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## Facilitating Smallholder Farmers' Market Access in the OIC Member Countries

SALE

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### ***FACILITATING SMALLHOLDER FARMERS' MARKET ACCESS IN THE OIC MEMBER COUNTRIES***

The Analytical study titled “Facilitating Smallholder Farmers' Market Access in the OIC Member Countries” has been commissioned by the COMCEC Coordination Office specifically for the 4th Meeting of the COMCEC Agriculture Working Group, to be held on September 25th, 2014 in Ankara, with a view to enriching the discussions during the above-mentioned Meeting.

#### ***An urbanizing region where agricultural markets and agribusiness are gaining importance***

Small—in some cases extremely small—farms produce much of the food consumed in the Organization of Islamic Cooperation (OIC) member countries, where the livelihood of roughly 37 percent of the population centers on agriculture. About 80 percent of farms are smaller than two hectares. These farms produce food for home consumption in addition to a small surplus of food and cash crops.

The analysis in this study classifies member countries into one of the five stages of structural transformation process (agriculture based economies, transition 1, transition 2, urbanizing and urban economies). In order to reflect the diverse nature of agricultural systems and agricultural developments stages among 57 OIC Member Countries, the implications are explored here through case studies from eight OIC member countries: Mozambique, Nigeria, Uganda, Bangladesh, Indonesia, Turkey, Kyrgyz Republic, and Jordan. In other words, these countries reflect the diverse endowments, agricultural systems, and stages of development encountered in the 57 member countries.

In almost every member country, the share of the rural population is declining as labor shifts out of agriculture to other sectors. The urban population in OIC member countries has almost doubled in the last two decades, from 349 million to 664 million. Structural transformation can be part of a powerful dynamic that lifts rural families from poverty to prosperity. But to fully leverage the opportunities that change brings and to minimize the costs of the adjustments that change requires, countries must evaluate where they are on the path of structural change and then prepare for

what lies ahead by creating the right enabling environment and empowering smallholder farmers to engage in these growing markets.

#### ***Linking smallholders effectively to markets: Recommendations for the OIC member countries***

***Creating the right enabling environment is critical for improving access to markets.*** In general, reforms that have encouraged the private sector's role and reduced the government's direct involvement in agricultural marketing have had positive outcomes. But the case studies also reveal that positive outcomes depend on certain conditions. If investments in public goods such as irrigation, roads, agricultural research and development, and extension are lacking, if major shortcomings are encountered in policies and institutional arrangements, or if macroeconomic conditions are unfavorable, opening up greater space for the private sector does not necessarily translate into greater investment and benefits for smallholder farmers. Policies intended to prop up traditional crops or to anticipate emerging winners will likely fail, but policies that build on comparative advantage and support farmers and investors along the value chain can provide a framework that promotes adaptation and success for the sector as a whole.

***Investments in transport and energy infrastructure are fundamental for improving access to markets.*** In addition to investing in new infrastructure and upgrading existing infrastructure, adequate attention needs to be given to consistent investments to maintain it. Improvements in logistics are also essential, as they impact the efficiency and reliability of supply chains.

***Telecommunications infrastructure plays an outsized role in modernizing marketing and widening participation in value chains.*** Mobile phones make it possible to convey timely, accurate information on prices, buyer contacts, distribution channels, specifications for grades and standards, and storage recommendations. Such information significantly reduces the transaction costs for smallholders. Phones can also be used to reach smallholder farmers more effectively and improve their access to agricultural inputs, advice, and a growing range of financial services.

***Improving access to finance will go a long way in linking smallholder farmers to markets.***

Innovations are needed to permit more flexible forms of agricultural lending while guaranteeing that borrowers repay. Although many innovations in agricultural financing already exist, they are not widely known; this study reviews some promising innovations.

***Governments, the private sector, donors, and non-governmental organizations are facilitating linkages for smallholders in a number of ways, and the primary lesson from these efforts is that finding ways to manage transaction costs is a prerequisite for connecting smallholders to more coordinated supply chains.*** For governments and donors, an important means of reducing the transaction

costs of linking smallholder farmers to markets is to facilitate aggregation by helping to form ***producer organizations, associations, or cooperatives*** (or to strengthen existing ones). In addition to producer organizations, ***productive alliances***, a four-step approach that organizes farmers, links them to markets, provides technical assistants and provides production investments, can be effective.

***Contract farming***, which provides farmers with a guaranteed market for what they produce is another way for small-scale farmers to enter markets from which they are normally excluded.

Lastly, conducting training programs to improve farmers' knowledge of production and marketing strategies will help them to have better outcomes in adjusting to rapidly evolving agri-food markets.



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