



Partnership farming - linking smallholders to commodity markets

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Outline

1. Increasing demand on agricultural commodity markets
2. Agriculture in developing countries and the need for investment
3. A tool for smallholder integration: contract farming/outgrower schemes
4. Introduction of the Partnership Farming Concept

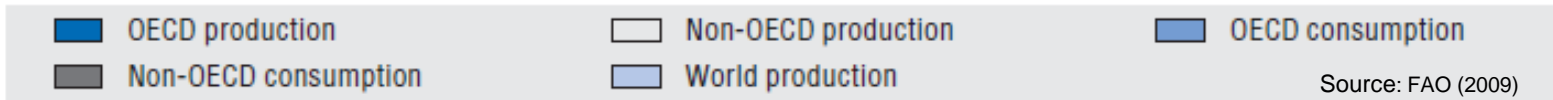




1. Increasing demand on agricultural commodity markets

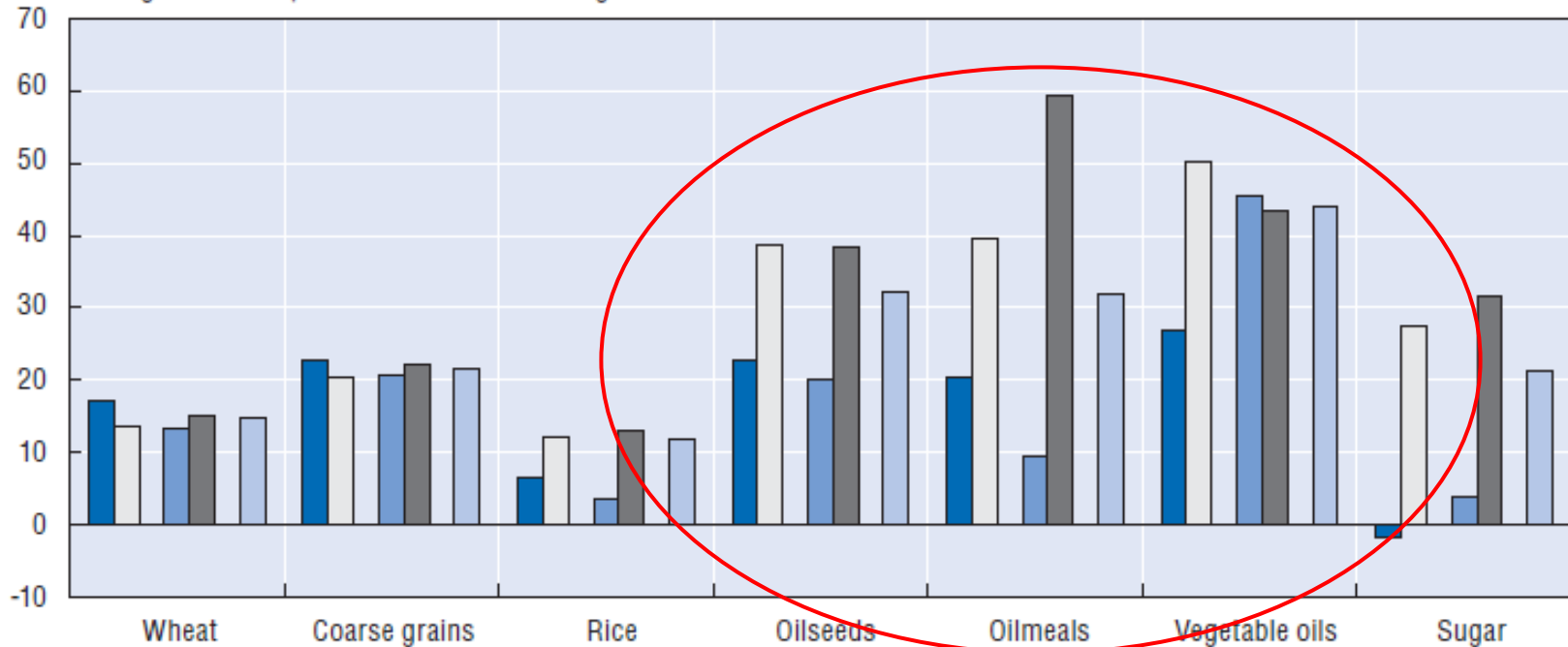


An increasing demand for agricultural commodities (food and non-food) offers opportunities for producers.



Source: FAO (2009)

Per cent change 2018 compared to 2006-2008 average



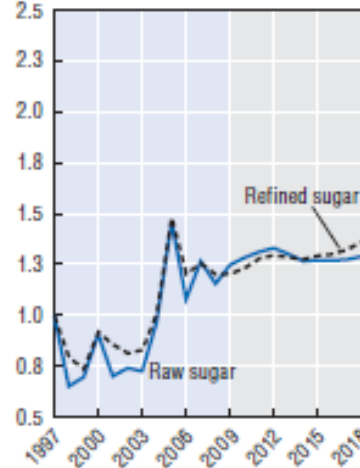
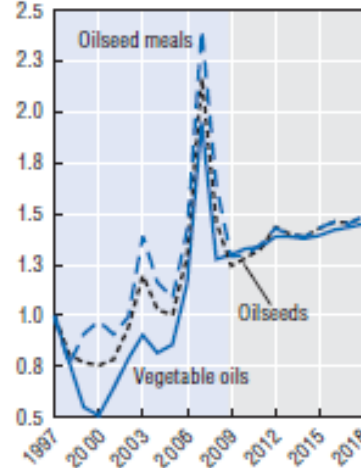
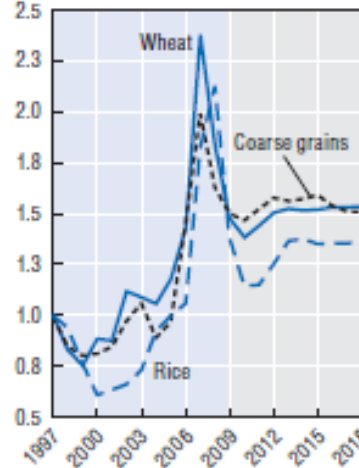
- Further promising commodities: Rubber, organic products, wood



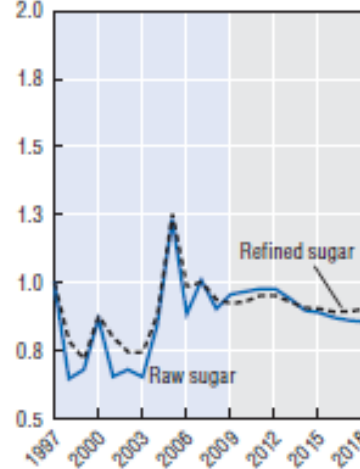
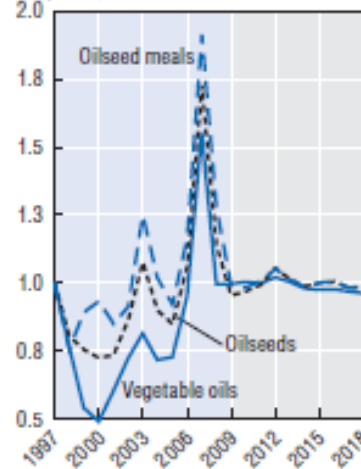
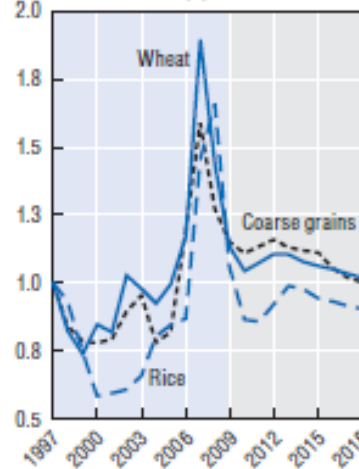
The rising demand could lead to an increase in nominal producer prices.



Outlook for world crop prices to 2018 index of nominal prices, 1997 = 1



Outlook for world crop prices to 2018 index of real prices, 1997 = 1



- Nominal prices for agricultural commodities and products are increasing
- Real prices stay stable
- Real prices do not fall in contrast to the past

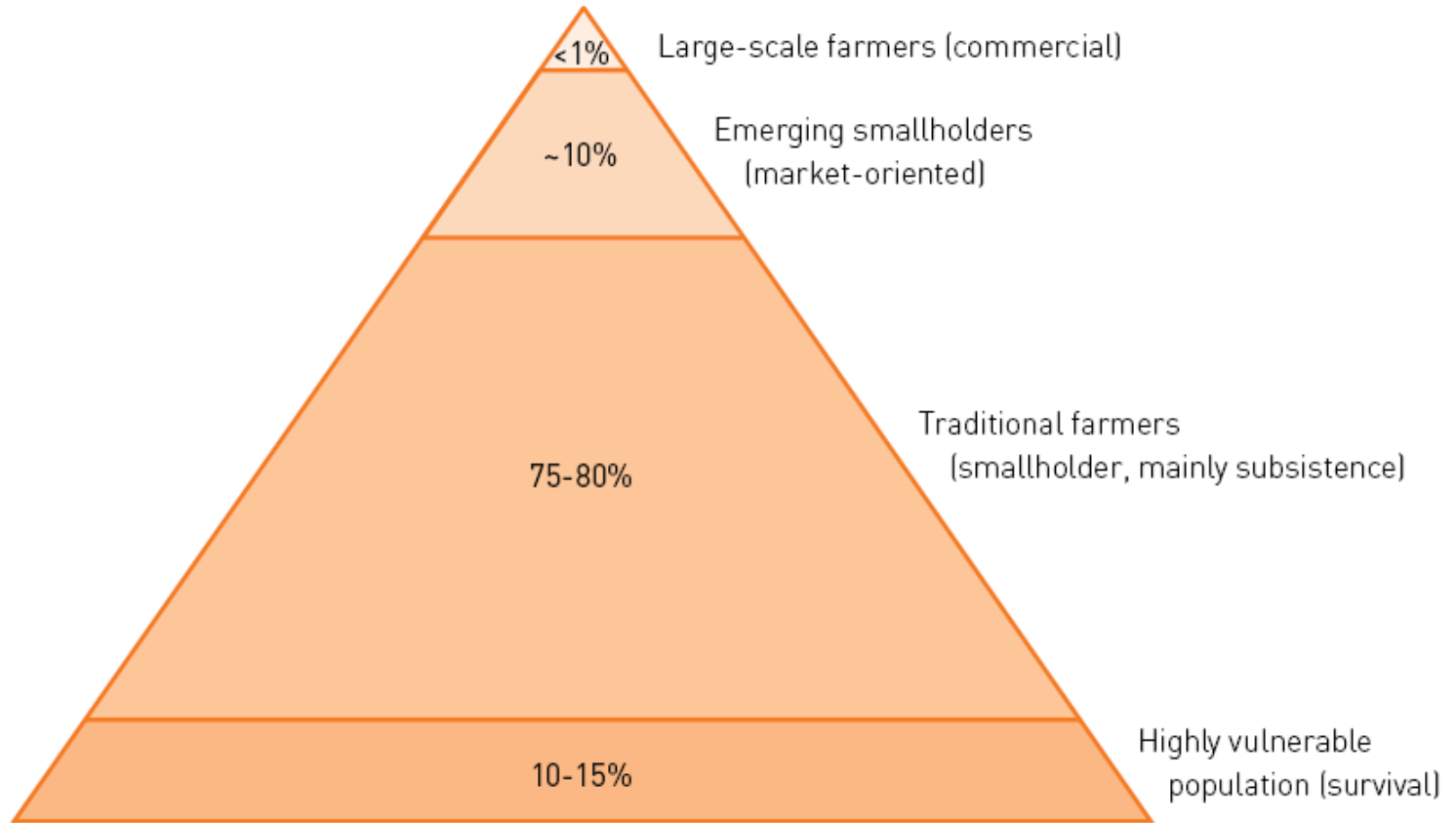
Source: FAO (2009)



2. Agriculture in developing countries and the need for investment



Agricultural structures in developing countries



→ predominantly traditional smallholder farming systems in developing countries



Characteristics of the agricultural sector in developing countries



- Bad infrastructure leads to higher costs and low market access
- Small-scale structures lead to high production costs (no economies of scale, high transaction costs)
- Lack of good agricultural practice, professional training and extension leads to low yields and low farm incomes
- Lack of business skills and entrepreneurial spirit
- Low level of farmer organization
- No adequate financial services (savings, credits, ...)

→ massive investment/financing needs



Tipping Point: Which production and processing systems can meet the demand and reduce poverty in rural areas?

- Agriculture: Smallholder vs. agro-industrial production systems?



- Processing/Marketing: Small-scale vs. large-scale systems?





3. A tool for smallholder integration: contract farming/outgrower schemes



Smallholder agricultural production

- family farming
- low input agriculture
- regional production processes

Agro/-processing industry:

- agricultural commodities
- industrial processing
- international competition & global trade

Contract farming/Outgrower schemes

Advantages of combining the two systems:

- precondition to reach MDGs
- employment and income effects
- supports rural economy
- “vielfältige Kulturlandschaft”/
multifunctionality of agriculture
- Marketing knowledge and capacity
- economies of scale
- international competitiveness
- supports entrepreneurship
- standards and certification

Cooperation with the private sector and sustainable agricultural practice is vital!!!!



4. Introduction of the Partnership Farming Concept



What is new about the Partnership Farming Concept?

- Smallholder agriculture and large scale processing!
- Closest cooperation of technical and financial cooperation with the private sector (agro-processing industry)
- “Partnership farming” is a further development of contract farming/outgrower schemes
- Investment of the private sector in training and extension of farmers
- Inclusion of quality and sustainability standards



Principles and elements of the Partnership Farming Concept



- Principles:
 - Long term trustful cooperation of all actors of the value chain - including consumers, processors, farmer, labourers
 - Sustainable use of natural resources
 - Standards and certification
- Key Elements
 - Market analysis (value chain: starting from consumer)
 - Investments in infrastructure (roads, cooling facilities, export... → public)
 - Farmers organization (public)
 - Farmers education and training (public and private)
 - Farmer as independent entrepreneur (Agripreneur)
 - Farming systems education and commodity specific trainings



Thank you for your attention!

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