, contributing 8–22 per cent of the national rural agricultural revenue (Embrechts *et al.*, 1996; Bagamba, 1994). Considering the subsector dynamics, it is worth noting how smallholder farmers who suffer the brunt of these subsector-specific challenges strategise to enter particularly the larger and better-paying urban markets.

In a study for the Learning Network, Bihunirwa and Mohammed (2011) found that ethnicity plays a key role in how the farmers of Kasenda Subcounty market their produce. Being a migrant population, the Bakiga (who the natives call *Bafuruki* meaning 'immigrants') display a deeper sense of selfhood and belonging which has enabled them to work together to sell their produce on trust rather than through formal economic structures such as marketing cooperatives and registered farmers' groups. Their shared history and ethnicity mainly anchors the Bakiga in the area they now call home and allows them to use their expanded family and social relations to access the market. Using their networks, and based on trust rather than through formal contracts or agreements, the Bakiga have developed a large and complex set of mechanisms to market their produce in order to get the best deals.

Strategies include:

- consulting relatives in Kampala and the regional trading centre of Fort Portal on the prevailing market prices, and then determining prices for the different sizes of banana before harvesting
- using informants at village level to disseminate price information and in so doing levelling the price so that bulk buyers are confronted with the same price range across the board
- in some cases, identifying trusted individuals within their community to transact business on their behalf
- establishing collecting centres to enable a dialogue with buyers
- agreeing marketing days to enable bulk orders after agreeing on price and quantity with buyers.
- communicating with focal persons their estimated harvest and the volume of produce they are likely to put on the market.

By engaging all or a part of the process above, small-scale banana producers assert that transaction costs are minimised through temporary collection centres and reliable market information cheaply available through personal networks via mobile phones. Together, this profitably increases their market participation. Nonetheless, there are limitations to this informal arrangement, which has not always yielded positive results. Because of the perishable nature of bananas, smallholder farmers find themselves sometimes having to make quick decisions to salvage their goods, not always to their benefit. This way of operating requires community in which people value their social relationships and networks, as there are no written rules or sanctions. Only the value attached to social relationships and networks guides behaviour, and serves to enforce social control mechanisms.

This case study contributes to the analysis of value chains of perishable products by assessing constraints and opportunities in cooling banana value chains in Uganda. It also highlights the role played by ethnicity in accessing markets. The case study demonstrates an alternative and informal way of organising in the value chain, without the limitations of formal economic associations or cooperatives which are considerable for perishable produce. The small farmers have managed to establish links with buyers, and have attracted a better price that has boosted their household incomes. This proves that it is not only through formal cooperatives/associations that collective action can be organised to get better prices.

Small-producer agency in organisations: mechanisms to support farmers

Studies for the Learning Network (Bihunirwa and Mohammed 2011; Mugoya and Rwakakamba 2011; Rwakakamba 2011) commonly observed that producer organisations reflect a form of agency for smallholder farmers; working together to fulfil socioeconomic needs is a longstanding trait of smallholder farmers. In Ethiopia, Mugoya noted that traditional cooperative associations existed centuries ago in the form of *iqub* and *idir* (Emana, 2009). *Iqub* is an association of people having common objectives of mobilising resources, especially finance, and distributing this to members on a rotating basis. *Idir* is an association of people with the objective of providing social and economic insurance for the members in the events of death, accident, damages to property, among others.

Equally, in Uganda, studies (Rwakakamba 2011; Bihunirwa and Mohammed 2011) found that cooperatives have a long history of providing smallholder farmers with a platform to produce and collectively market in order to get better deals. These formal structures are however being contested and the fact that the majority of smallholder farmers remain outside these formal structures should inform our reflection on where the majority of farmers are. Nonetheless, given good practices, economic producer organisations like cooperatives and marketing associations have shown that they can strengthen small-producer agency.

In the study for the Learning Network, Mugoya (2011) found that the success of Muki Cooperative Society of Kenya was based on competent management and enlightened leadership, underscoring the point that good laws and regulations associated with cooperatives are not enough. More importantly, the management should be able continually to address members' needs if the cooperative is to maintain its relevance for members. As with Muki Cooperative Society, the establishment of a Savings and Credit Cooperative (SACCO) came after the need to provide financial services was identified. Low-quality milk and fluctuating farm-gate milk prices were addressed through training dairy technologists and establishing a diary processing plant. The example of Muki and other equally successful cooperatives covered in the learning network studies, like Bukonzo Joint Cooperative in Uganda and Oromia Coffee farmers in Ethiopia, show that well-run farmer-led institutions can strengthen small-producer agency (Bihunirwa & Mohammed 2011, Mugoya 2011). While good leadership, entrepreneurial capacities and transparency are overarching, other innovative mechanisms to support and better integrate farmers were also noted and are discussed below..

3.1 Saving and Credit Cooperatives (SACCOs) to finance production and marketing

A major practice promoted in producer organisations is savings and credit schemes valued for their rural presence and ability to unlock finance for the rural poor. In their study for the Learning Network, Bihunirwa and Mohammed (2011) showcase the remarkable story of Bukonzo Cooperative Society, which has improved its members' position in coffee production and marketing through the savings and credit scheme. The manner in which the savings and credit scheme is designed supports both the farmers with the credit they need for production and the cooperative with the capital for collective marketing, while ensuring farmers are paid cash on delivery of their produce at the stores.

Similarly, in an organisation called KADERES Peasants Development Ltd (KPDL), in Karagwe district in Kagera region, Tanzania, Mugoya (2011) found that SACCOs have greatly supported market participation of smallholder farmers. After harvesting their crops, SACCO members transport them to a warehouse managed by KPDL. Thereafter, the farmer is given a voucher indicating the quantity and quality of the crop deposited, and its value. The farmer can choose either to take the voucher to the SACCO and receive up to 75 per cent of the total value, or use it as collateral to attain a loan from the SACCO. Once the commodities have been sold, the farmer gets paid the remaining balance, minus the operational costs of KPDL. With this system, the farmers can avoid other intermediaries and thus receive significantly higher prices.

There are arguments against the direct involvement of SACCOs in commodity marketing, on the grounds that SACCOs were specially designed to handle financial matters. However, with careful articulation of the rules and operational model, as in the case of Bukonzo cooperative, SACCOs have shown they can be important tools supporting market participation and sustainability of farmers and their organisations.

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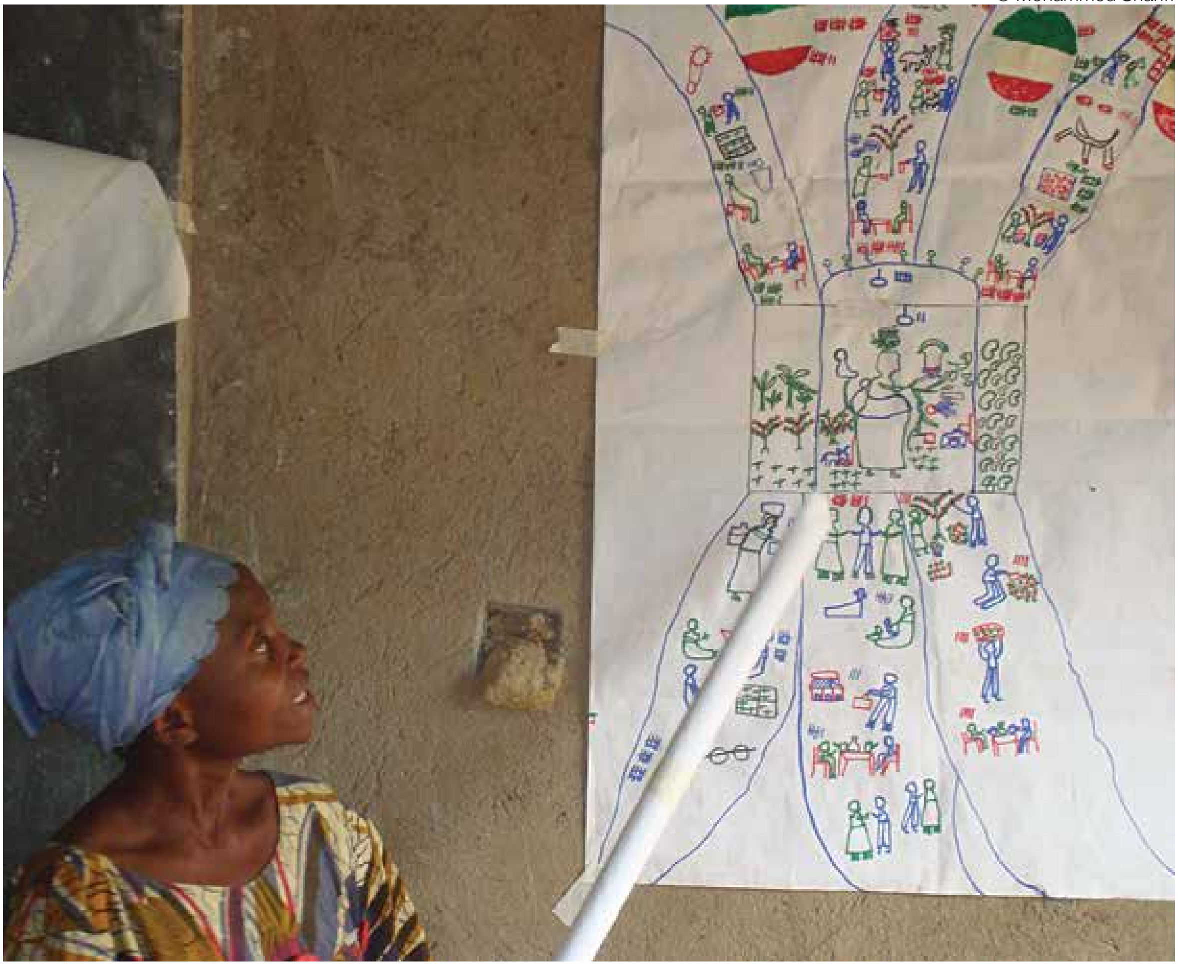

Empowerment tools used by members of Bukonzo joint to analyze household dynamics and markets

3.2 Marketing associations and support from external organisations

Because markets need volumes of goods, one important mechanism for competing is the creation of associations with the key function of produce bulking for collective marketing. A typical model involves smallholder farmers coming together in producer groups and agreeing on an enterprise through a cost-benefit analysis. Once they reach agreement on the enterprise, they embark on production and in some cases, use communal labour. In this way, they are able to produce more than they would individually produce and get their money all at once, especially when they sell to a single buyer. To illustrate this with an example, Kasese United Women's Association (KUWA), which doubles as a SACCO and a producer group, agreed to focus on eggplants (aubergines) as a group enterprise.

The Association members reported that this decision was based on their analysis of enterprise in comparison with others. They decided on eggplants because they are usually resistant to dry conditions, have quick maturation and do not need spray. Besides, the market was readily available. At the time of the study by Bihunirwa and Mohammed (2011), they had bulked 20 bags (600kg) of eggplants the previous season and confirmed that this was above what each person would produce individually. KUWA was supported in this by other institutions, such as Kabarole Research and Resource Centre (KRC) and the National Agricultural Advisory Services (NAADS) programme, which provided technical and organisational skills. Particularly, KRC's method of work encourages farmers' groups to carry out an analysis of any proposed enterprises, noting the potential benefits and risks.

3.3 Rethinking business models

At the heart of these cooperatives and economic producer organisations is survival, particularly when they have been on the verge of collapse in the transition to liberalised economies. For most cooperatives established before economic liberalism, business is made possible through private traders to the extent that the cooperatives are seen as agents of private traders and rent seekers of their facilities to the private sector in order to gain funds to function. For example, the Nyakatonzi Growers Cooperative Union in Uganda boasts a network of about 15,000 farmers, but more than half of the stock traded is sourced elsewhere, meaning that the membership alone does not enable them to reach the optimal trading level.

Further, cooperative members are at liberty to withdraw their produce from the union's warehouses when they sense delay in marketing, making it even harder for the management to make precise projections and fulfil supply contracts. In order to limit the effects of shortages to the business, the union does not depend on its membership alone to raise tradable stock but also seeks other sources. In this way, the union is in the business of buying stock and leveraging it with its already existing infrastructure such as the stores, cleaning and grading equipment to make a profit. While this is happening, the union is also attempting to reinstate its membership through a capacity-building programme supported by external grants and 50 per cent of internally generated revenue.

3.4 Creating incentives for collective marketing

Typically, because of their small quantities and immediate cash needs, smallholder farmers are not naturally candidates for a warehouse system with a typical waiting time of 2–6 months before being paid. This aspect of delayed payment is one major setback to the bulking initiative, as most small farmers cannot afford to wait. Thus, creating incentives for collective marketing constitutes an important part of the institutional arrangements not only for a better price but especially to give more control of the value chain to the farmers. Most cooperatives set up their farmers increasingly to find value in collective marketing, and there are several illustrations of this in many of the case studies.

For example, in Bukonzo Joint Cooperative society in Uganda, farmers' groups which pool their coffee and sell as a group are offered a transport subsidy of 50 shillings for each kilogram and a higher price (an extra 100 shillings per kilogram) than farmers who sell individually. This is in addition to several training opportunities in production and marketing and sharing of dividends at the end of every season. With collective marketing, the cooperative is in a position to guarantee a stable market, which reinforces the incentive structure. Bukonzo farmer members stated that the overriding benefit of their affiliation to the cooperative was a stable market for coffee and a good price at that. Farmers credit their cooperative with having positively changed coffee trade in the area to the extent of influencing other buyers to give competitive prices. In other words, the cooperative has created a competitive scene for coffee trade. As the cooperative raises its buying price, other buyers are influenced to do the same, which benefits all coffee farmers.

In Ethiopia, multiple payments to farmers act as an incentive for collective marketing. In a study for the learning network, Mugoya (2011) found that coffee farmers of Oromia Coffee Farmers Cooperative Union (OCFCU) receive three to four payments for the coffee that they sell, in contrast to the single payment common under regular private trade. The first payment is the farm-gate price, which is paid when the coffee is first sold by the farmer to the primary society. When the primary society sells the coffee to the union and earns a profit, part of this profit is paid back to the farmers. When the union sells coffee to a buyer and earns a profit, then again a part of that profit is paid back to the farmer through the primary society. The fourth payment is in the case of Fairtrade coffee, for which the union receives a premium. Part of this premium is then paid back to the farmers through the primary society.

3.5 Mediating between small-scale producers and markets

Market changes driven by factors such as urbanisation, food standards and new urban consumption patterns have created new market intermediaries and various value-chain interactions. These high-value dynamic markets require smallholder farmers to perform more reliably. However, given the production and marketing constraints of smallholder farmers, the majority are not good chain partners and therefore obtain the smallest share in the value chain. Most of the benefits are left to the traders, transporters, processors, and so on, who buy the produce from the farmers (FAO and UNIDO 2009). This situation is quite widespread, and conventional wisdom on the position of smallholder farmers in formal value chains is challenged by the Learning Network study by Mugoya (2011).

Smallholder farmers participate in the value chains on their own terms and decide on how to act on high-value chains and get good deals (as in the Muki case study outlined above). They decide on which market to sell in, based on product quality, and can therefore sell into both high-value and traditional markets. Similarly, in Uganda, Bihunirwa and Mohammed (2011) found in their study of regional trade agreements that smallholder farmers, particularly dealing in beans and maize, make their own decisions in the value chain evaluating benefits, costs and risks and opt not to take their produce to the physical market but instead sell from their homes. Their analysis is that the high costs incurred in transporting their bulky produce reduce their profit margin. Therefore, they choose to transfer this cost to the buyers, particularly when they are raising stock for wholesale to the capital market (Kampala) and beyond.

These new insights into how smallholder farmers choose to participate in value chains should help shift the focus from how to include them in value chains to how to support them to make the best choices. In Kenya for example, fruit growers understand that their products need to reach the market within 36 hours of harvest to minimise wilting and spoilage. Giving up their produce at the earliest opportunity at the open market is the most sensible choice here, given poor infrastructure and the sensitive nature of the produce. Kinyua (2011) notes the expanding global market for passion fruit as an ingredient in tropical-juice blends, which implies a high-value market that smallholder farmers could tap in to. However, farmers' experiences show that open-air markets are better suited to their produce, based on their analysis of local conditions. Participation in a higher-value chain would entail more stringent requirements that only complicate the lives of small producers. Yet, there are other actors in the chain with the resources to deal with higher market demands: Kinyua (2011), for example, observed that consolidators are central in the value chain, brokering 69 per cent of the produce.

Beyond policies: the implementation gap in national and regional policy

In studies for the Learning Network, Bihunirwa and Mohammed (2011) and Mugoya and Rwakakamba (2011) examined key national policies of Uganda, Kenya and Tanzania that have a bearing on agriculture and smallholder farmers. Their conclusions are that, for the most part, agricultural policies have not significantly addressed the key long-standing challenges to low productivity of smallholder farmers, stemming from their lack of access to markets, credit and technology and, more recently, from volatile food and fuel prices. On close observation, they commonly hold the view that national policies are sound in theory but ineffectively implemented. For instance, Rwakakamba notes, in his findings on the agricultural policy landscape in Uganda, that one of the main factors contributing to the low competitiveness of small-scale farmers in Uganda is the absence of a coherent general policy framework for agriculture. He observes a coherence gap, which leaves farmers and farming as an enterprise scattered and uncoordinated, dependent on a series of public institutions.

In other words, while there is general agreement on the breadth of policies trying to address small-scale farmers' needs and problems, there is no evidence that these policies work in harmony and are implemented effectively to support small-scale farmers' competitiveness. Moreover, the majority of smallholder farmers and their organisations do not understand in detail the provisions of these domestic policies. So far, hopes that policies will bring about positive results remain unfulfilled. There is no significant impact on smallholder farmers because governments and farmers' organisations lack the capacity to harmonise and monitor their implementation.

Nonetheless, these polices do contribute to conceptual analysis of how to improve smallholder competitiveness. They highlight interesting similarities relating to the new governments' and policy interest in small-scale agriculture in East African economies and what needs to be done to make this sector the engine of growth. The findings are quite similar, making it possible to explain them here together.

In Kenya and Uganda, there are overall policy frameworks that provide long-term economic blueprints: Vision 2030 and the National Development Plan (NDP) 2010/11–2014/15 for Kenya and Uganda, respectively. They state clearly that agriculture is the main driver of these economies as well as the primary source of livelihood for the majority of the population who are smallholder farmers. Therefore, actions to transform the sector, mainly focusing on developing the current subsistence farming into commercial farming, are at the centre of policymaking. They demonstrate the extent of poverty reduction achievable by accelerating growth in the sector, making it a strategic sector within the overall development plans.

For instance, in Uganda, the NDP suggests that if agriculture grew at an average of 2.8 per cent per year, the poverty rate would be reduced to 26.5 per cent by 2015 (NPA, 2010).The NDP's key objectives to promote the transition to more commercial agriculture include: enhancing production and productivity; improving access to and sustainability of markets; creating an enabling environment for competitive investment in agriculture; and enhancing institutional development in the agricultural sector. These key objectives are specifically addressed in separate policy documents such as the Competitiveness and Investment Climate Strategy (CICS), mainly concerned with enhancing the competitiveness of the key productive sectors, the investment climate and promoting regional and international competitiveness.

The CICS recognises the importance of improving smallholder farmers' competitiveness, with access to finance and better infrastructure as cornerstones. It also emphasises the development and facilitation of farmer enterprise clusters as a strategy. The CICS is vital in the development of smallholder farmers in Uganda as it works with other programmes such as the Plan for Modernisation of Agriculture (PMA) and the National Agricultural Advisory Services (NAADS). The PMA is probably the most important agricultural policy/programme. Developed in 1997, it aims to increase farm productivity and the share of produce that is marketed.

The policy interventions have been directed to two kinds of constraint which directly affect the competitiveness of small-scale farmers. These are: productivity-related constraints such as lack of inputs, skills and knowledge, capital and access to credit; and market problems and governance-related constraints such as corruption, lack of accountability and transparency, and lack of consultation of farmers. Other relevant programmes include: Prosperity For All (PFA) and One Village One Product (OVOP). The former is a brainchild of President Museveni himself, aimed at transforming rural farming folk into rich people through increased production, value addition, agro-processing, improved marketing, savings and accessibility to affordable credit.

In Kenya, besides the overall Vision 2030 policy, there is the agriculture development strategy (2010–2020) which underlines a shift by small-scale farmers from subsistence to an innovative, commercially oriented and modern agriculture. The policy promotes the competitiveness of small-scale farmers by directly addressing their most critical challenges relating to production and marketing. The private sector is specified under this policy framework to provide the vehicle for requisite investments for transforming agriculture. This includes:

- facilitating organisation of smallholder producers at all levels
- developing and implementing a framework and instruments for strengthening institutional capacity of producer organisations.
- fast-tracking legal and regulatory reform to promote private-sector engagement
- promoting private-sector participation in agro-processing
- developing a mechanism for recognising and supporting integrated innovation in agricultural value chains.

Other relevant policies include the national land policy, with the objective of securing rights over land and providing for sustainable growth, investment and the reduction of poverty in line with the government's overall development objectives. It works to provide:

- all citizens with the opportunity to access and beneficially occupy and use land
- economically viable, socially equitable and environmentally sustainable allocation and use of land
- efficient, effective and economical operation of land markets
- efficient and effective utilisation of land and land-based resources
- efficient and transparent mechanisms of dispute resolution concerning land.

At the regional level, the relevant policies examined in the Learning Network studies were the East African Common Market (EAC) and the Common Market for Eastern and Southern Africa (COMESA), largely because their member states' economies are generally driven by agriculture (Muyunda, 2010). In the EAC, agriculture is mentioned in Chapter 18, Article 105 of the treaty under 'Agriculture and Food Security' (East African Common Market Protocol 2010). The treaty clearly states that agriculture is one of the sectors for cooperation and lists various areas of agriculture where cooperation should be pursued, including increasing production, harmonisation of agricultural policies, research and extension, meteorological services, and food quality standards, among others.

In COMESA, agriculture is mentioned within Article 137, under which member states agree to strengthen farmer organisations and coordinate their activities for the improvement of agriculture in the Common Market. This is to be done through: using such organisations as effective mechanisms for the marketing and processing of agricultural produce; provision of essential services to members of the organisation at a regional level; fostering collaboration among the farming community by means of inter-regional visits, exchange of ideas and information; and trading and promotion of rural insurance. The overall shared objective is to widen and deepen cooperation among member states, for their benefit in economic and social fields. The EAC has five member states while COMESA has 21.[1]

The main provisions of these protocols are: free movement of goods, persons and labour; the rights of establishment and residence; and the free movement of services and capital geared towards accelerating economic growth and development of member states. In light of the provisions of the protocol, member states are obliged to:

- eliminate tariff, non-tariff and technical barriers to trade; harmonise and mutually recognise standards and implement a common trade policy within the common market
- ease cross-border movement of persons and eventually adopt an integrated border management system

1. The Republic of Angola; The Republic of Burundi; The Federal Islamic Republic of the Comoros; The Democratic Republic of Congo; The Republic of Djibouti; The Republic of Egypt; The State of Eritrea; The Government of Ethiopia; The Republic of Kenya; The Republic of Madagascar; The Republic of Malawi; The Republic of Mauritius; The Republic of Namibia; The Republic of Rwanda; The Republic of Seychelles; The Republic of Sudan; The Kingdom of Swaziland; The United Republic of Tanzania; The Republic of Uganda; The Republic of Zambia; and The Republic of Zimbabwe.

- remove restrictions on movement of labour, harmonise labour policies, programmes, legislation, social services, provide for social security benefits and establish common standards and measures for association of workers and employers, establish employment promotion centres and eventually adopt a common employment policy
- remove restrictions on the right of establishment and residence of nationals of other member states in their territory
- remove measures that restrict movement of services and service suppliers, and harmonise standards to ensure acceptability of services traded
- eliminate restrictions on free movement of capital; ensure convertibility of currencies; and promote investments in capital markets (stock exchange), eventually leading to an integrated financial system.

IIn effect, these provisions and the response from member governments are intended to improve opportunities for smallholder farmers to sell their produce. For instance, as noted by Mugoya (2011) in his study of regional polices and smallholder farmers in East Africa, an intra-EAC maize tariff structure of 0 per cent enabled the EAC region to be the priority source of maize to satisfy the region's deficits. Maize from outside the region is imported only when the region is unable to meet the deficits. This provision translates into a ready market for maize even though, during the study period, it was found that the maize trade in the East African Community was mainly driven by demand and supply conditions and not regional trade incentives. Related anecdotal evidence from Mohammed and Bihunirwa (2011) suggests that the availability of a ready maize market in the region has led to more farmers in Uganda selecting maize as their enterprise – a trend they attribute to the provisions of the protocol and the bigger market it represents.

The competition clauses within these protocols guarantee equal opportunities to all participants in the common market and especially to small and medium-sized enterprises. In real terms, this prohibits anti-competitive practices such as subsidies outside the authority of the protocols and objectives of the common market which would otherwise distort the market. Emphasis is put on agreed standards in order to train participants in competitiveness within the common market while, at the same time, enabling them to gain eligibility for international markets that operate with high standards.

However, not all provisions of the protocols are implemented to the letter; there are cases where certain provisions are not respected and national interests override the development of the common market. These practices are common at border posts particularly, and mostly affect smallholder farmers. In a study for the Learning Network, Bihunirwa and Mohammed (2011) found that there is still a strong element of illegal taxes and security threats that work against smallholder farmers' attempts to trade across the borders of Busia and Mpondwe. Smallholder farmers alleged that Ugandans are usually harassed and border officials haphazardly impose charges on their products. This lack of clarity on official and unofficial charges and the general harsh treatment is partly responsible for most smallholder farmers choosing informal trading relationships, where they understand the rules and feel they get fairer deals.

4.1 Matches and mismatches between national and regional policies

As we have seen, most East African countries are understanding and designing policies aiming to support the central role of agriculture in their economic growth, but there are general weaknesses in policy/frameworks implementation so that positive results are not yet realised. This is the case with the Comprehensive Africa Agriculture Development Programme (CAADP), a framework under an AU/NEPAD initiative, designed to help African governments achieve increased economic growth through agriculture. In aligning with CAADP, in principle, countries adopt a common commitment to achieve an annual growth rate of at least 6 per cent in agriculture and, through the Maputo Declaration, allocating at least 10 per cent[2] of their national budgets to the agricultural sector.

COMESA commits to support its member states to meet the objective of CAADP through mobilising financial, political and technical support for their implementation. As such, all East African countries have CAADP as an integral part of their national efforts to promote the agricultural sector. Uganda is implementing CAADP through the Agricultural Sector Development Strategy and Investment Plan (DSIP) under the National Development Plan (NDP). Kenya implements it through the Agriculture Sector Development Strategy (ASDS) institutional framework. On a positive note, CAADP processes

2. See www.nepad-caadp.net/pdf/CAADP_Forum_Reprint1.pdf.

at national level seem to have led to more coherence in the agricultural sector agenda by identifying a common strategic direction based on the pillars of CAAPD.[3]

Key strategies for the agricultural sector include the development of a private-sector-led and market-oriented economy. In this particular case, governments' actions are directed at constraints that have hindered the private sector from investing more in agriculture. Other key strategic options include the provision of agricultural services through the decentralised system, and an agricultural zoning strategy, particularly for Uganda. However, given the recent patterns in budget allocations, we find that sector financing is still a concern, although allocation to it in absolute terms has continued to increase consistent with improvements in government revenues. In fact, in Kenya, the budget allocation to the agricultural sector ministries has reached at least 10 per cent in two out of the past seven financial years – 2004/05 and 2011/11, which is very impressive compared with other countries in the region (Ongaro, 2011).

In Uganda, budget allocation to the agricultural sector has ranged from 3 per cent to 5 per cent in the same period (PELUM Uganda, 2010). However, there are supportive institutions that to some extent minimise this deficit and are specifically looking at increasing the competitiveness of smallholder farmers in other ways. One kind of support institution is the Uganda Industrial Research Institute (UIRI) under the Ministry of Tourism, Trade and Industry (MTTI). The main objectives of UIRI are to undertake applied research, and to develop and acquire appropriate technology in order to create a strong, effective and competitive industrial sector for the rapid industrialisation of Uganda. Its bearing on agriculture is to develop affordable technologies that will enhance added value to local products so that they can be processed for national, regional and international markets. But, like other policies and initiatives, UIRI's contact with smallholder farmers has been minimal if not absent, yet its products are intended to stimulate smallholder farmers into increasing value addition and increasing shelf life of their products.

Overall, there is more harmony than conflict in policies of regional and national scope but they commonly suffer from weak implementation. This is mainly because the design of policies, particularly at regional level, draws on domestic policy experiences. The differing institutional arrangements that accommodate these polices make them less comparable between countries under the same regional policy framework. A good example is the composition of the ministries of agriculture in Kenya, Uganda and Tanzania. In Uganda, the agricultural ministry is called the Ministry of Agriculture, Animal Industry and Fisheries, which covers three out of the seven sector ministries clustered under the Ministry of Agriculture in Kenya. In Tanzania, the Ministry of Agriculture, Food Security and Cooperatives covers two out of the seven ministries in Kenya. The budget allocations to agriculture for these three countries are not comparable, as different measures are being used. Further, they seem to be driven by an administrative imperative rather than an institutional framework that underpins smallholder realities.

Reforms should be targeted at smallholders based on the understanding of how they make their choices to redirect policy and practice. This will require the expression of the plurality of voices of smallholder farmers. The common element in all these policies/programmes is that they all aim to transform small-scale farming into competitive and commercial agriculture; this seems to be the 'common vision' of leaders for the East African region.

4.2 Farmers' voices in policies: occupying new spaces without capacities

Creating an enabling environment for agriculture and for smallholder farmers specifically through policy discussions is well promoted by East African governments. However, the focus on making smallholder farming commercially viable and integrated into value chains excludes the majority of smallholder farmers. Because most smallholders are not formally organised in the market, they are delinked from the policy measures. This could serve as a wake-up call for policymakers to recognise the diversity of the smallholder population, and to include them in policy spaces.

Virtually all institutional frameworks at regional and national levels on agriculture, or with an agricultural component, are explicit on smallholder participation as an effort within bottom-up development. For example, COMESA, in one of its commitments to strengthen farmers' participation in agricultural development, has established several institutions which play mutually supporting roles geared towards

3. Pillar I: extending the area under sustainable land management and reliable water control systems; Pillar II: Improving rural infrastructure and trade-related capacities for market access; Pillar III: increasing food supply, reducing hunger, and improving responses to food emergency crises; Pillar IV: Improving agriculture research and technology dissemination and adoption.

improvement of agriculture in the common market. These include the COMESA:

- Trade and Development Bank in Nairobi, Kenya
- Clearing House in Harare, Zimbabwe
- Association of Commercial Banks in Harare, Zimbabwe
- Leather Institute in Ethiopia
- Re-Insurance Company (ZEP-RE) in Nairobi, Kenya.

An institution more aligned to smallholder farmers under COMESA is the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), launched in September 2008 by the COMESA Ministers of Agriculture as a specialised agency to integrate small farmers into national, regional and international markets. As such, ACTESA provides the mechanism through which policy issues on small-scale farmers' participation in markets reach the policy organs of COMESA. This presupposes that small-scale farmers articulate their issues through organisations such as the Eastern African Farmers Federation (EAFF), which has a memorandum of understanding with ACTESA and COMESA. EAFF draws its membership from national farmers' federations like the Kenya National Federation of Agricultural Producers (KENFAP) and Uganda National Farmers' Federation (UNFFE), which represent the interests of millions of farming families.

However, underlying this path to participation is the question of preparedness and capacities of producer organisations to engage with the policy process. In studies for the Learning Network, Bihunirwa, Mohammed and Mugoya (2011) found that, even though there is room for their participation in the policy process, smallholders are rarely mobilised for this role and less bothered by what happens beyond their organisations. The majority of smallholder farmers stand aloof and only a few who are organised, and usually with better assets, assume representation of the rest in the policy process at regional and national levels. Even then, these processes do not link effectively with the grass roots to stimulate real interest, particularly of smallholder farmers. Knowledge on agricultural policies and programmes is very limited among smallholder farmers, and even their local organisations and leaders. Therefore, smallholders are missing good opportunities to benefit from policy initiatives.

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Fresh produce market, Kasese, Uganda

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Conclusions

Mainstream thinking and development interventions characterise smallholder farmers as 'poor', and as a vulnerable segment in globalising markets. Smallholders are perceived as often requiring external agents to ensure they do what is known to be right (farmer aggregation and integration in value chains) in order to succeed in markets and increase their incomes. Little attention has been given to the majority of small-scale farmers who choose other ways than formal economic structures to deal with market requirements, the way they take their decisions to seize opportunities and manage risks. This understanding is key to designing and implementing policies and interventions that smallholder farmers require to succeed in markets. What emerged from the studies for the Learning Network is that smallholder farmers' agency matters. Smallholders are active economic actors in their own right who are analysing their options and making their own decisions to enter the market on their own terms. So, to them, the most important institutions are not necessarily associated with the state or formal markets, but are dynamic, informal organisations/arrangements that, despite their limitations, constantly innovate to take advantage of what modernisation may offer to improve incomes and wellbeing.

Formal economic organisations are good but most smallholder farmers are not organised in such structures. However, those that succeed in benefiting their members showed a great capacity to adapt to market demands, provide services to their members and create a great sense of a member-owned and member-controlled enterprise. For their continued relevance, organisations have to keep reinventing themselves in the face of change in order to meet the needs of their members. The other important factor determining the value of economic organisations to smallholder farmers and their choice to belong or not is type of product. Farmers producing highly perishable products are less likely to organise in formal structures, instead choosing other forms of organisations (as shown in the case study of banana growers in Kabarole, Uganda, in Section 2 above). Coming together in a loose structure only when necessary serves their interests better than organising in formal and permanent organisations whose entire services are not needed.

Smallholder organisations such as farmers' associations can be a means for small-scale farmers to drive their own development through increasing their voice and influence on agricultural programmes and policies. However, these organisations lack the capacity to participate in policy spaces. They are often unaware of the knowledge or arguments to support them to push their needs in policymaking and gain more access to the resources they need, such as improved seeds, credit, advice and access to markets. Smallholder farmers' representatives need their capacity built if their participation in policy meetings is to bring tangible benefits to the farming community, and to increase their empowerment.

From a policy perspective, understanding where the majority are rather than where we expect them to be, is a starting point for inclusive policies that appreciate a variety of choices in market participation. Most interventions fail to recognise smallholder farmers as active economic actors and, therefore, overlook the need to support them with the necessary knowledge and skills to take their own decisions. The thinking needs to shift from farmers as passive recipients of aid programmes, to active farmers who weigh their opportunities and risks.

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Knowledge Programme

Small Producer Agency in the Globalised Market

The Knowledge Programme Small Producer Agency in the Globalised Market aims to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. The programme works with different actors to bring new voices, concepts and insights into the global debate. It thereby seeks to support the development community, including policy makers, producer organisations and businesses in their search for better informed policies and practices. The programme is led by the Humanist Institute for Development Cooperation (Hivos) and the International Institute for Environment and Development (IIED), and integrates a global learning network, convened by Mainumby Ñakurutú in Bolivia.

Innovating to compete: Smallholder farmers' agency and markets in East Africa

Small-scale farming is key to economic success in Africa given the high proportion of the population engaged in agriculture. Conventional wisdom among policymakers and development agencies is that smallholders must be integrated into modern markets in order for them to increase their income. Thus the focus of national and regional agricultural policies is on helping farmers to meet the quality and quantity requirements of supermarkets, processors and export firms. But research and experience from the Knowledge Programme documented in this paper suggests that this focus ignores the majority of small-scale farmers who are not organised in value chains or producing for the modern sector, and who supply the majority of people in the region who still buy their food from traditional markets and small retailers. This paper presents the main insights, questions and challenges emanating from studies by members of the East Africa Learning Network of the knowledge programme 'Small Producer Agency in the Globalised Market'. The paper describes how and where small-scale farmers are trading, how their markets work and how these markets can help improve mechanisms that support the flexibility of informality while taking into account issues such as food safety, the environment and corruption, that work against the interests of farmers and consumers.

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