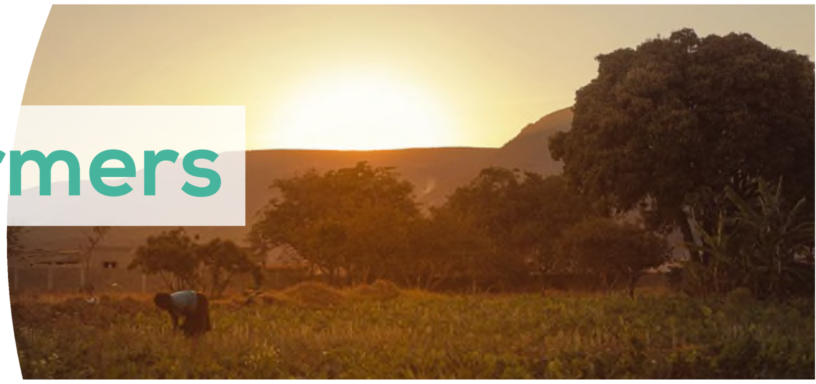
Smallholder farmers can make it big



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Smallholder farmers are usually defined as farmers who own or have access to a small plot of land on which they produce food for their own use and the market. Commercial farmers are typically those who own or have access to large pieces of land on which they produce crops and livestock for the market – in other words, for commercial purposes. The difference between smallholder and commercial farmers tend to be linked to available land size and annual turnover.

Skills and characteristics

The skills required by commercial farmers are similar to those required by smallholder farmers and include:

- *Knowledge and expertise:* Commercial farmers must be knowledgeable about and stay informed of all the processes involved in producing their produce. For example, if they produce maize, they must be knowledgeable about soil health and preparation, cultivar choice, seed quality, fertiliser application, planting techniques, harvesting, storage, and marketing.
- *Planning and execution:* Multiple activities must be planned and executed at the right time. Timing is crucial in farming. For example, planting too late can result in crop failure. If treatment for ticks on cattle is not done at the right time, the disease can cause losses.
- *People management:* Commercial farmers must manage their employees and promote a good working relationship. They must also know the applicable labour laws and keep a record of necessary labour documentation.
- *Risk management:* To be sustainable, producers must be able to manage risks and decide their own risk profile. For example, a risk-averse producer should avoid high-risk enterprises. They must incorporate risk in their planning process through typical 'what if' scenarios.
- *Financial management:* Financial management is an integral part of any farming enterprise. Short-, medium- and long-term financial planning, as well as cash flow management, are essential.
- *Multi-tasking:* Many of the tasks must be completed simultaneously. As such, the ability to multi-task is crucial.

Challenges of commercial farming

Statistics made available by the government in 2019 paint a clear picture of the challenges faced by commercial farmers.

Producer prices of field crops have been especially volatile, with an average decrease of 25,7% from the 2016/17 to the 2017/18 season (*Figure 1*).

Farming becomes particularly challenging under these circumstances because the prices of farm inputs keep increasing, irrespective of fluctuating producer prices (*Figure 2*).

The result of these challenges is that farmers' debt increases annually in order for them to survive. The changing climate has had a significant impact on both commercial and smallholder farming. While commercial farmers are more resilient due to better access to finance, this situation is changing, and many commercial farmers are at the end of their rope.

Advantages of smallholder farming

A smallholder farming enterprise has several benefits. Smallholder farmers can carefully manage production because they are physically involved in every step of the process.

In addition, precision farming can be a workable solution for smallholder farmers as the intensive management it requires is possible on a smaller piece of land. Cultivation practices such as composting, using cover crops, organic farming and mulching are all possible on a small scale. Smallholder farmers could potentially

Figure 1: Producer price indices for various commodities between 2013 and 2018.

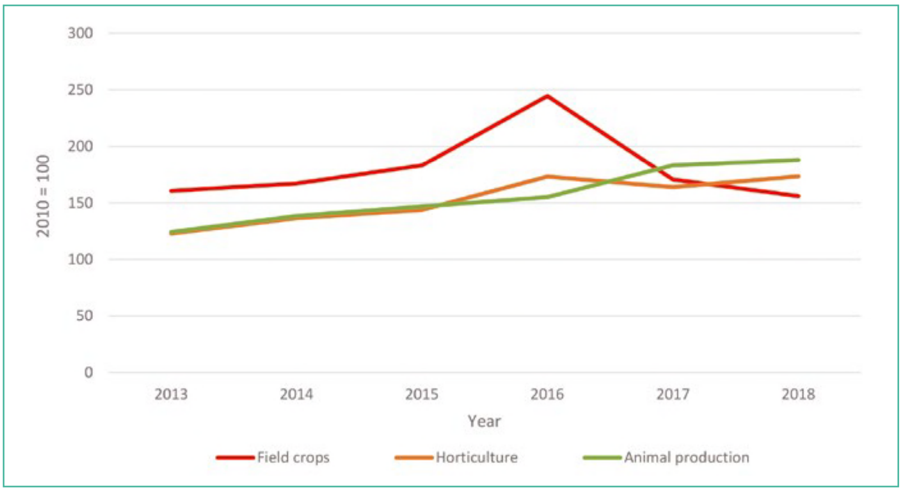
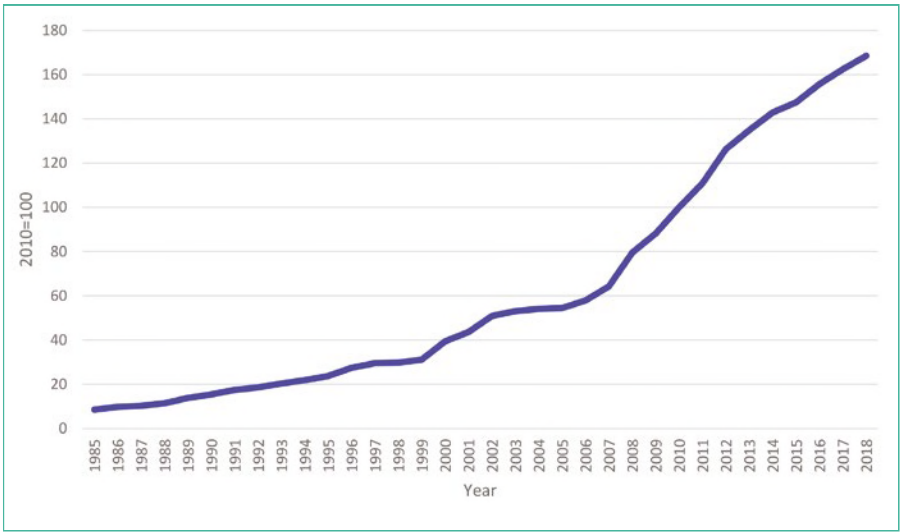


Figure 2: Price indices for input costs from 1985 to 2018.



produce top-quality produce due to the operation's small scale; large-scale operations often compromise quality for quantity.

Challenges of smallholder farming

The challenges faced by smallholder farmers and how they relate to the process of becoming a commercial farmer include:

- *Lack of access to more land:* A smallholder farmer must consider products that can be produced on a small piece of land. Beekeeping, tunnel farming, and producing garlic, herbs and eggs can all be successful on small pieces of land. However, obtaining financing is a challenge because land is often used as collateral. The smaller the piece of land owned, the smaller the loan. Smallholder-friendly financing and investment should be a priority in the existing supporting structures.
- *Inadequate infrastructure:* Smallholder farmers are limited in their access to facilities such as storage sheds, cold rooms, and cattle holding pens. This should be incorporated when policies are developed for rural and municipal areas.
- *Poor institutional infrastructure:* Many institutions offer support to smallholder farmers. The Department of Agriculture, Land Reform and Rural Development (DALRRD) and organisations such as the African Farmers' Association of South Africa (AFASA) provide support to smallholder farmers. These farmers should persistently communicate their needs to these organisations so that problem-specific solutions can be developed.
- *Limited access to information:* Information is available from smartphone applications and agricultural institutions. Another way to procure information is by contacting successful commercial farmers in the area.
- *High transaction costs:* Economy of scale plays a role in agriculture. For example, producers who want to take their cattle to auction must often hire transport. Transporting five or ten cows often costs the same as transporting 20. Collaborating with neighbours and sharing costs (as in a co-operative) can be a solution. Collective bargaining can also result in better prices and contracts with buyers that would otherwise have been impossible.
- *Lack of skills:* Producers must be multi-skilled. They must have marketing, financial recordkeeping and production knowledge. Once again, institutional support from organisations such as AFASA and the government plays a vital role in developing these skills. Government and business alliances should develop and promote pro-smallholder marketing chains.
- *Poor quality equals poor prices:* It is often said that the market discriminates against produce from smallholder farmers. The reality is that inferior quality equals lower prices, while top-quality produce fetches the best price. The focus should be on becoming the best chicken, cattle or vegetable producer in the district through hard work and dedication. This will result in quality products that can compete on the open market.

The way forward

Smallholder farmers who want to become commercial farmers should evaluate their situation by performing a SWOT (strengths, weaknesses, opportunities and threats) analysis. Once producers have completed this analysis, they will have a clearer picture on where their business is headed.

In terms of strengths, they should determine which aspects of the farming enterprise can be used to their advantage. For example, is the farm next to a busy road where produce can be sold?

Weaknesses point to aspects of the farming enterprise that indicate room for improvement. Lack of access to a suitable market is an example of a weakness. Producers should find ways to turn their weaknesses into opportunities. They also need to learn how to identify opportunities and exploit them. An example of this can be making an appointment with a new shop owner to discuss becoming a produce supplier.

Producers should also consider threats to their farming enterprise. Diseases, adverse weather conditions, and competition from other producers could threaten their profitability.

A final word

Smallholder farmers play a significant role in providing fresh, locally produced food to their immediate community, especially the poor who cannot always travel to commercial centres for food. The role of smallholder farmers in ensuring food security and the South African rural economy should not be underestimated and must be fully supported.

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