



## Feed the Future Country Fact Sheet

Online Version: <https://www.feedthefuture.gov/article/investing-africas-smallholder-farmers>

## Investing in Africa's Smallholder Farmers



USAID/AgriFUTURO

Women prepare peanuts grown in Nampula, Mozambique, for consumption.

Recently, an idea has circulated that there is a fundamental contradiction between President Obama's model for African agriculture and the model set out by the distinguished Africa Progress Panel (APP) under Kofi Annan's leadership. As head of the USAID Bureau leading a major part of the President's Feed the Future initiative, an unprecedented effort supporting smallholder agriculture, nutrition and food security, I would like to present a differing opinion.

The argument assumes that the G8's [New Alliance for Food Security and Nutrition](#) is meant to bring what has been called "giant agribusiness" into Mozambique. The New Alliance is actually about increasing the financial resources, technical capabilities and access to markets and new technologies required to help smallholder African farmers become successful, grow more food, increase their incomes and thereby help lift 50 million people out of poverty.

Why is Feed the Future's approach focused around helping smallholder farmers? Evidence in poor countries from around the world demonstrates that smallholder agriculture can be more efficient than large farms, and that investment in improving smallholder agriculture is the best way to create income at the grassroots level, generating demand for goods and services that create a broader base of jobs and incomes in rural areas.

Creating these opportunities for smallholder farmers—giving them the means and technologies to move into 21<sup>st</sup> century, high-productivity farming—requires the investment and market savvy that the private sector brings to agriculture. We have learned from experience and recognize that private sector entities—as suppliers of agricultural inputs, buyers and processors of agricultural products, marketers of finished commodities, and sources of beneficial new technologies—must be front-and-center in any sustainable approach to improving the opportunities and incomes of Africa's smallholder farmers.

Involving the private sector also contributes to solving another problem: inadequate investment in Africa.

Despite the US\$1 billion in annual support that the president has provided for smallholder agriculture since 2009, donor funding cannot and should not be the primary source of funding for Africa's economic growth, a point on which Annan's Panel agrees. At best, donor resources are only catalytic, paving the way for sustained and responsible private investment. The APP and [President Obama](#) are both concerned about increasing the pace of private investment to contribute to the growth rates required for sustained poverty reduction in Africa.

One early result of the New Alliance is commitments by private companies (including Cargill and 47 other international and African-owned companies) to more than US\$3 billion worth of new agricultural investments in Africa. Some of these are American and international multinational firms, all of whom have committed to the spirit of the Principles of Responsible

Agricultural Investment and the U.S. Government-chaired [FAO Voluntary Guidelines on Tenure of Land, Water, and Forestry in the Context of Food Security](#), but many of them are also local companies of varying size, not “giant agribusiness.” Of the companies investing in land, the primary model is using a smallholder contract farming or outgrower model. Further, all companies in the New Alliance have committed to working with smallholder farmers, with current targets of reaching at least four million farmers.

Agriculture is a complex and risky undertaking. For that reason, many private firms don’t feel comfortable investing in African agriculture, as opposed to other economic opportunities. The ability of the G8, under President Obama’s leadership this year, to leverage \$3 billion in private investment into the sector should be the beginning of the much greater investment that Africa needs to achieve the growth targets of the African Union and the APP and to reduce poverty.

However, we do agree there is potential danger of smallholder farmers losing out from careless, poorly planned investment and the need for rigorous safeguards, and we will work hard to ensure fairness and a laser-like focus on improving the lives of smallholder farmers. But President Obama’s approach, the G8 New Alliance, and the APP under Annan’s leadership are not in disagreement. All three agree that the private sector can bring to bear investment, technologies and innovative spirit to benefit Africa. This will help create the opportunities, access and markets that Africa’s smallholder farmers must have in order to thrive and grow, and will establish the basis for even faster growth and higher incomes.

We must support and embrace responsible private-sector investment in African agriculture in order to achieve these goals as soon as possible.

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