My comments will draw largely on the situation in Zimbabwe, a situation which is shared by
countries not only in Southern Africa but also in Africa as a whole to a very large extent,
differing only in degree. The reason is well known: African countries share the common feature
of existing in the post-colonial era and many are still battling the problems of reversing colonial
policies and practices. Meanwhile, in order to survive, these countries must compete with the
industrialized countries, in the so-called free trade system.

The immediate challenge that faces African countries is to transform the entire basis of
their economy from colonial to nationally—integrated independent economies. Unfortunately,
such a process has to be done at the same time as the promotion of free trade, with the active
participation of smallholder farmers in the international market economy. Clearly, this is a very
complex and multidimensional problem, requiring detailed analysis of the factors affecting
international marketing systems. The factors that could be brought into such an analysis are
vast.

This paper will focus on the problems of ordinary smallholder farmers, as these are the
people who make up the great bulk of the population in most countries in Southern Africa. The
word smallholder farmer embraces a wide spectrum of all small-scale indigenous producers in
Africa. Another word for smallholder is peasant farmer.

A major feature of the agricultural sector in Zimbabwe and other countries in Africa
south of the Sahara, is the dual structure, encompassing largely white, large—scale farmers on
the one hand and smallholdings worked by the indigenous black population on the other. Much
of the poorer land was set aside for the African population and is subject to traditional rights of
ownership.

On the other hand, the large-scale white-owned farms are predominately situated in
regions with good rainfall and more favorable conditions for farming. Plus, these farmers have a
legal title of ownership to their lands. The small holdings are found in the poorer areas. Many
rural people still buy some of their basic requirements—even in relatively good years, in order to
provide food for their families.

The problems faced by African farmers in a free trade world fall into three broad
categories, namely, production, marketing and trade problems.
Production Problems

Production related problems are inter-linked. They should therefore be treated as a package. It is in this context that the omission of one or two factors renders agricultural production unsuccessful, since it operates as a system. The following are only a few examples from a long list of constraints.

Land and Water

Shortages and unequal distribution of these important factors of production on discriminatory grounds have necessitated the process of land and water reform policies in a good number of African countries—including South Africa, Zimbabwe, Namibia, Kenya, to mention just a few. In principle, there is agreement among large and smallholder farmers in Zimbabwe on the necessity for land and water reform, for which redistribution is a major factor. Land reform programs must be vigorously pursued, with the ultimate goal being achievement of the following objectives:

- Poverty eradication among the rural poor
- Increased total agricultural output through full utilization of land resources
- Alleviation of pressure on communal lands

In addition, strengthening the tenure security of smallholder farmers, both male and female, would provide a strong incentive for farm improvements and a more effective use of local land resources. The existing land tenure situation is a major impediment to investment and farm development; it needs to be reformed so that smallholder farmers can compete equally with their commercial counterparts for additional resources. The reforms should also cover the village level institutions and the management of communally owned natural resources.

Financing

Problems of financing range from a lack of adequate financing for medium and operational purposes, to exceedingly high interest rates where financing is available. Considerable efforts have been made to make financing available to the smallholder sector, mainly through state enterprises. However, very limited security is available for loans to smallholders. The credit granted by state enterprises has been almost entirely on a short-term basis for the purchase of seasonal inputs, with very little being made available for medium and long-term productive investment. This means that no meaningful development has taken place in terms of land improvement and other capital projects required in order to increase productivity.

This situation is further worsened by demands—which have turned into trade and development aid conditions by industrialized countries—for developing country governments to drop agricultural subsidies. At the same time, the industrialized countries themselves have
multiple ways (some of them very subtle) to subsidize their farmers and give them an edge over their competitors, including those in Africa.

National budget reductions affect the agriculture ministries of developing countries. The negative effect is that there is reduced effort in the technical fields of research and extension services, which results in low productivity as a result of lack of knowledge. The use of inappropriate technology and inefficient employment of inputs worsens the already bad situation of high input costs. And yet, now is the time when African agriculture needs close collaboration between the farmer and research and extension services, in order to increase yields for the world’s growing population.

**Marketing Problems**

Problems in marketing range from high input costs, low producer prices due to unfair grading by commodity buyers to push down prices, to limited processing capacity which would have added value and reduced transport costs of bulk raw materials. The majority of smallholder farmers live in areas with poor roads which render transport services not only unavailable, but also highly priced.

With the privatization of marketing boards in places like Zimbabwe, and the market liberalization occurring in most commodities, smallholder farmers have become vulnerable to traders preying on their weaknesses. These weaknesses include: inadequate pricing information, lack of storage facilities and reliable transportation, and the need to repay high interest bearing loans. The situation puts big buyers in a position to dictate prices, as well as employ manipulative grading systems to their advantage. Farmers function as individuals and therefore they do not have bargaining power. It is logical to conclude that under the circumstances described above, poverty is certainly not being eradicated through agriculture. Since the majority of the population in the developing world, lives in rural areas and is directly dependent on agriculture for its livelihood, Africa is doomed to poverty unless long-term sustainable interventions can be developed.

Some of the possible solutions can be in the form of:

- Farmer training in production, marketing, post-harvest handling, grading and quality control.
- Establishing and maintaining market extension workers in the field to train farmers on market trends and new international trade rules and policies.
- Establishing and maintaining market information centers and market intelligence databases.
- Assisting in the development of farmer controlled commodity marketing cooperatives and developing new markets locally and abroad.
- Assisting in the establishment of joint ventures in the processing or value-added activities along the marketing chain.
- Lobbying for complete commodity market liberalization.
- Negotiating for higher prices for controlled commodities.
• Promoting group marketing through associations to increase bargaining power.
• Facilitating access to trading finance by associations of marketing groups.
• Promoting market linkages with established agro-processing and export companies.
• Participating in setting international trade rules.

The Zimbabwe Farmers’ Union believes that there is an urgent need for market-based mechanisms to assist small-scale farmers to reduce the risk of exposure to international commodity price fluctuations. Apart from the domestic dilemmas faced by smallholder farmers, commodity price instability has proven it can seriously impede the economic growth of developing countries.

The Zimbabwe Farmers’ Union fully supports the idea of commodity price insurance schemes for farmers in developing countries, and echoes the idea that these should be affordable to smallholder farmers. Our understanding is that commodity price insurance should be designed so that it does not interfere with the market pricing systems, and it should also be used for farmers to get credit. In addition, such arrangements can only be successful by complementary processes such as capacity building of farmers’ organizations—so that small farmers are reached—as well as creating an enabling environment to implement the scheme.

International Trade Issues

The rules of international trade are high-pitched and smallholder farmers certainly have an uphill struggle to be fully participating members of the club. The following list of problems they face is not exhaustive:

• The traceability of export products calls for labeling to show the farm origin of the produce. Implementation of this requirement is not easy for smallholder livestock producers, as most farmers do not have registered brands and most crops are packaged by bulk from a number of farms, due to the small volumes produced at each farm.
• The inefficient use of chemicals for pest and disease control results in poor quality produce and low commodity prices, as the natural disease control methods are not yet well understood nor practiced by smallholder farmers.
• A ban on the use of child labor or family labor will result in serious labor shortages and poor production since smallholder farming systems are not mechanized and cannot afford expensive labor bills.
• The call for the use of biodegradable packaging materials, particularly in Europe, will push up the cost of packaging, as this material is mostly imported.
• Although the use of the Internet for communication and marketing is on the increase, smallholder farmers do not have access to such facilities yet. Their participation in the international trade market is hampered by the technology gap.
• Bilateral trade agreements, such as the free trade agreement between South Africa and Europe, will result in subsidized agricultural products from the European Union finding their
way into Zimbabwe. This will not be free and fair trade given that the smallholder farmers in Zimbabwe are not subsidized in their production operations.

**Resource Requirements for Effective Smallholder Participation in a Free Market Environment**

Achieving the fundamental policy objective of improving the participation of smallholder farmers in a free trade environment will require a large volume of extra resources. This issue has to be faced squarely. Unless the resources are made available from one source or another, the severe poverty in which many smallholder families find themselves today will never be overcome; indeed, it will only get worse.

In view of the many serious financial constraints it will be necessary to fund a smallholder development program from four potential sources:

1. A much greater priority in government budgetary expenditure. Unless higher allocations for agriculture are vigorously pursued, it will not be possible to bring about meaningful free market participation for smallholder farmers.
2. A change in the priorities at the regional and functional ministry level in order to give much greater priority to those expenditures which directly impact smallholder farming. This could involve, for example, a re-examination of proposed allocations for road development, and further consideration of industry policy measures to facilitate small scale rural industry projects.
3. A review of priorities for providing aid to businesses in favor of those in smallholder areas, and in many other similar government funded activities. This could include raising of additional revenue to fund smallholder expenditures by means of special income levies, new tax revenues and other innovative revenue raising schemes.
4. Additional funding from donor organizations. There is no doubt that a clearly defined plan of action to address production and marketing constraints of smallholder families would attract substantial assistance from external donors. Contributions from donor governments, international organizations, and the multitude of non-governmental organizations should be sought for a coherent plan, in which the purpose and benefits of these funds would be clearly identified.

Farm leaders in Africa are often frustrated. We know that there is an enormous need to produce more food for the market, to satisfy the rapidly growing population of Africa and the rest of the world. We also know that the needs are greatest in smallholder farming areas, where poverty is rife and malnutrition still far too common, particularly among young children. At the same time, there are great opportunities and an enormous potential to meet this unfulfilled need for food, and indeed for non-food crops which generate cash to meet all the other demands on smallholder farming families. While we are making some progress, the rate is far too slow to keep up with the population growth. Poverty is still growing, in spite of all the opportunities for real improvement.
In order to reduce poverty, improve market participation, increase the level of farm income, and conserve our natural resources for the future, we will need long-term development visions and strategies.