

Small-scale farmers' decisions in globalised markets: Changes in India, Indonesia and China

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Small Producer Agency in the Globalised Market



Small-scale farmers' decisions in globalised markets: Changes in India, Indonesia and China

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2012

This publication is a product of the Knowledge Programme Small Producer Agency in the Globalised Market. The Knowledge Programme aims to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. The programme works with different actors to bring new voices, concepts and insights into the global debate. It thereby seeks to support the development community, including policy makers, producer organisations and businesses, in their search for better informed policies and practices. The programme is led by the Humanist Institute for Development Cooperation (Hivos) and the International Institute for Environment and Development (IIED), and integrates a global learning network, convened by Mainumby Ñakurutú in Bolivia.

First published in 2012 by the Knowledge Programme Small Producer Agency in the Globalised Market, a joint initiative of:

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Environment and Development (IIED)
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Citation: Patkar, S, Asthana, S, Arya, S, Natawidjaja, R, Widyastuti, C, Shenoy, S (2012), *Small-scale farmers' decisions in globalised markets: Changes in India, Indonesia and China*, IIED/HIVOS/Mainumby, London/The Hague/La Paz.

Design: cover – Andy Wilkinson; text – Eileen Higgins

Cover photo: Srikantha Shenoy

Printed by Park Communications, UK on 100% recycled paper using vegetable oil based ink.

ISBN: 978-1-84369-893-7

A catalogue record for this paper is available from the British library.

The publication can also be downloaded from: <http://www.hivos.net/Hivos-Knowledge-Programme/Publications> or <http://pubs.iied.org/>

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Acknowledgements

The Asian Learning Network (LN) members wish to thank Hiivos and IIED for the opportunity to participate in the Global Programme. Debates with members from Latin America and Africa, participation in different events in Europe and field visits in the different continents have widened and enriched our knowledge and brought new perspectives to our work in our respective countries. We would also like to thank all the consultants who contributed to the individual studies in some countries. A special thanks to all farmers' organisations and individual small-scale farmers who generously offered their time and assistance to help us understand their dilemmas and aspirations.

Abbreviations and acronyms

CSO	civil society organisation
CAMPCO	Central Arecanut and Cocoa Marketing and Processing Cooperative Ltd
DDS	Deccan Development Society
FDI	foreign direct investment
FPC	Farmer Professional Cooperatives
GDP	gross domestic product
ICAR	Indian Council for Agriculture Research
ICS	Internal Control Systems
JLG	Joint Liability group
MFI	microfinance institution
NGO	non-governmental organisation
NLRM	National Rural Livelihoods Mission
OFAI	Organic Farmers' Association of India
PDS	Public Distribution System
PGS	Participatory Guarantee System
SHG	self-help group
SBLP	SHG Bank-Linkage Programme
WTO	World Trade Organisation

Introduction

Life in Asia evokes many images: rapidly transforming economies, shining new urban spaces, teeming factories, poverty amid plenty and, most of all, farming. Asians constitute 57 per cent of the world's population and of them 52 per cent or close to 1.92 billion people (FAO, 2007) depend on agriculture, mostly working on smallholdings of less than 2 hectares. Of the 500 million small farms around the world, an estimated 87 per cent are in the Asia-Pacific region, and just China and India account for 286 million small farms (Thapa and Gaiha, 2011). After the crisis-level rises in food prices of 2007/08 and 2010/11 the focus at policy levels is again on farming, with significant emphasis on the role of small farmers in meeting the world's food needs.

There are also wider questions spanning issues of economic development, technology, organisations and justice. Are small farmers relevant in a future where food must be cultivated for a growing human population under increasing ecological pressures? Small farmers worldwide represent a large section of the poor and marginalised. Does farming alone make sense for their livelihoods? Do small producers cope with the demands of an increasingly globalised market? How fair are markets towards them? How do nation states and global institutions govern issues that affect small farmers? Do small producers have a voice in the policy space? Since Asia's smallholders constitute close to a quarter of the world's population,¹ these questions merit deeper understanding.

1.1 Small-scale producers and the globalised market

Asia accounts for 56 per cent of the world's agriculture GDP (FAO, 2011); the primary contributors to it include the overwhelming majority of Asia's smallholders (some 435 million). Most small farmers in Asia cultivate land parcels smaller than 2 hectares and often under rainfed conditions, that is without irrigation. Many produce for subsistence and require other livelihood activities to sustain themselves. However, small producers are subject to the influence of globalised markets for their inputs, choice of crops, quality parameters for their farm output and price realisation.

Also affecting smallholders in Asia are access to media and new communication technologies, exposure to lifestyles and aspirations within and

beyond farming, and the growing importance of manufacturing and service sectors. Smallholders need to navigate these sometimes conflicting influences to survive and thrive. Discourses about smallholders tend to paint a gloomy picture of peasants pitted against the power of globalisation and large corporations, or a positive view of how ethical businesses and communication technologies can level the playing field, or even regarding smallholders as anachronisms best helped by creating alternative employment opportunities (Murphy, 2010). Most of these views tend to project the need for an external actor to facilitate the survival of small-scale producers. The views and experiences of small producers themselves are often missing.

To unpack the concerns around small producers, Hivos and IIED supported a Knowledge Programme entitled 'Small-scale producer agency in the globalised market' and a Global Learning Network consisting of academics, farmers' organisations, agribusiness and development practitioners in Asia, Africa and Latin America to understand small producers' experiences from an agency perspective. The network is led by Mainumby in Bolivia and was first convened in 2009. The Network members regularly met to define the scope of the co-learning and knowledge integration. This exercise encouraged the Network members to work on the core issues of: small-producer agency in formal and informal markets; economic organisations and intermediaries; and policies and institutions.

For the purposes of the Knowledge Programme, the small producers' agency has been defined as 'their ability to position themselves and their organisations in a market, to make effective choices to advance their interests, and to be able to act on those choices' (Murphy, 2010). Agency is individual thinking and acting that can also be expressed collectively under different forms of organisation. In particular, the Knowledge Programme explored how agency of small farmers was expressed in their relationships with formal and informal markets, in their economic organisations and finally if agency translated into voice and influence in institutions at the policy level.

This paper synthesises the findings and draws some lessons from case studies explored by the Asia Network Members in India and Indonesia, the several commissioned research papers,

1. 85 per cent of all holdings in Asia are small, and the total of Asia's agricultural population is 29 per cent of the world's total population.

particularly the study on China, and learning from the Hivos/IIED Provocation Seminars.² Besides insights brought by the programme's own work, this document is threaded through with a literature review and secondary research relevant to Asia. The themes explored by the Learning Network members (Table 1) differed in content and scope. While it is not always possible to compare across countries, there were some commonalities (discussed further in Section 6.3).

The findings from the studies presented in this paper challenge conventional wisdom. Far from current views of small-scale farmers as permanent victims or beneficiaries of external interventions, it sheds light on how, despite their many asset constraints, small producers are dynamic economic actors trying, through innovative methods, to make markets work for them as they can or wish. Looking at where they are rather than where many would like them to be will certainly contribute to better-informed policies and private interventions.

This research paper is presented in five sections, following this introduction.

- Section 2 provides a general overview of small farmers in Asia and their participation in globalised markets.
- Section 3 highlights important observations on how small producers exercise agency in formal and informal markets, how they design and run their organisations, who intermediates and how, and why and how they participate in governance of farm issues locally, nationally and globally.
- Section 4 discusses the role of formal organisations of small producers. It also provides a detailed account of external actors and other interventions to support these economic organisations.
- The current state of policies and institutions in supporting small producers' needs in Asia is presented in Section 5.
- The overall conclusions, future research needs and features common across the Asian case studies are discussed in Section 6.

Table 1. Knowledge Programme studies presented in this paper

Country	Theme	Network member/contributor
China	Small-Scale farmers in China in the face of modernisation and globalisation	Jikun Huang, Xiaobing Wang and Huanguang Qiu
India	Public and private institutional arrangements that promote small producer agency: with case studies of farmers organisations in Karnataka state	Srikantha Shenoy of IDF Bangalore
	Overview of policies and RFTAs vis-à-vis small producer agency	Sanjeev Asthana and Satender Arya with Priyambda Mishra of NSFI
	Case studies of tasar silk production in Masuta and mango processing in Vasundhara	
Indonesia	Shifting from advocacy organisation to business organisation: a case study of small producers' ability to adopt global standards	Caecilia Afra Widyastuti of Indonesian-Benelux Chamber of Commerce
	Business strategy of modern retail in response to regional free trade agreement: opportunity or threat to small producers	Ronnie S Natawidjaja, Padjajaran University
	Roots of agency: aggregating volume and tech, best practices of small producer agency development in the face of globalised markets	
	The role of intermediaries in dynamic change of food market restructuring	

2. See www.iied.org/small-producer-agency-globalised-market

Asia, the land of smallholder farming

Asia, the largest continent, is characterised by profoundly complex societies, a great diversity of agro-ecological and human conditions and consequently livelihoods. In the parlance of mainstream development discourse, the region is host to developed countries like Japan, newly industrialised countries of East Asia, rapidly transforming countries like China and countries with high levels of poverty as in South Asia. These countries have had different historical trajectories and experienced varied levels of colonial control in the last centuries. The political economy of farming has been influenced by several of these factors, including current geo-political conditions. It is important to note that Asian countries have seen the transformation of their economies from agrarian to industrial in a matter of decades, while this process took centuries in Europe.³

Asia is home to several very populous nations — China, India, Indonesia and Bangladesh — and remains predominantly agrarian while transforming rapidly towards large-scale urbanisation. There are 193 million small farms (under 2ha) in China, and 93 million in India (Table 2). Indonesia (17 million), Bangladesh (17 million) and Vietnam (10 million) also add to these numbers (Hazell *et al.*, 2007). These farmers cultivate small plots of land

whose area is decreasing further, and their share of total farm land is going up (Thapa and Gaiha, 2011). While large sections of the population still depend on agriculture for their livelihoods, there is increasing diversification to off-farm and non-farm activities in all major economies, and the share of agriculture to GDP is decreasing. With increasing urbanisation and the liberalising of economies, organised retail in Asia, though still a marginal sector, has seen phenomenal growth catalysed by opening up of foreign direct investment (FDI) in the retail sector in some countries (Reardon *et al.*, 2009), with implications for the nature of farming.

There are significant demographic trends in Asia; China's small-scale farmers are increasingly older women, the men and younger people having migrated to industrial centres for waged work (Huang *et al.*, 2012). The situation is no different in India: 'Villages have become old-age homes as youth move out in search of mobility' says Dr S. Ayyappan, head of the Indian Council of Agricultural Research (*Business Standard*, 2011). For economies like China, India and Indonesia, where concerns of national food security are historically high, the future of farming is a big question, made more pressing by the food crises and the global economic slowdown.

Table 2. An overview of smallholders in Asia

Smallholders in Asia: an overview: (data year mentioned in brackets, where appropriate)				
Indicator	China	India	Indonesia	Asia (total)
Number of small farms (<2 ha) (million)	193	93	17	~435
Average farm size (ha.)	0.4	1.43 (1996)	0.9 (1993)	1.6
Share of smallholdings to total (%)	98	82	90	~90*
Share of operated area (%)	Not available	44	55	~30
Rural population (%)	55 (2010)	~70	46	~60
Share of employment in agriculture (%)	37 (2010**)	50	40	58
Agriculture share of exports (2003–04) (WDR 2008) (%)	3.8	10.8	15.1	
Agriculture share of imports (%)	4.89 (16th last globally)	4.99 (18th last globally)		
Agriculture share of GDP (2009) (%)	11.3	17.8	15.8	7.8

3. Colonialism and the Industrial Revolution was preceded by the enclosure movement in England (Guha, 2008).

2.1 Asia and globalised markets

China and India, despite their size in the global economy, and as some of the largest grain producers,⁴ have been marginal players in agricultural trade in recent history. They contribute only around 6 per cent of world agricultural trade (imports and exports) and have managed their external trade bearing in mind domestic food security. Other Asian nations including Thailand, Malaysia, Indonesia, Fiji, the Philippines and Vietnam have more competitive agricultural export platforms and belong to the Cairns Group, along with major OECD exporters (Weis, 2007: 131–132). However, for millennia, China and India had been active in external trade within Asia, Africa and Europe, and their resources and markets were triggers for European explorations of the 15th century, culminating in colonialism. Deliberate policies moved these countries from the centre of global trade to the periphery under complete or partial colonial rule. Most Asian countries became a source for tropical commodity production (coffee, tea, cotton, jute, sugar, opium) for their colonial masters, putting severe stresses on resource use, food security and their artisanal production sectors (Alvares, 1991). The current export-oriented farm production in many Asian countries continues to reflect these colonial legacies.

The globalisation of markets for small producers in Asia is not entirely new, but has taken on new and powerful characteristics. There are new and influential players such as the USA, dense communication networks that facilitate the movement of people, goods, information and capital, and additional forms of trade-rule enforcement such as bilateral/regional trade agreements and the World Trade Organization (WTO). The private sector has consolidated and is even larger and more powerful than in the colonial era.⁵ The turnover of transnational corporations is often larger than that of several countries put together, and many such corporations originate in Asia. State support for extension services and price stabilisation, which was available earlier to a limited extent, has dwindled under the new global market conditions and economic restructuring conditionalities that favour private-sector provision of services and market-led price discovery.

2.2 Small farmers and globalised markets

In the environment of rapid integration into global markets, doubts have been raised in various quarters about the nature of farming for the future and the relevance of small producers. Opinions vary; some cite the increasing irrelevance of smallholders in the age of ‘supermarketisation’, where it appears that somewhat larger and better educated farmers who are able to supply to value chains at the required quality, quantity and schedules, would be more competitive. The new agrifood market requires intense and increasingly formal transactions beyond the farm gate, and thus presents a bias towards higher investment and managerial capacities in farms (Hazell *et al.*, 2007: 10), as also observed in the studies by Learning Network member Ronnie Natawidjaja in Indonesia.

Prices of tropical agricultural commodities have consistently fallen in world markets but for a small upturn since 2008 (Robbins, 2003; Erten and Ocampo, 2012), while food and input costs are on the rise. One opinion is that only farms that can reduce costs significantly below depressed market prices could survive, partly with scale economies related to mechanisation and not the lower labour costs that offer efficiency returns to small farms. Such investments are often beyond the small producer. If indeed the new economic structure excludes small farmers, then some believe that state policy should create adequate social safety nets and facilitate a good exit from farming (Hazell *et al.*, 2007: 6; Shiva, 2012). Much of this view however accepts the nature of these markets as given and not contestable. This view also passes over issues of ecological limits to growth and resource justice, believing rather that the market will find a way⁶ (Chang and Grabel, 2004; Sachs and Santarius, 2008).

Conversely, others insist that continued existence of and support to smallholder farming has a social value and is justified by the evidence that small farms are more efficient and productive,⁷ and in terms of equity as small farmers are indeed among the very poor and hungry in most Asian economies (Thapa and Gaiha, 2011). Especially in Asia, where close to 1.92 billion people are dependent on farming, and of whom 800 million are poor (World

4. China and India produced 30 per cent of the world's cereals in 2004 (Weis, 2007).

5. The East India Company, for instance. Today the top 200 transnational agro companies control 29 per cent of global economic activity (Weis, 2007).

6. The Wuppertal Institute Report critiques the preoccupation of the WTO with the effect of environmental policies on free trade, and not that of free trade on the environment, as a sign of putting the markets before ecological concerns (Sachs and Santarius, 2008: 35).

7. India's smallholders produce 61 per cent of vegetables and 52 per cent of fruits on their share of 41 per cent of arable land (Bithal *et al.*, 2007).

Bank, 2008: 45), most economies may not be able to create adequate opportunities to absorb the excess labour in the short or medium term, and not without social upheaval in a global economy that is depressed. Agrarian distress is visible in several parts of Asia and manifests itself in the form of farmer suicides in India, for example. This is attributed to high levels of indebtedness or rural revolts across countries (*Economist*, 2012; Bidwai, 2006; Asian Human Rights Commission, 2012), often provoked by farmland alienation for industry. Indeed, some believe that markets and fairness do not go together.⁸

Between these polarities of views lies the arena in which small producers make everyday and long-term decisions about how to farm and where to sell, or whether to farm at all. It should be recognised that small producers are pitted against trends, policies and institutions not of their making, and are showing both distress and resilience within farming.

2.3 The state and smallholders

The focus on the small producer in state policy and action has varied widely throughout Asia, and over time, and so have the impacts on smallholders. Countries such as Japan, Taiwan, Korea and China began the post-colonial era with strong land reforms along with import-substitution industrialisation, while the land-reform agenda remained unfinished in South Asia. Today, while barely 2.9 per cent of Japanese are engaged in farming, close of half of all Indians (49.9 per cent) and about 63.3 per cent of the Chinese population is dependent on farming (FAO, 2007). The state's involvement in agriculture thus affects a large constituency, even when global and regional market governance mechanisms are powerful.

Key state-led interventions in the post-colonial period have included land redistribution, infrastructure development in the form of roads and marketing facilities, publicly-managed extension services, banking-sector reform, protection of domestic markets and thus safeguarding returns for major crop outputs. In parallel, considering the pervasive poverty among smallholders, poverty alleviation and welfare programmes were also introduced. The rapid industrialisation of several countries in Asia allowed for migration of people from the farm sector into manufacturing and services, thus increasing the



Women farmers in Ketty Valley, Tamil Nadu, washing vegetables for market

land-to-cultivator ratio and enabling those who remained in farming to increase productivity. However, these effects show marked variations across and even within countries.

The case of India is illustrative. Learning Network members Satender Arya and Sanjeev Asthana scanned the history of farm policies in India. The emphasis on Green Revolution technologies in India benefitted farmers in irrigated areas of a few regions of the country, and productivity increases made India self-sufficient in food. Public extension services and accompanying input supplies (credit, fertiliser, pesticides and technologies) focused on large dams, single crops (like rice and wheat) and production-orientation bypassed smallholders, remote communities and women farmers following multi-cropping farming systems often based on millets. In India where about 61 per cent of all farmland is rainfed (RRA Network, 2012), producing most of the 'coarse cereals' and non-food crops, the diversity of farming and farmers has only now received some official attention.⁹ While India has a policy for agriculture, it does not consider the

8. Provocation #2: Rights-based versus market-based development: a false dichotomy? See www.ied.org/provocation-seminar-series-rights-based-versus-market-based-development.

9. Such as the establishment of the National Rainfed Agriculture Authority, though more policy space is provided for a 'Second Green revolution'.

diversified livelihoods of smallholders as the point of reference. In the context of globalised markets and liberalising of the Indian economy, support structures for small and medium-sized farmers have retreated, leading to high costs of cultivation, dependence on high-cost informal credit, falling commodity prices, vulnerability to dumping, and high levels of farmer suicides in certain parts of the country. While strong farmer lobbies exist, they do not always appear to serve the interests of small producers¹⁰ and hold vastly divergent views about the future of farming. Even so, smallholders contribute a larger share of farm output than the resources they command.

Public investment in agriculture has dropped worldwide, partly due to structural adjustments, and extension and research are increasingly being privatised (Hazell *et al.*, 2007: 18; World Bank,

2008: 41; Planning Commission (GoI), 2012). More important, the composition of this spending determines positive outcomes on agricultural productivity. The trend in Asia is towards subsidies for private inputs rather than public goods like irrigation or extension, even though the effectiveness of private inputs is contingent upon public investment. Over 75 per cent of India's agriculture spending subsidises private inputs. Indonesia's farm policies have historically been fixated around rice, even more so since the food crisis of 2008. Total agriculture spending ranks near the bottom among Asian countries at under 1 per cent of GDP. Data show very low reliance on state extension functionaries by farmers. The recent growth in the horticulture sector has relied heavily on extension support from the private sector, given recently reduced public funding (Armas *et al.*, 2012; World Bank, 2007: 46).

10. Contrast the views of the South Indian Coordination Committee of Farmers Movements (SICCFM) (siccfm.blogspot.in/) with the Consortium of Indian Farmers' Associations (CIFA) (*Economic Times*, 2011).

Taking decisions in markets: small-scale farmers' agency

The discourse around the nature of markets dominates discussions on farmers and farming. The mainstream view considers a free market that fosters competition to promote the best interests of consumers and producers alike. Often combined with this belief is the view that efficient markets are formal, modern and accountable. Small producers are seen as operating mostly in informal arrangements which vastly reduce their ability to make cropping and selling decisions in congruence with market demands; this reduces returns for their effort and hence their wellbeing. Actions in the informal sector are outside the ambit of state oversight and are perceived to undermine public welfare.¹¹ The suggested future for smallholders is to modernise and formally link to value chains. At the extreme, small producers are considered irrelevant to modern markets (Hazell, 2011).

In contrast to this view, activists reiterate that small producers cannot expect fair treatment in modern markets, which are not free but dominated by monopolistic and oligopolistic players, especially in the agriculture sector. Formality is the exception in the developing world and structures and processes in informal markets offer multiple benefits to small producers, including autonomy and safety nets, especially if some entrenched players and distortions are removed. At the extreme, modern markets and value chains are rejected in favour of local self-provisioning (Satheesh, 2005).

A middle-ground solution suggests that the choice of market-based or rights-based approaches to building farmers' agency is a false dichotomy, and that modern businesses can become more inclusive of small producers; a range of actors attempt to intermediate here. However, in the Knowledge Programme, the broader question has been to understand not only how markets can work for the poor, but also how the poor make markets work for them. The agency that small producers express with the opportunities available to them determines the nature of markets overlooked by ideologies.

3.1 The formality–informality interface

Asian economies, despite being major players in formal world trade, possess a diverse institutional ecology ranging from the customary to informal, and modern formal. Many of these economies are indeed in the informal space. The informal markets in Asia are dynamic, allowing for long-held relationships of trust and reciprocity, norm enforcement based on the prevalent customary law and flexible participation to guide transactions. They can also be unfair, with entrenched societal power structures that exclude and exploit small producers. Even modern and formal systems can be captured by elites, as through the Agriculture Produce Marketing Committee Act in India, where the formal structure is overridden by the informal relationships between the small producer and wholesale agent operating in the government-mandated market.

Small farmers are likely to be tied into dependent relationships with traders for inputs and credit, with the obligation to sell the produce when prices are depressed. In China, tools, credit and extension services are made available to the farm family by the state. In most other countries in Asia, most small producers cannot access public provision of extension and credit, crucial for market-oriented farming, enabling exploitative relations with traders to persist. Small producers also like to maintain these relationships, as traders are key sources of emergency funding. Even newly emerging formal players such as supermarkets tend to source mainly from large traders and wholesalers, leaving intact the relationships between small producers and traders.

Informality is increasingly recognised as growing, and likely to be permanent rather than something to be overcome in the course of a country's development (Woller and Woodworth, 2001). In China, only about 9.7 per cent of farming households have some form of membership in Farmer Professional Cooperatives (Huang *et al.*, 2012). Agriculture is entirely informal in India, involving 99.4 per cent of farm workers and 96.4 per cent of agricultural GDP in 1997–98, with formality barely increasing up the value chain.

11. Examples are the clampdown on small dairies after the melamine-tainted milk scare in China and the general discouragement that wet markets and small food stalls encounter in many countries, being perceived as unhygienic and sources of disease outbreaks (Huang *et al.*, 2012).

Informality also characterises growth in industrial and service sectors in the era of globalisation. For instance, the share of the informal sector in non-agricultural employment in India increased from 76 to 83 per cent between 1983 and 2000 (Unni, 2001; Sakthivel and Joddar, 2006). The need to engage with formality associated with the growth of organised retail and managing organisations of smallholders in Asian economies therefore presents challenges. The Learning Network explored the issues of the informality–formality interface in two particular contexts: the development of agency among small groups of farmers supplying to organised retail in Indonesia (Section 3.2 below), and the emergence of group-based microfinance in India and its implications for small-producer agency (Section 3.3 below).

3.2 Small producers and modern markets: lessons from Indonesia¹²

Indonesia has seen phenomenal growth of supermarkets in the last decade, and their challenge has been in procuring fresh fruit and vegetables from the many small producers. Fresh fruit and vegetables contribute 15–40 per cent of total product value in supermarket chains in Indonesia. Three studies by Learning Network member Ronnie Natawidjaja on the behaviour of modern retail, small producers and intermediaries in Indonesia highlight how the state has ceded any possible space to strengthen small-producer agency under the new market conditions, forcing informal mechanisms to surface, and with some success.

Procurement decisions of supermarkets are based on price, quality and continuity of supply from each potential source, domestic or foreign. While about 40–45 per cent of fresh produce is imported, the remainder is sourced mostly from traders and large farmers, and a smaller proportion from wholesale markets. During interviews for the Learning Network, managers of modern retail organisations said that small producers were still unfamiliar with product requirements and presented a risk of unreliable supply. It is possible that with greater opening up of Indonesia's markets (through Regional Free Trade Agreements), it would be more attractive to import more produce from countries like Thailand and China than develop the domestic supply chain.

In Java, where most horticulture-based farmers operate, the new opportunities have created the need for intermediation between the smallholder

and local aggregator level, as there is little public-managed extension or aggregation. Even the higher returns from horticulture have not adequately catalysed collective action to deal with new market opportunities; under 15 per cent of farmers are connected to modern retail chains. Formal cooperatives, once promoted extensively by the state, have failed to endure, as the focus was on distributing input and credit support and not developing organisational management skills or marketing infrastructure. Hence, the few attempts at breaking into new markets are in the informal sphere — dominated by younger and better-educated farmers, using their own or informally borrowed funds.

Some actors, including some small producers, begin to bring together other farmers using their experience in production and marketing and positioning themselves as new intermediaries. Unlike traditional merchants who restricted their activities to trading in produce, the new intermediaries also offer technical assistance for planting, crop management, harvesting and post-harvest handling. They may also provide input credit repayable at harvest time, and deal with the paperwork and certification where needed to link with modern markets. Many of these transactions are formalised in contracts but they still reflect trading relationships of social control and trust, following cultural norms among these small cooperating groups of 10–20 members. Some of these are longstanding networks (active since 1991); cooperation has increased the price realised by individual farmers, and members report consistently improving quality of produce. Initiatives that reach greater scale have relied on complex whole-system intermediation, such as the export of coconut sugar by the Jatirogo cooperative, as described in Section 4 below.

3.3 Embracing informality for financial inclusion: self-help groups in India¹³

Economic freedom to make effective choices in financial transactions is a key aspect of agency. Cash flows from agriculture are uneven, especially for smallholders engaged in inherently risk-prone rainfed farming. The ability of small producers to access finance to bridge cash flows for expenditure and investment could determine whether a family stays afloat or spirals into debt bondage. Money lending by the landed class, traders and agents has traditionally provided credit to small farmers

12. Based on three LN studies by Ronnie S. Natawidjaja.

13. Based on Learning Network member, Srikantha Shenoy's contributions and the author's experience in the sector in India.

in India, though at usurious interest rates and exploitative terms (Datta and Sharma, 2010). Even today, informal credit can cost up to 10 per cent per month, with the entire principal to be repaid at once; borrowers pay interest on loans for years, unable to gather enough to repay the principal. With the introduction of the external-input-intensive Green Revolution, the government of India recognised the need to intervene in credit markets as farmers in general could not access timely and adequate credit from the formal banking system. This led to the nationalisation of several private banks, obligatory opening of rural branches and targeted lending for agriculture under Priority Sector Lending.

Interventionist state policies apart, reliance on non-institutional credit sources remains high: 38 per cent in 1981 and 39.6 per cent in 2002.¹⁴ Besides, this credit is often tied to input purchase. The centrality of credit support in livelihoods promotion for poor rural households and the unresponsive supply from banks and cooperatives, especially to people without traditional collateral, led to the emergence of self-help groups¹⁵ (SHGs) in CSO-led programmes in the mid-1980s. These small informal groups of 10–20 individuals collectively manage thrift and credit activities on their own with norms decided collectively. The NGOs Myrada and PRADAN, pioneering facilitators of SHGs, explicitly state that the structure of SHGs and incentives and processes within them emerged from the communities where they worked and were not designed by external agents.

When CSOs presented SHGs as potential bulk borrowers for banks, they deliberately chose to keep the groups informal, to avoid interference and rent-seeking by the departments overseeing formal cooperatives. The SHGs, essentially micro-cooperatives, thus became the first informal associations to be recognised by the banking sector in India through a directive of the Reserve Bank of India (RBI). The objective was not to mainstream the SHGs into formality, but to enable the formal systems to accept and include the informal (Fernandez, 2003). To gain legitimacy, the groups however had to adopt several systems that characterise formality, such as double-entry account keeping, annual audits of their accounts,

and detailed documentation of internal norms and decisions. Developing bookkeepers for these groups is an essential intermediation activity, as literacy and numeracy among members can be low.

Under the SHG Bank-Linkage Programme (SBLP), banks and cooperatives can offer collateral-free credit to SHGs,¹⁶ and members are free to on-lend for any purpose, including consumption smoothing and celebrations (purposes that the formal system does not encourage). Over the years, the SBLP evolved into one of the most effective government interventions in credit delivery for the poor, by both outreach and repayment performance. Through activity-neutral allocation and mostly consisting of women (who are not perceived as farmers), rural SHG members borrow extensively for farming and off-farm livelihood diversification.¹⁷ SHGs are now the main template for organising women and poor households under various development projects and programmes (including agriculture), and several subsidies and resource transfers are routed through them. The Joint Liability Group/Farmers' Clubs model remains the predominant form of organising male farmers in India outside formal cooperatives. In most such groups, members engage with livelihood activities as individuals and very few are collective enterprises.

By March 2010, the loan outstanding of 4.5 million SHGs (with about 60 million members) was USD 5.5 billion. For mainstream bankers willing to support smallholders, the SHGs offer a less cumbersome way to finance even large enterprises, as many small loans are aggregated by SHGs to invest in their federations, without the banker having to assess feasibility at the federation levels. Repayment of these bank loans draws from various livelihoods activities of SHG members as individuals and is not necessarily subject to the performance of the larger enterprise. The case studies by the Learning Network in India show a preponderance of SHG-based initiatives that have enhanced the agency of members. The SHGs mainly ease access to formal credit while offering a potential space for women's empowerment.¹⁸ Typically, the informal SHGs federate into a legally recognised body as they move higher up in a value chain, as shown in the examples below.

14. All India Debt & Investment Survey & RBI Bulletins, February 2000 & NSSO – provided by Srikantha Shenoy.

15. There was Asia-wide discussion on new banking concepts to reach the poor under APRACA (the Asian and Pacific Regional Agricultural Credit Association) in the 1980s, with similar ideas emerging in countries like Indonesia (Kropp and Suran, 2002).

16. For details of the guidelines, see www.nabard.org/fileupload/Display_Circulars_new.asp.

17. 36 per cent of SHG loans and 52 per cent of the lending portfolio went to agriculture in the NGO Myrada's SHGs as of 2005 (Fernandez, 2005).

18. Since most SHGs have women members, agency related to their involvement with agriculture and markets has not been explored very often. For details on agency of women as individuals see Myrada (2002).

3.3.1 Negotiating in formal markets

The Sri Devi Joint Liability Group (JLG) Welfare Society in Karnataka state shows how small farmers can collectivise and provide backward and forward linkages to grow and market rice. The umbrella society of 300 members is essentially the formal face of several small, informal joint liability groups. The banks recognise and lend to the informal JLGs, while the formal society enables large-scale input purchases of seeds, fertilisers and equipment from factories, circumventing input traders and moneylenders. More than gains from sales, members were able to reduce the costs of their inputs. Extension and quality control is now possible, as is investment in jointly owned labour-saving equipment.

3.3.2 Informal groups as owners of large enterprises¹⁹

Poor women in remote villages of Central India rear tasar silk cocoons and reel the yarn at home in traditional weaving clusters. This activity hardly requires tools and had poor productivity and returns, earning the reelers barely INR 10–15 per day.²⁰ The NGO PRADAN has worked in the region since the 1980s. Following its work in improving tasar cocoon production, the NGO explored the creation of organised yarn production to improve returns to its SHG members. Masuta Producers Company Limited is owned by about 2800 women from landless and small-farmer households, who manage production of home-based tasar silk yarn. The women are organised into SHGs or Producer Groups that federate into Mutual Benefit Trusts that in turn own Masuta.

Masuta also owns a textile unit where a private entrepreneur holds 24 per cent of the share capital. While key management support and social intermediation is provided by PRADAN, the management of the village-level production activities, quality control and SHG functions is entirely with the women members. The SHGs also help the women to invest in other livelihoods activities with the help of own funds and bank loans. Masuta is the largest supplier of tasar silk yarn in India, and has created the distinct category of the yarn producer in the value chain. Silk-yarn reeling has substantially increased the women's incomes and with it their sense of self-worth. While the formal producer company has challenges raising funds, the primary groups are better placed with banks.

3.3.3 Agency within microfinance models

Several new initiatives of the Indian government remain focused on SHGs as primary groups. Large livelihoods-improvement efforts like the National Rural Livelihoods Mission (NRLM) make significant allocations for investments in assets and capacities of poor households and multi-level federations. This could in principle revive the environment for informal collective efforts in agriculture in this decade. However, as in previous interventions of the state in developing cooperatives, the SHG programme has been adversely affected by the high numerical targets for forming SHGs, inadequate resources to train them, political capture of SHG federations and, paradoxically, the rise of commercial microfinance in India.

Commercial microfinance following joint liability models began expanding in India in the last decade and grew on capital from banks, and (as a sign of globalisation) overseas funders, private equity firms and Silicon Valley entrepreneurs. In 2010, total lending by banks to SHGs and microfinance institutions was 1.4 per cent of the total bank credit of USD 660 billion (Srinivasan, 2010). The growth of SHGs and microfinance institutions (MFIs) made India the world's largest microfinance market. But the drive for growth by competing MFIs and approaches led to a bubble, which was compounded by the informal nature of groups. There were suicides by borrowers, mass defaults and government intervention and the microfinance industry is now in flux, though growing in some areas (Srinivasan, 2010a). Additionally, access to credit alone was considered sufficient for exit from poverty, and the objective of building agency of borrowers in the political and cultural spheres, not only economic, was relegated. The measures of MFI performance were strictly of financing, outreach and growth of the loan portfolio, despite talk of social performance (Fernandez, 2003).

3.3.4 Intermediation and internalisation

The new market structures (supermarkets, grades and private standards, process controls) and large buyers tend to favour aggregation at large scale and may adversely affect small producers relying on high labour-to-capital input. Aggregators will incur additional costs to meet with requirements of distant markets, which are easier to ensure with large producers than with several small ones. Michael Lipton suggests two ways to override the

19. Asthana and Arya case study for the Asian Learning Network.

20. Currently (2012) the minimum wage stands at INR 117 per day.

transaction costs – intermediation and internalisation (Lipton, 2006). The informal SHGs internalise the high transaction costs common to aggregation from small producers through peer monitoring and assuming decision making at their level; credit from banks primarily reaches members through these informal groups.

Initial external intermediation involves forming and nurturing these primary groups, which then help to internalise the transaction costs of conducting business with individual members (whether savings, credit, production or aggregation). A more complex intermediation happens when informal groups join in larger formal bodies that interact with both formal and informal market structures, including for the design and institutionalisation of governance, management and operations of the small producers. Interactions with higher levels of the value chain and ultimate buyers, investment in common infrastructure and market intelligence is taken up by the formally registered member-owned organisation that tends to hire professionals to navigate the formal markets. This is the space for formal, reasonably long-term and whole-system interventions, as seen in small-producer organisations like Masuta (Section 3.3.2) and Vasundhara in India (Section 4), and Jatirogo in Indonesia (Section 4).

The SHG programme depends on quality facilitation, usually by CSOs, many of whom earlier had access to overseas grants. This source is drying up, forcing many such agencies to look at cost-recovery models in which SHG members also pay for the costs of various services provided by the intermediary directly or through a community-managed mechanism. The retreating of the expensive intermediary has however enabled several resource persons to emerge in local communities (Fernandez, 2004), somewhat reducing the costs of intermediation.

3.3.5 Food sovereignty and alternate markets

The alternative paradigm working to revive local economies and food sovereignty, such as the work of the Deccan Development Society (DDS) (Satheesh, 2011), also relies on the network of landless Dalit²¹ women's SHGs. These groups farm collectively on degraded and rented land, promote neglected crops like millets and spend considerable effort in creating awareness on

preserving agro-biodiversity and food cultures, away from seeking to join the globalised markets and prevalent consumer preferences. The informal nature of these organisations enables members to invest in land development and cropping activities on own and leased land, all of which are discouraged or prohibited for those seeking loans directly from a bank.

DDS loans may be in kind (seeds) and repayable in kind (grain), again not currently possible in formal systems. The women members have managed an alternative Public Distribution System (PDS) since 2003. After a hunger-mapping exercise in their villages, these women began community kitchens stocked by their own produce to feed the hungry. Initiatives such as these put the focus on women as farmers, a perspective that is often lost in other SHG programmes.

3.3.6 Alternative markets and guarantees: the participatory guarantee system

The Organic Farmers' Association of India (OFAI) holds a view that 'the first right to safe food is for the growers and their immediate community'.²² OFAI explicitly promotes local consumption and therefore discourages expensive third-party certification geared towards export and high-end consumers. Many of those growing organically are 'default organic farmers' – those producing for subsistence in remote (often tribal) communities, and who cannot afford the costs of certification. Therefore, a consortium of NGOs promoted the Participatory Guarantee System (PGS)²³ in which small groups of farmers decide the acceptable organic practices based on production guidelines provided by PGS Organic India Council, and appraise each other's farms.

The PGS Organic India Council secretariat awards PGS certification based on the peer-appraised reports. The system allows for the use of local languages and considers regional diversity and the many methods and inputs, some traditional and others innovative, that characterise Indian organic farming. Key principles of PGS include social control as a compliance mechanism, the organic pledge taken by farmers complemented by local religious/cultural rituals to reinforce it, providing mutual support to farmers transitioning to organic, and reduced paperwork to involve and include farmers with low literacy levels.

21. People belonging to the Scheduled Castes in India.

22. OFAI President Claude Alvares during the OFAI Workshop on Organic Spices Cultivation, College of Forestry, Ponnampet, Karnataka, February 2009 (meeting minutes).

23. www.pgsorganic.in.

3.3.7 Extension services and informality

Evidence from India and Indonesia suggests that government extension services have receded and are rarely accessed by smallholders and farmers, leaving input dealers as an important source of information. This informal mechanism is highly accessible but is laden with perverse incentives. A large number of farmers in distress are highly indebted to input dealers and the rampant over-use of chemicals in agriculture may be attributable to this. However, in the absence of public extension services, traders continue to provide information, and farmer-to-farmer exchange of information is an important methodology in CSO-facilitated work with smallholders.

To counter the informal extension mechanisms, the government of the state of Tamil Nadu in India passed The Tamilnadu Agricultural Council Act 2009. The bill stipulated that only those with professional degrees from three select agricultural universities could provide agricultural extension services. The bill was repealed less than two months later under protests by farmers and farmers' organisations armed with resolutions by village assemblies arguing that the law would 'further impoverish farmers and rob them of their wealth of traditional knowledge on farming practices that modern extensionists are clueless about' (OFAI, 2009).

India suffers a severe shortage of veterinarians, and 'paravets' have supported small-scale livestock keeping by providing timely and inexpensive veterinary care in some areas. The Indian Council of Agriculture Research (ICAR) however does not officially support the development of paravets by its affiliate organisations as their introduction is opposed by the Veterinary Council of India. CSOs have responded by re-naming these para workers with names like 'animal husbandry promoter' or 'gopal mitra' (friend of the cowherds). The services of these paravets are willingly paid for by users but, equally important, the paravets are treated as essential frontline workers by the understaffed state veterinary department.²⁴

3.4 Lessons learnt: recognising informality

To summarise lessons derived from the work of Learning Network members, it appears that small producers are rarely economically organised formally if they do not produce sufficiently for the market. In India, the women's groups promoted by DDS are rare examples of organised self-provisioning farmers. The costs of formality may be high for small groups of producers, and hence their links to modern value chains are through informal contracts. The complexity of formal systems is hard for small producers with limited formal education to navigate, unless they belong to regions with higher educational attainment and exposure to modern markets. Examples are the cases of CAMPCO and Kadamba Marketing Cooperatives in Western Karnataka, or where a professional team can be hired as in Masuta or Vasundhara.

Bridging informal systems with the formal, especially for small producers to express agency, requires hard investment in building capacities of stakeholders to deal creatively with diverse systems and takes time, sometimes decades. The self-help group approach by women organising for thrift and credit has been attempted in parts of Asia and Africa. Outside India, however, SHGs do not have similar official recognition and are reliant on donor-aided projects. Where the state explicitly recognises the informal status of SHGs as acceptable to deliver credit and inputs from formal channels, this offers pathways to support self-organising by small producers across the region. In India, this has also brought the perception of women as farmers to the foreground.

24. Personal communications, head of the Myrada Krishi Vigyan Kendra or Farm Science Centre that has promoted paravets since 1979 in Erode District of Tamil Nadu in India.

Small producers and their organisations: agency within the collective

Markets in Asian economies, characterised by large numbers of small producers, have to bear the costs of many small transactions. Small producers mostly grow for subsistence, and the little available surplus is sold at local markets; they also engage in activities beyond farming to sustain themselves. Aggregators face the challenge of reaching out to the many producers, often in poorly accessible areas. Mountainous regions, small islands of Indonesia and forested areas have poor connectivity. Poor communication infrastructure also increases information asymmetries, and price discovery is difficult. Market failures should therefore be expected.

When markets do function, small producers cannot always expect reasonable returns. Traditional and informal markets are easy to access, but may reproduce local power structures that are disadvantageous to smallholders. New formal structures may similarly be captured. The Agriculture Produce Marketing Committee Act in India, which regulates wholesale markets, is criticised for favouring traders against producers (Economic Times, 2011); but there is also widespread distrust of organised retail and fear that small traders will lose their livelihoods. Yet, many farmers are closely tied to globalised markets even when they have little marketable surplus. Global factors determine input prices, cropping mixes and farming methods, transaction costs and even how their land and lives are governed. It is in this context that the idea of organising emerges.

4.1 Consensus of the times: to organise the small producer

Literature, examples and explorations by the Learning Network point to a strongly felt need among those conforming to different ideological compulsions to organise small producers into groups to manage production, value addition and marketing. Those belonging to food-sovereignty movements would add advocacy to that list. Research shows that many modern vertical-integration initiatives tend to involve better-endowed farmers, unless the economy predominantly consists of small producers or credence attributes

are less important. In smallholder-dominated Asia, organising for small producers seems inevitable if they are to participate directly in modern value chains (Hazell *et al.*, 2007: 16).

As discussed in Section 3 above, such organising is present, especially as informal mechanisms (Table 3). Agencies like the Deccan Development Society in India organise Dalit women farmers around issues of ecological farming, biodiversity, appropriate food choices, food sovereignty, community-managed food banks and advocacy to include millets in the government's Public Distribution System (PDS).²⁵ Here, organising small farmers allows the members to balance cropping for cash and food.²⁶ In many cases, the presence of an intermediary is considered essential, especially to bridge informal primary groups with the formality required higher up the value chains and in larger organisations.

The studies of the Knowledge Programme throw light on particular aspects of organising small producers in globalised markets. The study from China illustrates farmer attitudes to organising into Farmer Professional Cooperatives, while the Indian cases for the Learning Network document methods used by intermediaries to enable small farmers to reach the market. The Indonesian studies deal with the outlook and profile of intermediaries organising small producers for the fresh fruit and vegetable markets and the Jatirogo case (discussed below) is a first-person account of an intermediary supporting a farmers' group to reach export markets.

The seeds of organising exist within communities, in the form of labour and tool sharing during peak farming seasons, seed selection and preservation, collectively occupying particular physical spaces within traditional markets, and so on. Some aspects of procurement, production and marketing may be conducted individually and others collectively. Those working with and for small producers propose organising them somewhat formally for several reasons: in order to compete successfully in markets; to achieve economies of scale; to reduce transaction costs; and even to offer resistance and alternatives to homogenising aspects of modern markets (Satheesh, 2011). As obvious as the

25. See www.milletindia.org and www.earth360.org.

26. Members of the the Savayava Krishikara Sangha, HD Kote, India are allowed to plant only a maximum of 60 per cent of their land for a single cash crop (organic cotton); the rest of the land is used for a diverse mix of food crops (Patil, 2009).

advantages may seem, smallholders across Asia do not seem to be organising in large numbers or with enthusiasm and urgency commensurate with their troubles in the market. Fewer than 10 per cent of Chinese farmers are members of formal organisations, with the younger cohort even more unwilling to organise (Huang *et al.*, 2012), while many cooperatives in Indonesia are defunct (World Bank, 2007). A far greater proportion of better-off farmers had formal membership in cooperatives than smallholders (TISS, 2005).

4.1.1 Why do smallholders choose to remain outside organisations?

The LN members explored organisations of smallholders and, in China, attitudes of farmers towards membership in cooperatives. Older women and younger farmers of both genders in China expressed greater unwillingness to seek membership in Farmer Professional Cooperatives (FPCs). The reasons were not explored in detail, but indicate that support from FPCs may not be as relevant to women farmers' specific needs, and they do not provide credit. Smallholders may not participate if they perceive farmers' organisations as unable to fulfil their specific expectations. Control of cooperatives is usually with larger farmers and those with greater patronage, and the benefits to smallholders may not be commensurate with the time and effort they need

to contribute to the organisation. In India, SHGs are unlikely to include the poorest members who may have neither the free time for regular meetings nor the ability to save regularly; norms of the SHGs, such as fines for not saving regularly, may exclude the participation of such people (EDA Rural Systems and APMAS, 2006).

4.1.2 Collective action for common good versus private benefit

Smallholders do not always have opportunities to design their own organisations, appropriate to their specific interests and situations. However, when such opportunities arise, smallholders participate willingly. For example, SHG members from tribal villages in Meghalaya, Northeast India, apart from saving money in their group, work on each other's swidden fields on rotation for free or at very low rates. This is termed 'social work' and the SHG created the first opportunity to engage in such work, though individuals in these communities compulsorily engage in collective effort for social events and developing common infrastructure. Collective action to benefit individual members' livelihoods, which is considered a private domain, is new. SHG members have extended the concept of social work to managing jointly held enterprises like grocery shops, cultivating vegetable patches, collective marketing and running crèches for children.²⁷

Table 3. Farmers' organisations studied by the Learning Network in India and Indonesia

Farmers' organisation	Location	Main commodity/product	Intermediary	Evolution
Jatirogo	Java, Indonesia	Coconut sugar	Individual service provider	NGO takes over intermediation from consultant
Masuta Producer Co	Central India	Tasar silk-reeling	PRADAN (NGO) with entrepreneur	Entrepreneur sets up joint venture for weaving
Vasundhara Cooperative	Gujarat, India	Processing fruit	BAIF-Dhruva (NGO)	Member of VAPCOL, a producer company of many cooperatives
CAMPCO	Southwest Karnataka, India	Betel nut, cocoa and other tree crops	Better-off farmers	Important aggregator with a state-of-the-art chocolate factory
Kadamba, TSS and MAMCOS	Northwest Karnataka, India	Betel nut and other plantation crops	Better-off farmers	Start not-for-profit initiatives to access state entitlements for poorer members
Coir Cooperative	Southeast Karnataka, India	Coconut fibre (coir) products	Government, through a scheme	Revival of a defunct cooperative by an individual farmer, and new product line with technical support
Sri Devi JLG Society	Northeast Karnataka, India	Rice cultivation	Individual large farmer, with support of a bank	Access to credit leading to bulk purchase of inputs; venturing into value addition

27. From author's interactions in the Garo Hills of Meghalaya.

4.1.3 Do organisations of small producers build their agency?

Organisations of farmers assume forms particular to each country and to farmers' specific needs and wishes in different contexts. China's government appears to prefer the state-mandated formal Farmer Professional Cooperative form (Huang *et al.*, 2012), while much Indonesian literature speaks of informal farmers' groups and cooperatives. India has used the cooperative form historically, and this mode has expanded to include the new-generation or mutually aided or self-reliant cooperatives of the mid-1990s. India also permits farmers to organise as not-for-profit societies and trusts and to engage in commercial activities.

India also has millions of informal self-help groups and farmers' clubs that most state and private agencies formally recognise for collaboration. The producer-company format, as a company owned by informal (or quasi-formal) groups of producers, is an increasingly popular mode for organising small producers.²⁸ As elaborated in the Section 3 above, much organising in Asia is in the informal domain and perhaps without facilitators to document these experiences; in essence, the voice of these small producers is largely missing. Evidence from the cases explored by the LN Members suggests that, when the organisation offers tangible benefits, small producers express their agency by participating. When the organisations do not meet their expectations, or exploit them, or when better opportunities arise, smallholders also express agency by retreating from active involvement in the organisation, jeopardising the organisation's short-term health and long-term survival.

However, the exit may not necessarily open up better options for the small producer. The scale of investment in building farmers' organisations and the frustration of large-scale failure is evident across Asia. Even in China, a strong state, farmers are expressing agency by not wanting to join FPCs. India and Indonesia are littered with debris of cooperatives that never took off. This echoes the concerns of Indian policymakers studying the performance of credit cooperatives in 1954 (and reiterated in 2005) who said, 'cooperation has failed, but cooperation must succeed' (Vaidyanathan Committee, 2005). Therefore, there is a need to explore what makes organisations work, their intermediaries and whose agency they promote.

4.2 Self-organisation by small producers

Mostly in the informal or quasi-formal domain, the farmers supplying to modern retail chains in Indonesia best fit spontaneous organisation by small farmers. In the three cases studied by LN Member Ronnie Natawidjaja, individuals with some experience of participating in modern value chains band together like-minded farmers and develop a supplier relationship with other traders up the value chain. The constitution of the group is not always static, and sometimes has high turnover of members. Most of these groups are small (below 20 members), ideal for coping with informality and relationships based on trust, and also enforcing norms. The new entrants are younger. Leadership has changed in some groups but not in others.

Investment in member enterprise is significant despite the high reliance on own and informal funds to finance activities. At least two of these groups have continued for over a decade, perhaps an indication of their dynamism in retaining member interest. A larger case of self-organising is when a member of Jatirogo coconut sugar cooperative, described by Caecilia Widyastuti, moved out eventually to start another producers' group with over a thousand members, vastly increasing the coconut sugar production from the area.

4.2.1 Local leadership and inclusive organisations

While the motives may be many, the better off in a community can create organisations that deliver value to smallholder livelihoods. While asymmetries of power may exist in these organisations, the organising and networking abilities of the promoters could enable better returns to small producers and enhance community assets. In Indonesia, intermediaries Ulus and Yadi, who are religious leaders, have managed to keep a small group of farmers supplying to export markets for over two decades now. Intermediaries who were immigrants had lower commitment to enhancing member welfare in these supply groups.

The cases of TSS, MAMCOS, CAMPCO and Kadamba Marketing Cooperatives²⁹ in Western Karnataka are clear examples of the elite and politically powerful setting up reasonably complex and effective organisations where most nominal members are small producers. Ensuring better prices for commodities, reducing production and marketing risks, and eliminating the traditional intermediaries are some of the stated objectives for organising people. The extent to which small producers can participate in the governance of

28. See the report on scope for producer companies at www.pradan.net/images/Media/wpc_report.pdf.

29. Documented by LN member Shenoy.

these organisations is not clear in every case but, in a broader sense, the organisations are investing in capabilities of members through financial and technical inputs, and increasing returns through value addition, trade-risk management, bulk-input purchase, low-cost transport facilities and setting up processing infrastructure. Additionally they have invested in community infrastructure such as hospitals, department stores, convention centres, visitors' accommodation and also provide educational loans and scholarships for members' children.

The tacit political backing perhaps creates a more conducive operating environment, especially since cooperatives in India face high political and bureaucratic interference. Even so, the leadership of CAMPCO is aware that member commitment can be fickle, and individuals could easily shift to where they can make short-term profits. The massive milk cooperative structure in India (facilitated by the National Dairy Development Board) has its origins in the establishment of a cooperative, AMUL, in Anand, Gujarat, by some of the well-known leaders of the independence movement. MAHAGRAPHES in Maharashtra in India is a federation of grape growers' cooperatives and was catalysed by local leadership with some support from the government; the company provides end-to-end solutions to grape growers and is a successful exporter of grapes.

In the above organisations, the membership base increasingly consists of small producers, mainly due to fragmentation of land over generations. Their voice in governance is therefore increasing. Shenoy lists several issues raised by members of MAMCOS in its decentralised shareholder meetings of 2010–11. Apart from seeking technical support and insurance against crop diseases, the members also sought follow-up on the campaign to overturn the ban on *gutka* (a mixture of chewing tobacco and betel nut). As a sign of social change, more than class, political affiliations increasingly determine representation of farmers in governance of these organisations. The challenge is to remain relevant to the membership base.

4.2.2 Organisations facilitated by external actors

Many large organisations studied by LN members feature external facilitators. Entities and persons, who are not formally a part of the local community, intermediate to build farmers' organisations. These intermediaries can be from civil society or private-sector agencies, or can be individual

professionals and state actors. The organising may happen after various periods of engagement with small producers. In the case of CSOs, the farmers' organisations may develop after initial interventions in farm-productivity enhancement come to fruition and effective marketing becomes crucial to sustain small-producer incomes. BAIF's work with Vasundhara Cooperative,³⁰ which processes mangoes, emerged after small producers began harvesting fruit grown on homestead gardens. PRADAN set up Masuta Producers Company Limited for tasar silk-yarn production, after tasar cocoon production went up. Organised yarn production was the best way to ensure better returns to cocoon rearers while also generating employment for other small farmers and landless households. Both BAIF and PRADAN are large professional organisations with relatively good access to technical support and financial resources; they work in a geographical area for long periods of time.

Widyastuti's work with organic cashew growers of Flores in Indonesia revealed that producers had never shelled and tasted the cashew they grew and exported in raw form. As a consultant, her responsibility was to backstop the group by telephone and by making regular visits to Flores. The transformation of Jatirogo from a self-organised advocacy organisation to a business entity was facilitated by a relay team of consultants, led by Widyastuti. The consultants operated under time and budget constraints, necessitating quick establishment of systems and processes with the client group. Organisations with strong external facilitation have achieved scale, but how far individual members' agency is enhanced, especially to manage the organisation to be central to their concerns, is harder to assess. These concerns are elaborated below.

4.3 Intermediaries

There are reasonable grounds to accept external facilitation to organise small producers around single or multiple commodities and for long-term (and evolving) backstopping for farmers' organisations. The motivation for intermediation is often expressed as a 'pressing need' (Shenoy, 2012; Widyastuti, 2011) to collectivise and survive in the market or to sustain households. LN Members identified several types of intermediary: enterprising farmers, professional market facilitators, NGOs, government agencies, other organisations of small producers, banks and extension arms of agribusiness firms. The facilitation process also profoundly influences the intermediary; a farmer or

30. Both Vasundhara and Masuta were documented by Arya and Asthana for the Learning Network.

trader aggregating for modern retail, using informal contracts with small farmers, needs the capacities to intervene at the input and output markets.

The transition of a social intermediary (CSO) to a business facilitator is a common thread across most cases. PRADAN, BAIF and LESMAN began as traditional CSOs working around rights, poverty alleviation, technical support and organising informal groups. The process of enabling better inputs for commodity production gradually forces the intermediary to transition into aggregation, seeking markets and eventually vertical expansion or networking along the value chain. Some intermediary organisations become active in advocacy once the intricacies of participating in new globalised markets become known.

The cases describe the gradual transitioning of support institutions from actual involvement in operations (such as grading, or running the internal control system (ICS)) to increased member involvement in these activities. However, in most cases, the intermediaries provide professional management of trading companies and centralised manufacturing units. Given the profile of small producers in some of these cases (low levels of schooling, language barriers – particularly in women who can be the majority of farmers in the village), certain intermediation functions may remain with outsiders. These may be embedded within small-producer organisations (such as the paid professional staff in Masuta), or an organisation may limit the scope of its participation in the value chain (Sri Devi) to suit current internal capacities.

This transition is a challenge for both the small producers and the intermediaries. Intermediaries from CSOs may allow concerns about fairness of trade to override their ability to enter business transactions and learn from them. While Widyastuti was backstopping Jatirogo during an actual negotiation with a buyer, she observed that ‘there was much talk about fair trade and unfair trade, but no trade ever happened’. Intermediaries may facilitate market access, but do not necessarily build agency deeply among farmers. The difficulty of incorporating formal systems, understanding conflicts of interest within emerging structures (Jatirogo’s committees) or compliance of member patronage in a cooperative (Sri Devi JLG) are dealt with iteratively, but the challenges may be beyond the abilities of intermediaries without access to legal and organisational consultants. The scales

achieved by Masuta and Vasundhara, supported by some of the largest NGOs in India, or CAMPCO whose members belong to regions with high levels of modern education, may not be easily achieved by individual small-farmers-turned-intermediaries.

Organisations like PRADAN and BAIF have long-term presence in an area, spanning decades, and are also active in driving national policy change, especially under integrated natural resources management.³¹ Their investment in building agency of small producers includes organising them in primary groups where members learn the intricacies of organisational management and creating enabling conditions to reduce their risks, such as soil and water conservation activities, which are key to sustaining livelihoods in rainfed drylands. Small producers’ organisations often evolve only years after initial organising. When governments attempt to promote small producers’ organisations, such intensive and long-term investment is rarely made, resulting in rapid expansion and die-back (as in farmers’ groups in Indonesia, cooperatives and SHGs in India). The Small Farmers Agribusiness Consortium (SFAC) explicitly recognises the need to build governance and management capacities in farmer producer organisations (FPOs), and suggests a budget for this purpose³² (SFAC, 2012).

Hybrid organisational forms are also emerging – in which small farmers hold shares in companies,³³ and private entrepreneurs invest in ventures of small producers (Masuta and EcoTasar). In Jatirogo, through an individual’s intermediation, two organisations transformed their roles: Jatirogo, from a farmers’ network that worked around advocacy to a business-oriented cooperative; and its facilitator, the NGO LESMAN, to a resource agency providing professional services in certification, developing internal control systems (ICSs) and replication to other areas. PRADAN, normally engaged in organising the poor into small SHGs and their federations for rights-based work, expanded into setting up production units, companies (Masuta) and joint ventures with private entrepreneurs to weave fabric (EcoTasar).

4.3.1 The embedded intermediary

Organisations like Masuta and Vasundhara compete effectively in the market, and change the market rules in their favour. Masuta, for instance, is the largest tasar-yarn producer in India and has essentially created the category of the organised

31. Personal communications, Deep Joshi, founder and former head of PRADAN and former director on MASUTA's board.

32. At INR 3000 per member per year for three years, equivalent to USD 200 at current (2012) rates

33. Farmers of Chetna Organic own 10 per cent of shares of Rajlakhshmi mills. See www.solidaridadnetwork.org/what-we-do/cases/rajlakhshmi-producing-responsible-fashion.

yarn producer. It owns a textile mill as a joint venture with a private entrepreneur, producing fine tasar fabric for the export and niche markets. Masuta and Vasundhara both feature careful design of membership and representation structures, from primary group to federation to producer company, with devolution of decision-making to appropriate levels. However, given the profile of members, the management of the company lies with professionals (such as the CEO), hired on behalf of members by the intermediary.

The CEO is both intermediary and manager, responsible for training members to govern their organisation while at the same time reporting to them. The small-producer members share governance roles with independent directors, many of whom are senior figures in India's development and banking sectors. The job of the embedded intermediary is therefore a difficult one – being a servant of his or her own creature. The small producers have greater scope for agency at the informal, primary group level, with probably reducing levels as they move to the formal end of their organisations.

4.3.2 The intermediary as an external chain-champion

Individuals and external institutions can facilitate farmers' organisations to link with specific markets. With Widyastuti's facilitation, the cashew growers of Flores³⁴ became the first small producers' group to receive organic certification in Indonesia. In Java, while small-producer advocacy organisation Jatirogo transitioned into an economic organisation producing crystal/granular coconut sugar, its facilitator LESMAN was also supported by Widyastuti to evolve into a technical service provider to set up internal control systems (ICSs) for organic certification in SP organisations. The time-bound nature of Widyastuti's assignment enabled Jatirogo to set up ICSs rapidly, and successfully prepare to apply for organic and HACCP certification for exporting coconut sugar, but was too short to restructure the organisation to avoid conflict of interests, or set up management systems and broad-based management skills among members. This resulted in conflicts, perverse incentives and malfeasance by staff, resulting in loss of membership, delayed payments to producers and loss of buyers.

Jatirogo essentially transformed from an advocacy organisation to a business organisation within a single year, and was able to ensure good returns to members. However, the marketing links were always provided by the consultant, something that Jatirogo

has not been able to build on very well, and was less successful performing on its own without the assistance of the consultant. According to Widyastuti, longer-term engagement is required to institutionalise all the required systems into such an organisation. While the consultant performed many tasks that helped in the transformation from political organisation to economic entity, there was some lack of clarity on for whose benefit the consultant was working, the cost of facilitation, and who supported it. In most similar market interventions, Northern cooperation agencies support these costs through the funding of development projects. What learning can be derived here on policy issues? Should investments necessary for transformations of producer organisations be made by the state or by the industry linked to the organisations that reduce their own transaction costs of procuring quality produce?

4.4 Lessons learnt: beyond intermediaries to internal leadership and expanded influence

From the cases studied by the Learning Network, it appears that organisations create room for individuals to act in ways that are beneficial to themselves and the collective. This is something that leaders cannot achieve when operating alone; organisations offer them a greater sphere of influence. While individual smallholders command little financial and physical capital, their collective social capital, strength of numbers and large aggregate volumes can give smallholders tremendous leverage in markets as well as social spheres. They can gain social respect and confidence, and this in turn enhances their agency, as documented in the LN cases.

For those in positions of leadership and governance in small-producer organisations, the presence of the base of members legitimises the expression of agency on their behalf. Small-scale farmers' leaders like Mr Hendrastuti in Jatirogo, Mr Raju in Sri Devi JLG Welfare Society, and Mr Gangaben in Vasundhara, come into direct contact with key market players, visiting dignitaries and policymakers, and are consulted by others. For the nominal/ordinary member it may seem sufficiently profitable to comply with the requirements of membership, such as patronage and meeting participation, and entrust the organisation into the hands of the representatives. Ensuring the accountability of leadership of small-producer organisations towards promoting the agency of members, however, remains a challenge.

34. Jatirogo and the cashew growers of Flores are experiences of LN Member Widyastuti.

Small producers and policies: no place at the table

Asian countries have positioned the concerns of small producers in ways that reflect their own particular political contexts. In China, where 98 per cent of farms are small-scale due to state policies, the interests of small producers are represented by the state itself. While China has laws to protect the tenure of small producers, conflicts over land transfers are increasing. While strong farmers' lobbies exist in India, their voices are disparate, not necessarily representative of small farmers and are not always formally included in policymaking. The state and CSOs attempt to include small producers' voices in policies. It is somewhat similar in Indonesia. All things considered, the position and participation of small producers in the arena of policymaking is absent at best. In the words of Vivekanandan, CEO of the South-Indian Federation of Fishermen's Cooperatives, '[artisanal fisherfolk] are considered as a welfare category; cooperatives are channels for state schemes with neither member control nor business orientation' (Vivekanandan, 2007).

The dynamism that small producers express in the economic sphere does not translate into political voice, except sometimes in the micro-context. For the Knowledge Programme, the challenge was to explore how the legitimate and diverse voices of smallholders could be represented in national and regional policies. The drastic changes in societal structures in Asia, including markets, and the emphasis on urbanising and industrial growth has severely marginalised agriculturists, and smallholders in particular. Land acquisition or land alienation by state and private-sector actors is increasingly being met with by protests that take a violent turn across the continent (*Economist*, 2012; Bidwai, 2006; Asian Human Rights Commission, 2012). The state response has been apparently automatic – suspension of projects, state violence and announcement of palliative measures. Any modifications to policy have again not adequately considered small-scale farmers' views.

5.1 Contours of policy blindness

Nation states generally make policies for agriculture from a production and productivity point of view, and take a sectoral approach. There is little policy that recognises the specificities of smallholder farming. In India, despite longstanding criticism of the government's past policies for farming – especially the neglect of

small producers, women, dryland farmers and the privatisation of agriculture extension³⁵ – the mainstream approach remains blind to these realities. The term 'farmer/small producer' is conflated with 'poor', for whom there are several entitlements. While women have been organised in large numbers in informal SHGs, men are mostly dealt with as individuals, their space within formal organisations having shrunk with the large-scale failure of cooperatives.

The New Agriculture Policy (NAP, 2000) in India, with its stated goals of growth, sustainability, efficiency and equity, does not state the specific needs of smallholders, continuing its focus on input-based, capital-intensive agriculture, assuming scale-neutrality of interventions. With the public extension services underfunded, understaffed and oriented towards Green Revolution technologies, activists working with small farmers accuse key institutions like the Indian Council for Agriculture Research (ICAR) of being laboratory-oriented and preoccupied with signing bilateral agreements with international research institutions and funded by agribusiness, thereby supporting the transition to large-scale corporate farming (Satheesh and Kohli, 2008).

5.2 Industry representing farm issues

The Indian National Skills Development Mission (Gol, Ministry of Labour, 2009), with its focus on preparing young people with vocational skills and increasing their employability, assumes the need to shift people away from farming. It is not only farmers who are not represented in this Mission, the Ministry of Agriculture is not a constituent member, even though farm-based skills are in its ambit. The lack of a unified approach to supporting farmers in accessing the market is evidenced by schemes and responsibilities distributed across departments of agriculture, horticulture, forest, revenue, commerce and industry, food and civil supplies, and finance. Interventions along the value chain require interacting with these various structures, adding to their complexity. Similarly in the Working Group on Agriculture Marketing Infrastructure and Trade, on which LN member Sanjeev Asthana is also an industry representative, only 2 out of 41 members represent farmers' groups, the rest coming from the government, academia and industry (Planning Commission (Gol), 2007).

35. See the Planning Commission's Working Group report on Agriculture (Planning Commission (Gol), 2012).

Box 1. Indian smallholders – the history of exclusion

India has experienced strong conflict between divergent visions for its future, though not expressed as violent revolutions (such as in China) at the time of Independence in 1947. India's most important leader, Mahatma Gandhi, had a very radical view of India's future as a collection of self-reliant village-republics (*Gram Swaraj*), agrarian, communitarian and based on simple, human-scale technologies. His protégé, Jawaharlal Nehru, the first Prime Minister, saw a centrally-managed industrial future for India. It was Nehru's ideas that were finally implemented for the country, as Gandhi, the only potential opponent of industrialisation, had been assassinated in 1948. The path for India's agricultural development, as detailed in successive Soviet-style Five Year Plans (FYPs), was in developing large irrigation infrastructure³⁶ and introducing external inputs on farms; the path to industrialisation led to large state-owned industries for steel, cement and machine tools and elite engineering schools. Outlay for agriculture reduced with successive FYPs. The aim was to transform India from '(agrarian) primitivism to (industrial) civilisation' as happened in Japan (Guha, 2008: 204). This worldview effectively removed the voice of small farmers from the policymaking space. Any interventions on their behalf were planned and mediated by the Western-educated elite and wealthier interests, while small producers would be 'beneficiaries'. Even today, the focus on agriculture is often reduced to populist measures like debt waiver, free electricity and subsidised fertilisers, which tend to benefit large farmers.

While organised retail is growing in India, the retreat of public-funded extension and its replacement by the private sector has raised genuine concern about the potential inclusiveness of these new markets. Contract farming arrangements have worked in several cases, but small farmers would need some degree of protection from risks (Singh, 2002). Globalisation of markets in India has increased small producers' exposure to volatilities of the global market. For example, the reduction in import duties on Chinese silk (from 45 to 5 per cent) has effectively destroyed an ancient sericulture sector in many parts of India. The increased rates of farmer distress and resulting farmer suicides are mostly in sectors for globally-traded commodities (cotton, spices). The state response has not been clear, other than a loan waiver that benefited only those who borrowed from banks, while the source of indebtedness was predominantly informal. Distress among pepper growers has been recorded in both India and Indonesia.³⁷ In signing of Free Trade Agreements (FTA) with the European Union (EU), India has foregone the right to negotiate subsidies to EU farmers, while opening up its own markets. The stated move towards encouraging agricultural diversity in India is countered by increasing agribusiness funding of agriculture research in universities,³⁸ which would be in a limited number of tradable commodities.

5.3 Small farmers and policymaking

There are a few examples of farmers' organisations attempting to introduce or influence policies, but these are spearheaded by the better-off among the membership. Cooperatives like CAMPCO and MAMCOS in Western Karnataka, studied by LN member Shenoy, have tried to influence favourable policies around the cultivation and sales of areca nut, considering that there is an impending ban on chewable tobacco-areca mixtures due to their possible carcinogenicity. However, large external intermediaries like PRADAN and BAIF have now built up considerable experience in designing and operating companies of small producers, and are active in influencing the government to tweak laws to enable easier participation of small producers and their informal groups. This has resulted in the Small Farmers' Agribusiness Consortium, a government body, taking on the role of replicating producer companies on a large scale. In Indonesia, the success of Jatirogo in exporting coconut sugar, and the media coverage and increased interactions between policymakers and Jatirogo's members, is enabling procedural improvements in government programmes. This further enabled LN Member Widyastuti to take up increased policy work through her current position in the Benelux-Indonesia Chamber of Commerce.

36. Nehru termed the dams the 'temples of modern India'.

37. *The Ecologist* (25 January 2011) *Special Report: Pepper – How our favourite spice is tainted by a deadly legacy*. See www.theecologist.org/News/news_analysis/1217570/pepper_how_our_favourite_spice_is_tainted_by_a_deadly_legacy.html (accessed 9 February 2012).

38. Indo-US knowledge initiative (Satheesh and Kohli, 2008).

5.4 Economic and political agency

The tendency of state and most CSO interventions has been to ameliorate the economic condition of small producers, by facilitating efficient production and links to markets and sometimes mechanisms to hedge risks. Even this has been hard to achieve. Where indeed small producers have achieved scale and good returns to farming, especially through their organisations, it is not yet clear whether they have been able to change the rules of the game. A few organisations of small farmers are engaged in advocacy around land rights, seed sovereignty and anti-globalisation issues, mostly facilitated by CSOs³⁹ (Satheesh, 2005), but these organisations face political hostility. To sum up, there is little evidence of small producers influencing policies in their respective countries; economic agency need not translate into political voice. The few initiatives in which small producers can gain political voice have often been captured by intermediaries and local elites (as happened with SHGs in India).

The state in China assumes the space for representing small producers' interests, as there are no independent organisations outside the party or the state. In India, big farmers' unions (wheat, sugarcane and rice, mainly) act as lobbies and are an important voting bloc. The agricultural policy is based on the provision of subsidised inputs – fertilisers, free electricity for irrigation, farm loan waivers, low-interest credit, minimum support prices for commodities and targeted insurance schemes. Many of these are not appropriate for rainfed farms or small farmers, and a variety of barriers prevent their access. Policy change has sometimes been facilitated through direct interactions between policymakers and small-producer organisations who have achieved critical breakthroughs in value chains. This may help in bringing incremental changes to policies and procedures in governments, as in the self-help group programme in India or the Jatirogo Cooperative in Indonesia. These examples are few however, and present clear opportunities for work by farmers' organisations and others representing their interests.

5.5 Lessons learnt: how small-scale farmers work the markets

The scope of exploring the agency of a small producer in a globalised market is far-reaching. To arrive at a consensus on the nature of a farmer's agency may be impossible, given that the ideological posturing between champions of the free market and activists of food sovereignty is opposed and perhaps hardening (Patel, 2008). However, the Knowledge Programme and the studies carried out by the Learning Network members have showed that small-scale farmers have the capacity and are playing their own game. They are taking advantage of the interstices of available policies, programmes and ideologies, mediated by a range of actors from the state and from private- and civil-society sectors. The future may witness a scale of organising of small producers never seen before, but certainly in ways and forms that may not fit the 'cooperate to compete' scheme of most external players. However, many questions and challenges remain.

Through the lens of small-scale farmers' agency, the explorations of Network partners have produced several interesting findings about institutional arrangements of organisations, especially the bridging of informality and formality and the role of the intermediaries. While partly confirming the belief that small producers are not adequately covered in the policy ambit for agriculture, the studies have been unable to establish positive linkages between policy pronouncements in India and the promotion of better conditions for small producers' participation in markets. In China, the future of farming is at stake, given its rapidly transforming demographic profile. Indonesia, with its rapidly shrinking holdings and high rates of farmland conversion, faces questions about the viability of smallholder farming.

With increased levels of formal education and exposure to participation in modern markets, even small farmers are playing the role of intermediaries, linking other farmers to the formal end of the globalised markets. However, scale and influence over the market is achieved through large organisations and networks of small producers' organisations working on both production and marketing aspects of value chains. Intermediation at such a scale is currently the preserve of intermediaries with breadth of outreach and depth of engagement with both markets and smallholders. While such organisations are

39. The campaign to include millets in the Public Distribution System is an example (Millet Network of India. See www.milletindia.org).

few in number, there are signs of consolidation of learning on intermediation processes, and greater collectivisation of small producers is to be expected in future. Further explorations on the agency of small producers need to answer more questions of immediate and long-term horizons, as well as understanding individual agency within organisations for collective action.

If the concern is to support smallholders' own agency in Asia in order to obtain benefits from markets, a bridging of policies, institutional forms and informality is required. Bina Agarwal attempts to answer the question, 'Why should agricultural production collectives succeed today, when most did not historically?' Lessons for the future of small producers' organisations may derive from the experience of working with informal groups. Individual agency and collective action of small producers are enhanced by designing organisations around principles of volunteerism and affinity,

participatory decision-making, peer-implemented sanctions and equitable benefit-sharing – all of which are present in the informal sector.

Intermediation can derive from the growth of civil society actors (even small producers), motivated by the desire for social transformation and not merely facilitating shallow links to modern value chains. The base for this organising could derive from the prior existence of informal groups, with whom an explicitly agricultural agenda could be built. Certainly, informal arrangements can work well for small farmers to sell and/or buy individually or collectively in markets. But this form of organisation may not be the best when it comes to influencing policy decisions that set up the rules of the game. Spaces for farmers' organisations to have their say in policies may exist, unlike the capacity of such organisations to argue with the sound analysis and supporting evidence that may give them more bargaining power.

Discussion and conclusions

6.1 The Asian story: insights from India, Indonesia and China

Despite the growing noise around formal markets, most of the economic activity of small farmers remains in the informal sector and geared towards local consumption. As case studies from India and Indonesia show, the formal participation of small producers in organised retail and markets is backed by networks, structures and support derived from traditional and informal systems and relationships. Small farmers read market signals in ways appropriate to their circumstances and respond with multiple livelihood strategies including sometimes quitting farming entirely. They employ migration for wage labour, begin multiple on- and off-farm activities, rent land and in many cases engage in limited collective action. A range of intermediaries drawn from the state, fellow farmers, traders, civil society/ social entrepreneurs and specialised organised private-sector agents are active in linking small farmers to new markets (such as organised retail or export markets) and in moving their participation up value chains.

The nature of small producers' organisations is also diverse in Asia – from state-sanctioned cooperatives in China, formal cooperatives, companies, and new hybrid organisations melding formal with informal structures such as new-generation cooperatives and producer companies in India (in which informal producers' groups incorporate as shareholders of the company). The organisational arena is dynamic, and is helping many small producers to access formal markets while retaining some of the flexibility and familiarity of the traditional and informal sector. Intermediaries with different ideological compulsions, such as those focusing on market-based or rights-based approaches to supporting livelihoods of farmers, and even food-sovereignty-oriented movements, have applied similar organising principles to build small-farmer agency. Farmers' organisations are often formal federations or collectives of several local informal groups. In Indonesia and India, market intelligence, technological inputs and interface with players like certification agencies and importers are provided by more educated and enterprising farmers or specialised professionals and support agencies, which are often offshoots of civil society organisations (CSOs). Cases studied by Learning Network members in India and Indonesia show that increasing complexity in farmers' organisations is invariably creating pressures on CSOs to be hands-on in markets.

In Asia, small farmers do not represent themselves in the policy space; the state, civil society actors and the private sector have assumed the responsibility to represent alleged smallholder interests and translate them into policy. The dynamism of small-producers' agency observed in markets and organisations is therefore unrepresented in policy responses and spaces available for smallholders to influence at national and global levels. Small producers' concerns are often conflated with those of better-endowed, larger farmers. At the same time, small farmers are often viewed paternalistically as poor, powerless and illiterate, and therefore as beneficiaries of poverty-alleviation programmes and sometimes as a sector best left to fade away. However, in Asian economies where the policy impulse is to shift the population towards secondary and service sectors, the food-price rises and increasing conflict over farmland transfers to industry and development have kept the small-producer question alive. The concern expressed by the Chinese Premier, Wen Jiabao on 'quality growth' (Jia, 2012) and the inability of the Indian government (partly due to the inevitable constraints of coalition politics) to allow foreign direct investment (FDI) in the retail sector highlight these compulsions.

Widespread and long-term constraints and pressures on smallholder farming include poor perception of farming as a vocation, labour shortages, rising input costs, persistent indebtedness, aging and feminisation of the workforce, shrinking landholdings, low returns to tropical export commodities and land degradation. There is little evidence that such concerns have been adequately considered from the small-scale farmer perspective in Asia. The full impact of the current economic downturn and of climate change on farming in general and smallholders in particular have not seen concrete action for the long term. Key learning from the Knowledge Programme has highlighted the importance of informal mechanisms and arrangements by which small producers make markets work for them, despite their different asset limitations.

This understanding can inform policies and business interventions better adapted to the small-scale farmers' realities and aspirations. Organising smallholders in economic structures remains a challenge, but there are grounds to believe that the breadth and depth of organising is reaching unprecedented levels, and best practices are being institutionalised into policy in some countries.

Box 2. Common features across Asian case studies

The studies of the Learning Network on Small Producers' Agency in Globalised Markets in India, Indonesia and China synthesised in this paper demonstrate some commonalities. These include the concern for small producers, and the recognition that markets – informal and formal, domestic or global – could possibly exclude them. This points to the need for policymakers or external support to understand small-scale farmers as economic actors who are managing benefits, costs and risks and developing different strategies despite their asset constraints.

If supported and improved, rather than overlooked or fought, the informal ways in which small-scale farmers trade in their markets could provide for smarter policies and business interventions. Certainly, the divergence of approaches is symptomatic of the political conditions in different countries. China's preferences seem to indicate a state-led creation of conditions under which small farmers could produce for the market, which is one of the most liberalised in the world. Indonesia's policy sphere is increasingly oriented to market development led by the private sector, after the failure of state-led cooperatisation of farmers. India's case shows a range of approaches, some of which contribute to increasing smallholder agency. However for these approaches to be scaled up to reach large numbers of smallholders requires investment and support from both the state and markets.

While organised small producers seem to be benefitting economically in several cases studied by the Learning Network, these organisations and intermediaries may not necessarily build smallholders' agency. Economic agency need not translate into political agency. The biggest gap is not only the legitimate space and representation of smallholders in the policy sphere or the representation of their concerns by external actors, however well meaning. Rather, it is the lack of capacity of small-scale farmers' organisations to argue and thus increase their bargaining power. Asia's small producers constitute about a quarter of the human population, which makes the question of their agency of great consequence.

6.2 Future research needs

Two important knowledge gaps are identified from the analysis in this paper, as explained below.

6.2.1 Degrees of marginalisation among small producers

Small producers include high proportions of women and other vulnerable groups like indigenous communities, tribal groups, those with unclear land rights, forest users, and nomadic pastoralists. There are concerns about increasing feminisation and aging of farmers, and large-scale land transfers to investors and state interests.⁴⁰ What is the nature of farm production of these people, and what does farming represent in their large portfolio of economic

activities? What constitutes agency for these groups and how they take decisions? How are they represented within small producers' groups and how do they adopt different forms of organisation? How much are their products in demand in domestic and overseas markets? The food security, assets and income strategies, and the different vulnerabilities of small-scale farmers need to be meaningfully mapped and projected against expected demographic, ecological and economic trends.

6.2.2 The emerging role of intermediaries

The role of the intermediary is understood from what has been experienced in several initiatives around Asia. Further explorations are needed to understand changing power relations between an intermediary and small producers during the evolution of small-producer economic organisations. The implications of this for levels of agency of the small farmer is becoming increasingly important. While external facilitators like CSOs are important in linking small producers to supply chains, they could stand accused of further aggravating relationships of dependence on global markets where terms of trade for commodities are falling.⁴¹ Some intermediaries believe that linking farmers to buyers should consider self-reliance of farmers and that shorter value chains and servicing local markets are more effective and appropriate here than reaching distant markets through agribusiness corporations.⁴²

40. Bina Agarwal terms them privatisation and statisation (Agarwal, 1994).

41. See IIED/HIVOS Provocations (www.youtube.com/watch?v=X6UMlylHulM&feature=relmfu).

42. Personal communication, G.V. Krishnagopal, ALS, Secunderabad.

A broad-based understanding of intermediation needs to look at reality in markets and how small-scale farmers and their organisations make their choices. A range of organisations is contributing new insights: large actors with a significant domestic footprint, like dairy cooperatives in India; those with global coverage such as Chetna Organic Farmers Association(COFA),⁴³ which works in the organic cotton value chain; organisations like the Deccan Development Society that choose not to join global markets; or more local cases like Jatirogo or Bimanddiri in Indonesia, showing how and when they decide to engage in high-value chains. These organisations can describe the processes and pressures during their evolution and transition from working

with the poor to market facilitation.⁴⁴ How their interventions influence market conditions, policies and external interventions that support small producers and how they position themselves between a market- and rights-based approach to support smallholder livelihoods could inform the future of such intermediations. The role of intermediaries in claiming a policy space on behalf of small producers, and the legitimacy of their role and impact, requires further study. Mapping the tensions of articulation of small-producer interests by intermediaries and the state⁴⁵ against farmers' movements, coalition-building for small farmers' interests, and state and private-sector preferences and responses to these initiatives would inform the future of the discourse.

43. See www.chetnaorganic.org.in.

44. Some leads needed for Indonesia.

45. Especially in China.

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Knowledge Programme

Small Producer Agency in the Globalised Market

The Knowledge Programme Small Producer Agency in the Globalised Market aims to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. The programme works with different actors to bring new voices, concepts and insights into the global debate. It thereby seeks to support the development community, including policy makers, producer organisations and businesses in their search for better informed policies and practices. The programme is led by the Humanist Institute for Development Cooperation (Hivos) and the International Institute for Environment and Development (IIED), and integrates a global learning network, convened by Mainumby Ñakurutú in Bolivia.

Small-scale farmers' decisions in globalised markets: Changes in India, Indonesia and China

There are some 435 million small-scale farmers in Asia, most of whom cultivate land parcels of less than 2 hectares for subsistence and require other livelihood activities to sustain themselves. However, small-scale producers are subject to the influence of globalised markets for their inputs, choice of crops, quality parameters and price. This document synthesises the findings and draws lessons from case studies by the Knowledge Programme's Asia Network Members in India and Indonesia and a commissioned paper on changes in China. It also draws on other material and learning from the programme globally and on a literature review and secondary research relevant to Asia. The document highlights the diversity of situations among small-scale farmers with regard to markets and economic organisations and the disconnects between policies and realities. The findings challenge conventional wisdom. Far from current views of small-scale farmers as permanent victims or beneficiaries of external interventions, it sheds light on how, despite their many asset constraints, small producers in Asia are dynamic economic actors trying, through innovative methods, to make markets work for them. Looking at where they are rather than where many would like them to be will certainly contribute to better-informed policies and interventions.

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