

Future of Small Farmers

The following two articles address different aspects of the above issue.

The Future of Small Farmers

Conditions have been difficult for small farmers in the recent past and are likely to be just as difficult in the future. While small farmers love what they do, love alone may not be sufficient reason for continuing in farming. This is particularly true in a crop like apples where margins are slim and farmers need every technical advantage they can muster to eke out a profit.

Grim Trends

Data from many producing countries show grim trends. For example, in the United States, the number of apple growers has fallen by 30 percent in the last two decades. In the EU-15, apple area has fallen by more than one third in the same period. The number of all EU-15 apple farms fell by 23 percent in just 12 years between 1995 and 2007. The fall has been particularly severe in France where the number of apple orchards fell by 27 percent in just five years between 2002 and 2007. There have been similar severe declines in the number of apple producers in New Zealand.

In all these countries, the average size of the surviving orchards has been rising and more production is being concentrated in large, integrated firms. In general, the decline in numbers of small farmers has been particularly severe among younger growers. Older growers have been more tenacious in staying in the industry.

Why Small Farmers Are Under Pressure

While small farmers are extremely diverse in background, experience, quality of land, capitalization, etc., the major reason for the exit of small farmers has been economic. In general, real prices of agricultural products have fallen because of global competition, while real costs of production have risen because they are generated from the much larger, non-farm sector of the economy. To combat those forces, a farmer has three options, increase productivity, increase farm size, or both.

Since the price of land in many localities has been increasing due to competing demands, only those with access to additional capital can increase size. Many small farmers have opted to cash out their investment in land before it becomes overpowered by increasing debt loads. Increasing productivity also requires large investments in equipment, expertise and capital.

Price of Doing Business Rising

The apple industry has been among the leaders in product and technological innovation to increase productivity. The major product innovation has been in managed varieties where the supply is controlled. While planting new, managed varieties is very expensive, in general, smaller growers have been less able to compete for access to them. There has been technological innovation in almost every aspect of apple production, including orchard design, rootstock selection, irrigation, heating and cooling, hail protection, pest management and harvesting.

Another added source of expense in most orchard activities has been the proliferation of mandatory government regulations and private certification systems. Each new regulation requires an adjustment in how a grower can or may operate. The larger the organization, the more easily it can afford the needed specialized personnel and equipment to ensure that it is in compliance. Coping with the burden of regulation is one of the most frequently cited reasons for small farmers quitting agriculture.

Do Small Farmers Matter?

Small farmers are very important to any society. They are the epitome of the entrepreneurial spirit that is necessary for any economic progress. Small farms continue to be an important stepping stone for those who want

to transition from farm worker to farm manager to farm owner. Small farms are also the pool from which the next generation of medium and large farms, and the next integrated grower-packer operations will emerge. Without aspiring new entrants, no industry can continue to prosper.

Small farmers also play a crucial social role. They and their families are the lifeblood of many smaller, rural communities and larger market towns. Farmers tend to be more politically aware than non-farmers, more likely to vote, more likely to become community leaders and more likely to run for public office.

A healthy cadre of small farmers is also critical to the prosperity of the larger integrated firms. While a large firm will want to produce a substantial share of its own raw product needs, it benefits in many ways from sourcing the rest of its needs from many independent producers. It saves on capital, shares production risk and can offer its customers a more diverse product range.

Sentiment is Not Enough

However, recognizing the potential contributions of small farmers will not be enough to save them from further blood-letting over the next few years. The number of small farmers that will be helped by direct marketing schemes, "buy local" programs, community support associations or other sentimental policy options, is miniscule.

First, for the foreseeable future, in the developed world, most consumers will continue to get their food through mass market outlets such as supercenters, supermarkets and convenience stores. Second, even in alternative markets, the economic forces described above, such as falling real prices, rising real costs, economies of scale and competition, will continue to make life difficult for small farmers.

Need for a New Approach

If small farmers are to remain a vibrant force in society, there will need to be a new approach among (1) small farmers themselves, (2) their related packers and shippers, and (3) their support systems in industry, government and academia. These new approaches will have to recognize the diversity among small farmers. For the rest of this article, we will focus only on possibilities in the apple industry.

Small Farmers' New Approach

Small farmers have the primary responsibility for saving themselves. First, they must recognize that in a world of plentiful supplies, there is little room for mediocre product. Each farmer needs to assess how his or her output measures up against the best in the industry in terms of characteristics (such as size, taste and color) that the market desires; explore why the current results are satisfactory or not; and find ways to improve performance by measurable yardsticks. Small farmers need to become much more aggressive in understanding how markets are changing. They need to be willing to seek out the extension agents, industry fieldmen or private consultants that can help them meet those changing markets.

Packer-Shippers' New Approach

Large, integrated packer-shippers need to become much more sensitive to the information vacuum in which many of their smaller grower suppliers are operating. While large firms are in constant communication with retailers about the latest shifts in the market, and have access to the most current market information, their small growers (often part-timers) are mired in the numerous chores of running an orchard.

Packer-shippers can also be more effective in showing small growers how they are performing relative to their peers in terms of the quality of their packouts through detailed, objective measures of quality. While the grower is often most interested in the returns received per bin or per acre, too often that data is skewed by temporary market fluctuations. In the long run, superior quality is the only guarantee of survival.

Packer-shippers have a major vested interest in continually upgrading the performance of their smaller growers. The stronger their overall manifest, the more efficient will be their packing operations and the greater will be their options in the marketplace. They need to invest in a continuing program of education for their smaller growers aimed at making their overall operation stronger.

New Approach for Support Organizations

Support organizations need to recognize the increased hazards that small growers face and be much more proactive in helping them improve their performance and helping them work more closely with their packers-shippers.

Just for starters, governments need to become much more aware of the handicaps they are placing on small growers as they continue to add regulation upon regulation. It is time for "sunset" reviews of all regulations. Under such reviews, regulations that are not meeting their original goals, or are duplicative, or that are too costly, need to be terminated.

Industry organizations need to rethink the adequacy of annual conferences in helping small growers deal with a rapidly changing environment and to investigate what other industry-building initiatives are now required?

Academic institutions need to rethink the effectiveness of their present educational delivery system for small growers. The compartmentalized system of delivering services through departments categorized by scientific discipline (such as entomology or plant pathology) is inadequate to deal with the multifaceted, and interconnected, challenges that modern growers face. What is needed is a team approach to small farmer challenges and opportunities. Academic institutions also face the risk that as they help larger growers with exciting product and technological innovation, they may be ignoring the huge challenges small growers face in simply catching up with current technology.

Small Farmers an Asset

All concerned need to see small farmers not as a problem or a nuisance but as an asset that it is of great value to agriculture and society. However, any new approaches need to be based on realistic assessments of the present state and future potential of small farmers, not on nostalgia for some past, ideal society.

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