

## **RURAL PRODUCER AGENCY AND AGRICULTURAL VALUE CHAINS**

### **Speaker**

Lorenzo Cotula is a principal researcher on law and sustainable development at the International Institute for Environment and Development (IIED), based in the United Kingdom. He leads research, policy engagement and field-level projects on natural resource governance and resource-based investments. Lorenzo has over 18 years of experience working with civil society, governments, the private sector, donors and multilaterals, and extensive country experience in Africa and Asia. He has published widely on natural resource rights and investments in low- and middle-income countries. Before joining IIED in 2002, Lorenzo collaborated with the Legal Office of the Food and Agriculture Organization, and with two Italian NGOs. He holds academic qualifications in law, development studies and sustainable business from Sapienza University of Rome, the London School of Economics, the University of Edinburgh and the University of Cambridge.



### **Presentation highlights**

In his presentation on rural producer agency in agricultural value chains, Lorenzo presented insights from the Empowering Producers in Commercial Agriculture (EPIC) project, which is supported by the UK Department for International Development (DFID). EPIC is currently working with partner organisations in Malawi and Nepal.

Lorenzo began by describing the situation of rural producers with whom he had worked in Nepal. In this context, there was a large discrepancy between the going market price and what farmers actually received for their produce. Moreover, there were questions raised by farmers around security of land rights and the terms of market access. These sorts of issues are representative of a number of emerging global trends.

Even though smallholders' involvement with commercial agriculture can take many different forms, public narratives tend to emphasise the place of formal value chains, often led by global agribusiness and channeled by structured arrangements such as contract farming. In reality, while more formalised value chains often reach the top 10 per cent of farmers – i.e. those that



are better-off and more commercially oriented – the vast majority of producers rely on more informal value chains or local traders.

It is important to note that the participation of smallholders in different types of commercial agriculture presents both opportunities and risks. Concepts such as inclusive agribusiness tend to focus on the positive aspects of being integrated in value chains but gaining access to national, regional or even global markets may have negative impacts when this is done in a top-down or exploitative way. Moreover, integration in a value chain can lead farmers into a spiral of debt if the prices obtained for their products are too low for them to sustain their families. Thus, it is important to interrogate the concept of ‘inclusion’ and to question who ultimately decides about the terms of inclusion and also whether or not to participate in that value chain in the first place. It should also be recognised that the risks and opportunities of value chain integration tend to be unequally distributed. For example, evidence from different parts of Africa shows that once land use shifts from food crops to cash crops, many women are deprived of the plots they used to control.

Value chains typically involve actors with different and quite often conflicting interests and there are often substantial power imbalances between farmers and agribusinesses. These power imbalances may be due, e.g., to differentiated access to information or to monopolistic or oligopolistic conditions whereby a few or even a single actor controls the value chain. Because of these conditions, inclusion alone does not always deliver the hoped for benefits and can in fact create risks. This is clear from recent evidence on the outcomes of some types of producer-buyer relations such as contract farming: the literature points to many positive experiences but also negative ones. It also points to socially differentiated and gendered outcomes.

Against this background, the EPIC project places strong emphasis on the notion of agency: that is, the ability of rural producers and of members of the wider community to make informed choices about value chain integration, to take effective action, and ultimately to influence the realities around them. This includes the initial decision about whether or not to engage with a particular value chain and how to establish or influence the terms of their involvement.

The EPIC project is particularly interested in the extent to which legal rights/tools can provide entry points for farmers to renegotiate the ways in which markets affect their lives. More concretely, they are collaborating with partners in Malawi and Nepal to develop legal empowerment approaches that support not only rural producers but also members of the wider communities that they are a part of in the context of commercial agriculture. They are also working to feed lessons from this on-ground testing of approaches into law reform in the two countries but also beyond.

Having taken stock of various on-ground experiences of what actors have been doing to challenge and redress the power imbalances in value chains, the EPIC project found that much of the work that is being done by many different actors out there globally can be grouped into three broad spheres of action:



- **Understanding:** This is about rural actors acquiring information e.g. about their legal rights and also about data. Acquiring information can occur through many different channels.
- **Organising:** Rural producers create organisations for collective action – it could be economic organisations such as cooperatives and aggregation mechanisms, it could be political, such as national federations of producers that advocate for positive change.
- **Engaging:** Harnessing information and organisational strength in order to engage with other actors and to change the realities that the farmers and their communities experience.

Social-legal empowerment approaches have been deployed to support these three spheres of action.

EPIC recognises the complexity of the problems involved and also that there are some structural factors that are very difficult to shift through legal empowerment approaches alone. However, it is possible under at least some conditions to make some advances, though the outcomes can be very different depending on the specific issues and context.

#### Q&A highlights

**Q: Based on the currently available empirical data, what kinds of local conditions are favourable to sustain bottom-up arrangements of socio-legal empowerment for rural agency in the long-run?**

Conditions vary considerably depending on the situation but one insight we've gained so far is that the three spheres of action (understanding, organising, engaging) that we have identified for analytical purposes are all interlinked. We also recognise that, in considering social-legal empowerment, the legal is not enough. It is important to look at a whole package of approaches and activities.

**Q: Do farmers always feel comfortable with the legal contracts?**

This is difficult to answer because farmers are a very differentiated group. The more commercially oriented farmers who may be cultivating larger areas of land may be more at ease with legal contracts, contract farming arrangements, etc. But there may be a lot of other farmers who are more comfortable – and potentially even better off – with pursuing opportunities in the value chain that are more localised. One question that we have started exploring is, in that more informal setting, would legal empowerment approaches look like. Here, we are not looking at formalising contracts but rather catering to the needs of those poorer and more marginalised farmers.

**Q: What might be the trade-offs or negative aspects associated with inclusion in value chains?**

Semantically, at least in English, ‘inclusion’ tends to have a positive connotation; it has obviously been used in a positive sense in terms of inclusive business and in looking at the opportunities that can be created by opening up new avenues to markets for small-scale producers. Having said that, you can have terms of inclusion that are very difficult or even disadvantageous for the farmers – e.g. in a circumstance where farmers get a low price for their product and pay a high price for their production inputs. The combination of these factors can lock farmers into a spiral of debt. In summary, inclusion can be good but it depends on the terms of inclusion and these need to be looked at very carefully. Farmers need to be able to make up their own minds about whether they want to be involved in a particular value chain and also to shape the terms of that involvement. This is where the concept of agency comes in. Another important aspect of inclusion is to consider who is being included and who is not.

**Q: Once a new set of policies supporting rural producers in value chains is adopted, what role do social-legal empowerment organisations or institutions play in implementing these?**

When there is a progressive or enabling legal empowerment, there is also greater scope for social-legal empowerment approaches that essentially raise awareness and strengthen the ability of people to exercise those rights in practice. In this context, the implementation of progressive legislation is an important part of this. Another important dimension that goes beyond implementation is participation in law reform.

**Q: How do you ensure that social-legal empowerment approaches do not exhaust producers’ limited resources in terms of time, labour and finance to conduct their production and other livelihood activities?**

This question interrogates all participatory approaches in the development field. It is important to consider whether or not an approach can really add value in terms of addressing the problems that the farmers are grappling with. If the farmers are facing a specific problem and the activity supports them in achieving a solution to that, then what we see out there is that the farmers are interested because it is a good investment in time and effort. If it stops being that then it should not continue.

**Q: Considering the tremendous impact of climate change on rural livelihoods, how should social-legal empowerment – which mainly consider political and business factors – be harmonised with climate change mitigation and adaptation efforts?**

The interface between social-legal empowerment and climate change is complex. On the one hand, one could argue that empowered producers and empowered communities who are more in control of their own livelihoods – including when it comes to their involvement with commercial value chains – are also more resilient. You can also see some possible tensions in

cases where social-legal empowerment approaches are related to value chains that inherently raise some issues with regards to climate change (e.g. the export of green beans from Kenya to the UK). The issue of climate change needs to be more fully integrated into the problematic of inclusive business than it has been so far. It is also important to reflect on the need to compensate farmers for climate mitigation actions.

**Q: How much time is required to create producer agency? How long are the processes that we are thinking about?**

The time dimension does raise many issues because the farmers are often grappling with very immediate problems and because the support that they receive through these approaches is channeled through development projects that have their own time frames and these are often shorter than the time horizon that would be needed to sustain agency over time. It's easy to underestimate just how much time it takes to build these experiences.

In addition to considerations of time, it is important to have a very clear understanding of what can be realistically achieved under what conditions and to realise that, in some cases, the structural factors are so pressing that it is very difficult to challenge the given circumstances through a social-legal approach.

**Q: Can agricultural value chains be considered an entry point to tackle the broader perspective of development?**

One issue to consider in relation to entry points is whether there might be alternative entry points within specific value chains that could lead to more favourable outcomes.

**Comments from participants**

- During the discussion around how rural producers feel about formal contracts, one participant outlined two cases in which she had been involved. In the first case in Mali, farmers had some difficulty understanding the commitments associated with their formal contract with a mill and, as a result, had engaged in side-selling. In the second case in Zanzibar, the producers did not want to enter into formal contracts. In his response, Lorenzo noted that while there tends to be a focus on formal contracts as a means of integrating rural producers into value chains, this may not be desired by the producers themselves and, in fact, there may be more fitting entry points e.g. mechanisms that give producers more control over the downstream part of the value chain.
- Another participant noted that there is also a question of who is being included: Does everybody get included, including women and more vulnerable actors? Lorenzo responded that when you look at certain legal-empowerment approaches, including some groups (e.g. the more commercially minded producers) doesn't necessarily mean that others – typically lower income groups, women, ethnically marginalised groups, etc.

– are included. Moreover, the inclusion of some actors can have certain impacts – both positive and negative – on those who are not included: e.g. some people may find employment as farm workers while at the same time there may be increasing pressures on land, water, etc. As such, it is important when looking at agency to also consider the agency of those who are not included in value chains.

- Climate considerations often require a longer time perspective, which in some cases can be contradictory to farmers everyday needs. There is a need to reflect how climate actions could be compensated: either through value as premiums or other compensation mechanisms.
- One participant argued that the value of social-legal approaches is largely determined by the degree to which one has knowledge of the legal framework. In Lorenzo’s response, he emphasised that social-legal approaches are broader than just the legal aspects. There are also other dimensions such as organising, mobilizing, political advocacy, etc. Thus, when working on connecting rural producers to value chains, it is useful to take a broader perspective on social-legal approaches.
- It does take time to build agency. Once it has been built, one needs to make sure the intervention will be sustained even after projects have ended.

Please feel free to send questions or feedback to [oliver.hanschke@donorplatform.org](mailto:oliver.hanschke@donorplatform.org)

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