



Going organic: an attractive alternative for small farmers?

The adoption of organic agriculture among small farmers in Latin America and the Caribbean

Definitions of organic agriculture are hotly debated but most agree that it involves using biological inputs instead of synthetic chemical inputs. Organic approaches include soil conservation, crop rotation, the use of green manure and rely on low-cost technology, local resources and traditional knowledge. The thematic evaluation examined the experience of seven small-farmer associations in six countries (see map) in Latin America and the Caribbean, which have successfully adopted organic farming techniques and succeeded in marketing their products.

The falling prices of conventional crops have jeopardised the economic feasibility of small farmers in developing countries. Organically-grown products, on the other hand, fetch a significantly higher price and offer a viable alternative. There has been a dramatic growth in global demand for organic produce especially in the European Union, United States and Japan, a demand that is growing more quickly than for other food products. Non-government organisations in Latin America and the Caribbean have pioneered the adoption of organic farming by small farmers by promoting the use of local resources and non-chemical inputs and advising farmers' organisations on marketing techniques. In the seven cases studied (see box), small farmers now dominate organic production and most organic producers are small farmers. Clearly, IFAD needs to tap into the key role that small farmers are playing in organic production.

Key issues arising from the evaluation include:

- **Projects intending to promote** organic agriculture need to focus on the challenges facing small farmers such as security of land tenure, access to labour and the extra costs involved (such as certification). Farmers will also need support during the transition period, for 2 to 3 years after switching from conventional methods, when they will be at their most financially vulnerable.
- **Farmers' organisations** support farmers in marketing, disseminating new technologies and monitoring compliance with organic methods of production. They in turn will need support from donors, NGOs and government agencies including short-term financial backing for certification costs and training in particular, as farmers make the transition from conventional to organic methods.
- **There is a need to strengthen** the capacity of farmers' associations to deal with marketing issues and negotiate long-term agreements with buyers either directly or indirectly through marketing associations and processing firms.
- **Legal and policy frameworks** are currently biased towards conventional agriculture. Projects wishing to promote organic agriculture need to encourage governments to create a policy environment more favourable to the adoption of organic agriculture by small farmers.

Case Study Data

The evaluation examined seven cases in Argentina, Costa Rica, the Dominican Republic, El Salvador, Guatemala and Mexico where small-farmer groups had been successful in adopting organic technologies and in marketing their produce. The study covered over 5,100 small farmers each with about two hectares of land. Each country had different policies towards organic agriculture and the institutions dealing with organic farming were at different stages of development. In addition, the diverse products, coffee, banana, cacao, vegetables, sugar cane and honey, posed a range of technical and marketing problems. Three cases consisted of farmer organisations working with IFAD projects; four involved indigenous communities; six dealt with organic products sold mainly in the European Union and United States, whilst El Salvador included products sold domestically.

Focus on Impact

The shift to organic production has led to higher net revenues for all farmers studied by the evaluation. The different prices paid in 2001 for organic and conventional produce varied from 22.2 percent paid to banana producers in the Dominican Republic to 150 percent paid to cacao producers in Costa Rica. Organic farming reduces health risks, as farmers no longer handle toxic chemicals. Indeed, the whole community benefits as farmers practice erosion control, soil fertility and biodiversity increasing the chances of a less-polluted environment. Sustainability depends however, on farmers' ability to maintain similar or higher yields and on future price fluctuations. If organic agriculture expands too rapidly, it will have a detrimental effect on small farmers who will be hit by falling prices. Organic production should be promoted as one of several options for farmers to diversify, reduce risk and increase productivity and income.

Shifting to organic farming

Evidence suggests that resource-poor small farmers have a comparative advantage over larger-scale producers in that they already face the right conditions to make the shift to organic production. Given their financial constraints, small farmers are more likely to farm organically by default: unable to afford costly chemical inputs their soil is likely to be better quality. For small farmers to succeed at organic farming, certain pre-conditions are essential. Secure land tenure is vital: farmers are unwilling to invest time and effort in conservation measures that only bring long term returns, if tenure is insecure and short term. Landowners are equally fearful that they will be unable to evict tenants if they have improved the quality of the land. Projects need to support the idea of long-term rental contracts for small farmers and encourage landowners to back organic farming methods and land conservation in general. In addition, good quality soil will enable farmers to achieve and maintain fertility levels more easily using organic techniques and meeting stringent organic certification requirements will be less of a challenge. Access to (family) labour is another decisive factor given that organic farming is labour intensive (manual control of weeds for example).

Collective efficiency

The evaluation findings show that farmers' organisations will make or break the success of small organic farmers. They allow farmers to take advantage of economies of scale through collective marketing; buyers are far more willing to deal with associations rather than a plethora of individual farmers. Farmers' organisations provide training in the basics of organic production and promote the adoption of new technologies amongst small farmers. They help monitor compliance with international standards of organic farming, reducing certification costs for individual members and certification agencies that only have to carry out sample

inspections rather than of all farmers. Providing support for farmers' organisations is crucial although far from easy: organic produce from developing countries is often sold abroad where compliance with quality standards and punctual delivery is essential; export delivery channels are often complex; and certification can be expensive (farmers in Guatemala paid 1.5 percent on their coffee prices; in Costa Rica it was 4 percent on cacao prices and in Argentina 4.4 percent on sugar cane).

Marketing organic produce

Worldwide sales of organic produce in 2000 were estimated at USD 19.7 billion, although prices may decrease as supply increases or new consumers come on board who are less willing to pay high prices. The most important organic exports are the traditional ones from Latin America and the Caribbean such as coffee, bananas, sugar cane and cacao that are mostly unavailable in industrialised countries. The evaluation found that small farmers have a market niche and are prominent in organic production in all the countries in this study except Argentina. In Mexico small farmers in 2000 represented 98.6 percent of all organic producers; in Guatemala they account for most of the 5,000 organic producers; whilst in the Dominican Republic they represent nearly 90 percent of organic producers. Small farmers lack marketing skills, however. Buyers prefer to negotiate with farmers' associations where production and delivery is coordinated rather than with individual farmers. Some associations have formed contracts with marketing or processing firms in Argentina (sugar cane), the Dominican Republic (bananas), Guatemala (coffee) and Mexico (honey) who then sell the produce to foreign buyers. In Argentina and the Dominican Republic, the relationship between farmers' associations and marketing firms is strong with contracts that entail not only marketing but also the provision of technical assistance and credit. Direct contracts with foreign buyers were the most successful, whilst long-term contracts provide a safe market and stable prices.

Promoting policy change

Macroeconomic, agricultural and trade policies are frequently biased towards mechanisation and the use of chemicals, through subsidies on imports of agricultural machinery and inputs. Government policies and institutions dealing specifically with organic agriculture have played a marginal role in the emergence of organic products in general and in the success of small organic producers in the cases studies in particular. While this evidence suggests that specific policies and institutions may not be necessary, it is important to support their development. Importing countries, mainly the European Union, are increasingly demanding that organic products are produced and certified according to common standards. In addition, national laws and regulations make possible the lowering of certification costs faced by small farmers, as they lead to the establishment of national certification firms. Appropriate laws and institutions also provide protection to small producers and exporters of organic products in case they encounter problems in foreign markets. Equally, they are essential in international negotiations with governments to open up access to foreign markets ■

Further information

The Adoption of Organic Agriculture among Small Farmers in Latin America and the Caribbean Report #1337, April 2003. Office of Evaluation, International Fund for Agricultural Development, Via del Serafico 107, 00142 Rome, Italy. The Profile and the full report (in English and Spanish) are on line at www.ifad.org/evaluation; email m.keating@ifad.org; telephone +39 06 5459 2048