



Image: Century Cooperative & Credit Society

The cost of exclusion:

How leaving smallholder farmers behind could disrupt global and EU markets

Background Paper

Disclaimer

This document is not an exhaustive report on the role of smallholder farmers. It provides a brief overview of their contribution to the global market, particularly in key commodities. For a more in-depth analysis, readers are encouraged to consult specialised studies and additional resources that explore this topic in greater detail.

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Executive summary

Smallholder farmers produce 46% of the world's food on just one-third of the world's agricultural land.[1] These farmers, typically operating on two to five hectares of land, are key contributors to global food production, including vital commodities such as rice, peanuts, coffee, cocoa, bananas, and tea.[2] Despite their pivotal role in feeding the world, smallholder farmers remain among the most vulnerable populations, often experiencing food insecurity and forming the majority of those living in poverty. Supporting smallholders to improve their incomes and livelihoods is essential for building sustainable food systems, strengthening global food security, and achieving the Sustainable Development Goal of Zero Hunger.[3]

The European Union is a significant destination for smallholder-produced goods, importing large quantities of commodities such as cocoa, coffee, and bananas. Over 90% of global cocoa[4] is grown by smallholders, fuelling Europe's chocolate industry, while small-scale farmers produce 73% of the world's coffee[5] and 75% of its cotton.[6] However, smallholders face numerous challenges, including limited market access, inadequate financial resources, and insufficient infrastructure. Climate change exacerbates these vulnerabilities, leaving many smallholders without the tools or capacity to adapt to increasing climatic risks.

This paper highlights the importance of safeguarding small-scale farmers in global supply markets. Protecting smallholders requires addressing systemic barriers while leveraging their contributions to sustainable agriculture. These farmers are crucial in preserving biodiversity and employing agroecological practices that protect ecosystems and mitigate climate change. However, without targeted interventions, their exclusion from modern supply chains risks undermining global food security, destabilising rural economies, and weakening agricultural resilience.

Empowering smallholders demands a coordinated response from policymakers, businesses, and international organisations. Promoting fair pricing, improving access to financial services, fostering inclusive trade policies, and investing in capacity building is critical to ensuring long-term stability and resilience. By addressing these challenges, global actors can help secure sustainable food systems that benefit smallholders, consumers, and the environment.

Introduction

According to the Food and Agriculture Organization (FAO),^[7] a smallholder farmer is typically defined as someone who owns or manages a small farm, usually cultivating a relatively small plot of land. These farmers often rely on family labour and produce various crops or livestock primarily for subsistence, with some surplus for local markets or to be traded.

The size of land considered "small" can vary by country and region. Still, it generally refers to farms smaller than industrial or commercial farming operations, typically less than 2 hectares in many developing countries.

Smallholder farmers play a critical role in global agricultural systems, especially in developing countries, where they form the backbone of rural economies. Their roles are multifaceted and include:

1) Food Production: Smallholder farmers produce much of the world's food, particularly staple crops like rice, coffee, cocoa, bananas, tea, peanuts, potatoes, maize, etc. It is estimated that smallholders account for around 70-80% of the food produced in developing regions.^[8]

2) Poverty Alleviation: Smallholder agriculture is a key driver of poverty reduction. By providing livelihoods for millions of people, particularly in rural areas, smallholders are vital in reducing food insecurity and improving economic stability.^[9]

3) Biodiversity and Sustainable Practices: Many smallholder farmers practice more biodiverse and sustainable agricultural methods than large-scale industrial farmers. They often grow multiple crops, use organic fertilisers, and rely on traditional farming knowledge that can be more resilient to environmental challenges like climate change.^[10]

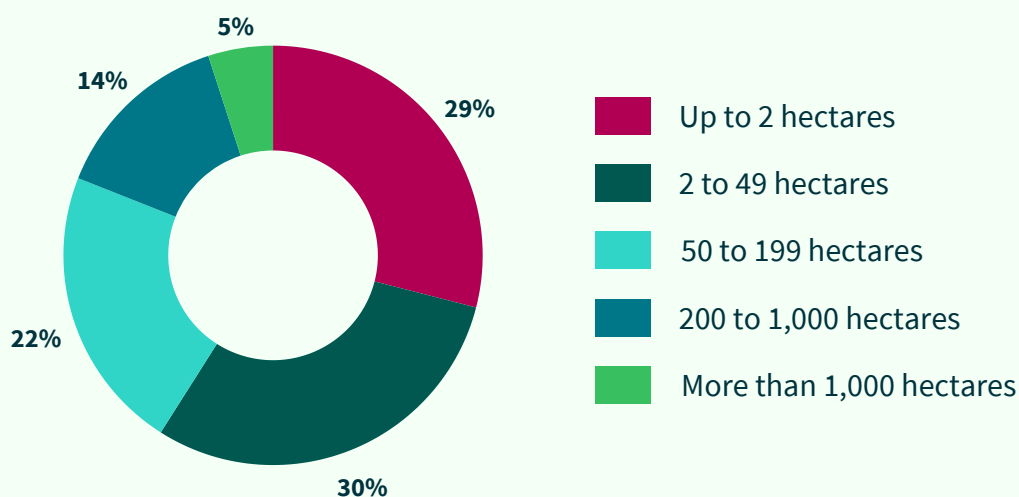
4) Local Markets and Economic Growth: Smallholder farmers contribute significantly to local economies by supplying food to local markets, which supports other sectors, such as transportation, trade, and retail. They are also critical in providing raw materials for value-added products.^[11]

5) Climate Change Mitigation and Adaptation: Smallholders often have innovative ways to adapt to changing environmental conditions, and their knowledge of agroecological systems is important in combating the effects of climate change.^[12]

Smallholder farmers, numbering approximately 600 million worldwide, are indispensable to global food systems and trade. They are responsible for 28–31% of the world’s total crop production and 30–34% of the global food supply, cultivating only 24% of the gross agricultural area.[13] Smallholders are a heterogeneous group across countries and regions, collectively supplying approximately 70% of food production. Yet, despite their immense contributions, many smallholders themselves still suffer from food insecurity and malnutrition.[14]

This contribution is not limited to feeding local populations; smallholders are integral to global trade, supplying essential crops that form the backbone of international markets. Their outputs are vital not only to ensure food availability but also to stabilise commodity markets, support rural economies, and provide livelihoods for millions engaged in agricultural supply chains worldwide.

SHARE OF GLOBAL CROP PRODUCTION FOR FOOD, ANIMAL FEED, AND FUEL BY FARM SIZE IN 2018 (IN %).



Source: Our World in Data

The European Union (EU) is a key destination for commodities produced by smallholder farmers across the globe, including coffee, cocoa, tea, rice, sugarcane, cotton, and bananas. [15] As one of the world’s largest consumers of these goods, the EU imports significant volumes annually to meet its demand for food, textiles, and beverages.[16] For example, Europe accounts for over 60% of global cocoa imports, driven largely by its thriving chocolate industry[17]. Similarly, the EU serves as a major market for bananas, importing approximately 5.5 million tonnes in 2022 alone.[18] These trade dynamics create substantial economic opportunities for smallholder farmers in the Global South, who form the backbone of these vital supply chains.[19]

However, smallholder farmers face growing challenges in accessing the EU market due to stringent regulatory requirements.[20] While newly introduced measures aim to improve sustainability, these measures may inadvertently exclude smallholders who lack the resources to comply without adequate support.[21]

Despite these challenges, the EU market continues to be a crucial driver of development for smallholder farming communities.[22] Inclusive trade policies targeted capacity-building initiatives, and fair compensation for sustainably produced goods can amplify the EU's positive impact on smallholders. Strengthening partnerships between the EU and producer countries offers a pathway to overcoming barriers, fostering more resilient and equitable supply chains that not only benefit smallholders but also align with the expectations of EU consumers.[23]

The over-reliance on smallholder farmers to feed the world's growing population cannot be overstated, and yet the risks and responsibilities these farmers face daily are not matched by the financial, technical, and technological support they need to thrive.[24] This report aims to highlight the crucial role of smallholder farmers in global food systems and markets, offering relevant data to underscore their contribution. It will also explore the implications of their increasing marginalisation and exclusion of these farmers from the global market and decision-making processes.

By offering concrete examples and data, this report will provide a comprehensive understanding of the barriers smallholder farmers face and the urgent need for inclusive policies and practices that can enable their active participation in the global economy and decision-making processes.

Contribution of smallholder farmers

a. Economic contribution

Smallholder farmers are the backbone of global agricultural production, providing an estimated 80% of the food consumed in large parts of the developing world.[25] Globally, they contribute significantly to key commodity supply chains, including coffee, cocoa, tea, rice, sugarcane, cotton, and bananas, which are essential for food security, rural livelihoods, and global trade. [26] Despite often working on less than two hectares of land, smallholder farmers collectively produce a substantial share of the global supply, especially for commodities destined for export markets.[27]

In many developing countries, agriculture plays a critical role in the economy, and smallholder farming is central to this contribution. For example, in Sub-Saharan Africa, smallholder farmers make up the majority (up to 80%)[28] of the agricultural workforce, with agriculture contributing 23% to the region's GDP.[29] Over 60% of the population in Sub-Saharan Africa are smallholder farmers,[30] and they employ up to 65% of the labour force in the region.[31]

In the European Union, smallholder farmers also play a vital role in supplying several agricultural goods.[32] Smallholders contribute around 90% of global cocoa production, much of which is imported by the EU to satisfy its high demand for chocolate products.[33] Similarly, smallholder farmers dominate global coffee production, supplying approximately 70% of the world's coffee, a significant portion of which is consumed by the EU, one of the world's largest coffee markets.[34] Bananas, another crucial commodity for the EU, are predominantly grown by smallholders in regions such as Latin America, the Caribbean, and West Africa.[35]

Key value chains, such as coffee and cocoa, also highlight the central role of smallholder farmers in global markets[36]. In the coffee industry, smallholders typically cultivate Arabica beans, which are highly sought after for specialty coffee markets.[37] These farmers are crucial to the EU's coffee industry, which relies on their high-quality, sustainability-certified beans[38]. Similarly, smallholders in countries like Côte d'Ivoire and Ghana are indispensable to the cocoa value chain, supplying beans that are essential to Europe's chocolate manufacturing industry, valued at billions of euros annually.[39]

Beyond primary production, smallholders also contribute significantly to value-added products and rural economies.[40] For example, smallholder rice farming in Asia not only supports global food security but also fuels export-oriented processing industries.[41] In the cotton value chain, smallholder-produced raw materials feed into the EU's textile sector, which is a key player in the global fashion industry.[42] These contributions underscore the indispensable role of smallholder farmers in sustaining both regional and global economic activity[43].

b. Social and cultural contributions

Smallholder farmers are essential for sustaining rural livelihoods, especially in developing countries, where they make up the majority of the agricultural workforce.[44] Their ability to provide food for their families and local communities plays a crucial role in reducing poverty, as small-scale farming offers economic opportunities and stability in regions with limited access to formal employment.[45] By producing food, raw materials, and cash crops, smallholders support not only their households but also contribute to the broader rural economy, including local markets, transportation, and service industries[46]. This interconnectedness strengthens rural economies and helps prevent rural-to-urban migration, fostering the continued development of rural areas.[47]

In addition to economic contributions, smallholder farmers preserve traditional farming practices that are essential for cultural heritage.[48] Many of these farming know-how systems, passed down through generations, are deeply rooted in local culture, customs, and indigenous knowledge.[49] Smallholders often rely on agroecological techniques such as crop diversification, organic fertilisers, and seed saving, which are vital for both food security and environmental sustainability.[50] These practices not only help maintain biodiversity but also enable farmers to adapt to local environmental conditions, enhancing resilience in the face of climate change.[51] The preservation of such practices is crucial for safeguarding cultural identity, as they reflect the historical and social fabric of rural communities.[52]

Sustainable and climate-smart agricultural practices are already embedded in many indigenous farming systems. For example, in the Sahel,[53] traditional fallow systems, crop rotation, and water harvesting techniques aim to improve crop yields, conserve water, and boost livelihoods. In Nigeria, indigenous knowledge and practices are used to enhance agricultural productivity and food availability.[54] These include mulching, using organic manure, applying locally made pesticides, no-tillage farming, and treating seeds with ash for long-term preservation. In South Africa, subsistence farmers employ traditional methods[55] such as planting in different soil types, fertilising with manure, selecting seeds by colour and size, and storing seeds in ash-filled clay pots and baskets for preservation.

Smallholder farmers also play a key role in community cohesion, fostering social networks and collective action.[56] In many rural areas, smallholders engage in cooperative activities, such as communal labour or shared access to resources, which strengthen social ties and build community resilience.[57] This sense of solidarity not only supports agricultural productivity but also enhances social capital, making communities more resilient to external shocks, such as market fluctuations or natural disasters.[58] Thus, smallholder farming is not only an economic engine but also a social and cultural cornerstone for rural communities.[59]

c. Environmental contributions

Smallholder farmers make significant environmental contributions through agroecological practices that prioritise sustainability and ecological health.[60] Agroecology, which integrates ecological principles into farming practices, is commonly used by smallholders to enhance soil fertility, conserve water, and reduce the reliance on chemical inputs.[61] Techniques such as crop diversification, agroforestry, and organic farming help improve ecosystem resilience, protect natural resources, and increase the sustainability of agricultural production.[62] These practices often mimic natural ecosystems, ensuring that farming systems adapt more to climate change and environmental stresses.[63] In Africa, environmentally friendly agricultural practices such as organic manure, agroforestry, crop rotation and crop diversification are common practices.[64]

One of the key benefits of smallholder farming is its contribution to a flourishing biodiversity.[65] Smallholder farms, often operating on smaller plots of land, typically grow a variety of crops and maintain diverse landscapes, which fosters habitat for numerous species.[66] This diversification contrasts with large-scale monocultures that, on the contrary, reduce biodiversity.[67] By cultivating a wide range of plants, smallholders support pollinators, beneficial insects, and wildlife, while also maintaining genetic diversity in crops, which is vital for long-term agricultural sustainability.[68] Additionally, traditional farming knowledge, passed down through generations, often includes practices that protect and enhance local biodiversity.[69]

Smallholders also contribute to sustainable land management through practices that reduce soil erosion, improve water retention, and prevent land degradation.[70] Techniques like terracing, mulching, and crop rotation, commonly employed by smallholders, help maintain soil health and productivity over the long term.[71] These practices prevent the over-exploitation of land, ensuring that it remains fertile for future generations.[72] In contrast to industrial farming methods, which often deplete soil quality and contribute to environmental degradation, smallholder systems tend to focus on regenerative practices that promote the long-term sustainability of both the land and the surrounding ecosystems.[73]

Smallholder farms tend to have higher food yields per hectare than larger farms, attributed to dedicating a larger share of their land to food crops (rather than animal feed or fuel), employing family members (which lowers transaction costs and increases labour intensity per unit of land) and high fertiliser and seed use.[74] Smallholder farms also tend to have higher crop and non-crop biodiversity than larger farms. This is due to their use of varied crops and ecological land management practices, including limited insecticide use, more field edges providing a habitat and breeding ground for insects, and diverse land cover types, such as forests, fields and wetlands.[75]

As smallholder farmers need to optimise production on small tracts of land, they also tend to use more inputs, such as fertiliser and seeds, than larger farms.[76] For example, smallholder rice farmers in Bangladesh apply 181 kg of fertiliser on average per hectare, whereas larger farms only apply around 130 kg.[77]

In Ghana, smallholder farmers use a range of climate-smart agricultural practices,[78] including timely harvesting and storing of produce, crop rotation, appropriate and timely weed and pest control, appropriate fertiliser use, mixed cropping (where two or more crops are grown simultaneously), planting legumes among crops, conservation agriculture (agriculture focused on regenerating degraded lands and preserving arable land) and agroforestry, among others. The primary motivations for adopting these practices are improving household food security, reducing pests and diseases, increasing yields and farm income, controlling erosion and protecting soil. Similarly, in Nicaragua, smallholder coffee producers implement agroforestry[79] to reduce production costs, improve livelihoods and diversify income.

Though smaller farms are more productive than their larger counterparts in many developing countries, yields could be improved with the adoption of modern technologies and optimised inputs, such as fertiliser and seeds. Reaching this potential is contingent on smallholder farmers having access to and participating in modern food supply chains. For example, smallholder farmers may not have access to roads or transport to get their produce to market, they may lack access to suitable storage facilities to reduce food spoilage, or they may not have access to the technology needed to communicate with buyers or to learn about food safety and quality control requirements.[80]

In addition, smallholders lack access to productive inputs and financing. Post-harvest management, including storage, is often inadequate: crops are exposed to mold, rot and pests. All the while, increasingly extreme weather events add to the challenge: often reliant on rain-fed agriculture, smallholders are powerless in the face of climate hazards.[81]

Potential Impacts of Excluding Smallholder Farmers

Excluding smallholder farmers from agricultural and trade systems can have profound and far-reaching negative consequences, both environmentally, economically and socially.[82] Smallholder farmers are integral to the stability of rural economies and ecosystems. When they are marginalised, it often leads to several environmental issues, including increased deforestation. Large-scale commercial farming operations frequently replace smallholder farms, leading to the conversion of diverse, sustainable farming systems into monocultures. This shift not only contributes to the loss of biodiversity but also accelerates soil degradation. [83] Additionally, the widespread use of chemical inputs in large-scale farming further exacerbates environmental damage, reducing soil fertility over time and polluting water sources.

Socially, the exclusion of smallholders has severe repercussions for rural communities, which depend on these farmers for food production and economic stability. Smallholder farmers are often the backbone of local economies, providing livelihoods for entire communities.[84] Without access to fair markets, resources, and support, smallholders face limited income opportunities, further entrenching rural poverty and leading to increased migration to urban areas in search of employment.[85]

The exclusion of smallholders also undermines food security. These farmers are essential not only for local food production but also for the global supply of key commodities such as coffee, cocoa, and rice.[86] By sidelining smallholders, entire supply chains can be destabilized, leading to reduced availability of these vital goods and increased market volatility.

a. Economic impacts

Excluding smallholder farmers from agricultural systems can significantly disrupt the supply of key commodities to the EU market, where smallholders are critical in providing essential agricultural products such as coffee, cocoa, bananas, and tea.[87] Smallholder farmers are responsible for a large portion of the global supply of these commodities, and their exclusion would force EU markets to rely more heavily on large-scale industrial farming.[88] This shift could lead to less diversity in supply sources, potentially resulting in supply chain vulnerabilities, especially in times of climate stress or market disruptions.[89] Moreover, smallholders often provide unique, high-quality products such as organic or sustainably farmed goods, which the EU increasingly demands.[90] Their exclusion could lead to a loss of these specialised products, undermining the EU's goals for sustainable sourcing.

Increased reliance on large-scale farms or alternative sources could raise production costs and, consequently, lead to higher prices for consumers.[91] Large-scale farms often lack the ecological diversity that smallholder farms provide, which can result in higher input costs due to the need for chemical fertilisers, pesticides, and monoculture practices.[92] These industrial methods are often less efficient in the long term, requiring higher investments to maintain productivity.[93] Furthermore, these systems may be more vulnerable to price volatility, exacerbated by global factors such as climate change or trade disruptions, leading to higher costs for both producers and consumers.[94] This price inflation could affect the affordability of key commodities in the EU, impacting food security and economic stability.[95]

Smallholders can be vulnerable to disadvantageous contracts or unfair conditions and practices in international markets.[96] Smallholders are both buyers and suppliers of food and are vulnerable to malnutrition due to a variety of reasons. Smallholders provide food that contributes to healthy, diverse, and balanced diets in a sustainable manner, and they can play an important role in maintaining the connection between consumers and the source of food production. When market access is not matched with appropriate pre and postharvest handling, storage and transportation facilities, there may be food loss and quality issues that may affect the nutritional quality of food.[97]

Smallholder farmers also play an integral role in local economies and rural development, providing employment and income opportunities to millions of people.[98] Excluding them from trade systems reduces the economic flow to rural areas, which are often heavily reliant on agriculture.[99] As smallholders struggle to access markets, their livelihoods are compromised, and the broader rural economy suffers.[100] This not only harms the farmers but also affects local suppliers, retailers, and service providers who depend on the agricultural value chain.[101] The exclusion of smallholders could, therefore, lead to increased rural poverty and greater social inequality, further exacerbating the economic divide between urban and rural areas.[102]

Finally, the marginalisation of smallholder farmers from the global supply chain diminishes the economic resilience of the entire agricultural sector.[103] Smallholders contribute significantly to food security and commodity availability, and their exclusion undermines both.[104] By pushing smallholder farmers out of markets, the EU risks creating a less flexible and more expensive agricultural system.[105] This, in turn, could lead to reduced competitiveness in global markets, where smaller-scale producers are increasingly seen as crucial to sustainability and cost efficiency.[106] The economic ripple effect of excluding smallholders would be felt not only in rural economies but also in the larger global agricultural landscape.[107]

b. Social impacts

Ensuring that smallholder farmers can access modern agri-food chains is essential for maintaining food security, productivity, and nutrition.[108]. Excluding smallholder farmers from agricultural systems would result in the loss of livelihoods for millions of farmers and their families, particularly in developing countries where they make up the majority of the agricultural workforce[109]. Smallholders not only depend on agriculture for income but also subsistence, as they often consume the food, they produce[110]. Their marginalisation would leave many rural communities economically vulnerable, pushing them further into poverty.[111]. This loss of economic opportunity could lead families to migrate to urban areas in search of better livelihoods, which would place additional pressure on urban infrastructure and widen the social inequality between rural and urban areas.[112].

The resulting increase in poverty and migration pressures would also undermine global efforts to reduce poverty and achieve the Sustainable Development Goals (SDGs).[113] These goals emphasise inclusive development, poverty eradication, and sustainability—all of which are closely linked to empowering smallholder farmers.[114] Excluding smallholders would directly contradict commitments to these objectives, as well as to Fair Trade principles that ensure equitable opportunities for marginalised producers[115]. Without actively including smallholder farmers, there is a real risk of exacerbating systemic inequities in global agricultural value chains, further deepening the divide between producers in the Global South and consumers in the Global North.[116]

Gender equality is another important factor to consider. Women comprise an average of 43% of the agricultural labour force in developing countries. Should women farmers have the same access to productive resources as men they could increase yields on their farms by 20-30% and undernourishment could decline by 12-17%.[117] Women smallholders frequently have fewer opportunities to access markets, as a result of several specific constraints. Addressing these is therefore essential to ensure equitable access to markets for smallholders, as well as to maximise the key role that women already play in food security and nutrition.[118]

The constraints that women smallholders face include time limitations, as their labour is often concentrated on subsistence production, and the disproportionate responsibility they bear for unpaid work. Additionally, they often have unequal access to productive assets, technology, finance, education, and services, and limited influence in economic decision-making within their households and communities. To address these challenges, effective actions must promote the respect, protection, and fulfilment of human rights, including the progressive realisation of the right to adequate food, with a focus on gender equality and women's empowerment.[119]

Moreover, marginalising smallholder farmers could strain relations with producer countries, many of which depend heavily on agriculture for economic stability.[120] Governments in these regions may perceive the exclusion of smallholders as a betrayal of cooperative trade policies and sustainability goals, leading to tensions in international relations.[121] This discord could undermine efforts to build resilient, mutually beneficial supply chains and stall global initiatives focused on climate change, poverty reduction, and sustainable development. Therefore, the social costs of excluding smallholder farmers extend far beyond individual households and can potentially impact international diplomacy and trade partnerships.[122]

c. Environmental impacts

Excluding smallholder farmers from agricultural systems could drive a shift toward large-scale industrial farming, which often relies heavily on chemical inputs, monoculture practices, and intensive land use.[123] This transition would likely accelerate environmental degradation, as industrial farming methods are frequently linked with soil erosion, water pollution, and greenhouse gas emissions.[124] The ecological balance maintained by the diversified farming systems of smallholders would be disrupted, resulting in declining soil health and increased deforestation to meet the land demands of large-scale operations.[125] Such changes could heighten the agricultural sector's contribution to climate change and undermine its overall sustainability.[126]

Smallholder farmers play a critical role in preserving biodiversity, both in the variety of crops they cultivate and the surrounding ecosystems they maintain.[127] Many smallholders adopt agroecological practices, such as crop rotation, polyculture, and agroforestry, which foster habitats for pollinators, beneficial insects, and other wildlife.[128] Excluding smallholders would jeopardise these practices, leading to a loss of genetic diversity in crops and the expansion of monocultures.[129] This loss would weaken global food security and diminish the resilience of agricultural systems in adapting to climate change and mitigating environmental stress[130].

The abandonment of smallholder farming systems could result in the erosion of traditional ecological knowledge that underpins sustainable farming practices.[131] Passed down through generations, this knowledge often includes innovative methods for conserving water, restoring soil fertility, and minimising ecological impact.[132] Industrial farming's emphasis on high yields often disregards these practices, favouring short-term productivity over long-term sustainability.[133] By excluding smallholders, there is a risk of losing both the environmental benefits of their farming systems and the cultural heritage that sustains them, deepening the environmental challenges faced by global agriculture.[134]

Case studies on the reliance of EU markets on smallholder production



COCOA IN WEST AFRICA

In West Africa, cocoa production is a prime example of a smallholder-driven commodity that plays a crucial role in both the economy and social fabric of rural communities. Countries like Côte d'Ivoire and Ghana, which together supply over 60% of the world's cocoa,[135] are home to millions of smallholder farmers who cultivate cocoa on small, family-owned farms, often under mixed-cropping systems. These farmers are deeply embedded in local economies, generating income not only from cocoa but also through side activities like food crop cultivation. The smallholder sector faces challenges such as fluctuating prices, limited access to credit, and climate change impacts.[136] However, it remains vital for global supply chains, particularly in the chocolate industry, with the European Union being one of the largest importers of West African cocoa.[137] Despite the market's profitability, the exclusion or marginalisation of smallholder farmers could disrupt cocoa production and harm rural livelihoods, highlighting the interconnectedness of smallholders' economic well-being with global commodities.[138]

COFFEE IN CENTRAL AMERICA

In Central America, coffee farming is predominantly driven by smallholder farmers who cultivate Arabica beans, known for their high quality and flavour profile. Countries like Honduras, Guatemala, and Nicaragua are key players in global coffee production, with smallholders responsible for a significant share of the output.[139] These farmers often face challenges such as volatile coffee prices, climate change impacts, and limited access to credit and technology. [140] Despite these difficulties, smallholders in this region continue to play a vital role in maintaining the region's coffee supply chain. Coffee cultivation not only supports their livelihoods but also the broader local economy, driving employment in the processing, transportation, and retail sectors.[141] The European Union, one of the largest coffee importers, sources much of its coffee from Central America, with a growing demand for sustainably and fairly traded coffee.[142] The inclusion of smallholder farmers in certifications like Fair Trade ensures better incomes, access to markets, and sustainability practices that are crucial for the long-term viability of the sector amidst growing environmental pressures.



COTTON IN ASIA

Smallholder farmers play a crucial role in cotton production in Asia, particularly in countries such as India, Pakistan, and China, where millions of smallholders grow cotton on small plots of land. In India, smallholders account for approximately 80% of cotton production,[143] typically operating on less than two hectares. These farmers often face challenges such as limited access to modern farming techniques, irrigation, and finance, yet they remain essential to the region's cotton supply.[144] Smallholders in Asia generally use traditional methods alongside some modern practices, such as integrated pest management or organic farming techniques, contributing to sustainable cotton cultivation.[145] However, they also struggle with price volatility, poor infrastructure, and the effects of climate change, which can further strain their economic resilience. Despite these challenges, smallholders' role in cotton production remains critical for local economies and the global cotton market, particularly as many are connected to cooperative models or contract farming initiatives that provide better access to inputs, technology, and markets.[146] These smallholder-driven systems support rural livelihoods, yet they also face increasing pressure from the push toward larger, industrial farming operations.



Recommendations

Acknowledging the importance of smallholders, the Fair Trade movement recommends placing particular emphasis on the following points to help safeguard their position in global and EU supply chains. These recommendations highlight key areas of action to ensure smallholders can thrive economically while driving environmental sustainability, supporting local communities, and strengthening global food security.

1.

Empower smallholders by promoting equal power dynamics along the supply chain, allowing them greater control over their sales, income, and production. This can be achieved by strengthening their bargaining power through collective action, such as forming cooperatives, associations, and networks. Also, fostering the active participation and equal decision-making power of underrepresented groups, such as women and youth, will enhance their influence within food value chains.

2.

Support short food supply chains by reducing intermediaries. This will enable smallholders to obtain a better income from their production,^[147] as they will be able to retain a larger share of the value generated, while also gaining greater control over pricing and market access.

3.

Implement policies and mechanisms that guarantee smallholders receive fair prices for their products, ensuring they are correctly and fairly compensated for their work and investments. This includes establishing transparent pricing systems, minimising price fluctuations, and supporting short supply chains, reducing their dependencies on intermediaries. Additionally, promoting a fair income through initiatives like minimum wages or by certifying certain products, ensures smallholders earn a better income and are better positioned on global markets allowing them to reinvest in their farms.

4.

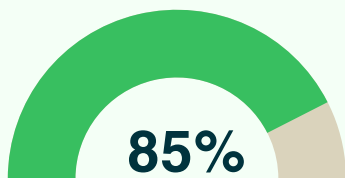
Granting accessible finance^[148] has been identified as one of the most significant factors influencing whether smallholder farmers in Africa adopt climate-smart agricultural practices. Enhancing access to financial systems tailored to the unique needs of smallholders is essential. This includes offering a range of financial services such as microfinance, tailored credits, start-up capital, and suitable insurance. Supporting the development of innovative financial products that address the specific challenges faced by smallholders, such as unpredictable weather patterns and market access, can help them build resilience and invest in climate-smart practices.

- 5.** Connecting smallholder farmers with public institutions through public procurement programs can contribute to ensuring their long-term stability and income. By linking small farmers to steady demand from public institutions, they can rely on consistent income, helping them plan and invest in their farms. This approach not only secures farmers' livelihoods but also gives communities access to healthy, locally grown, and environmentally friendly food. Governments should create policies that make it easier for smallholder farmers to take part in procurement programs, offer support to help them meet requirements, and ensure fair prices, so farmers can thrive and contribute to a more sustainable food system.
- 6.** Encouraging South-South and Triangular Cooperation[149], alongside strengthening North-South collaboration, can significantly enhance the productivity of smallholder farmers.[150] By fostering partnerships between countries, regions, and international organisations, smallholders can access new knowledge, technologies, and markets. These forms of cooperation help improve smallholders' capacity to engage in diverse markets, from local to global.
- 7.** Investing in capacity building, training, and technologies tailored to the needs of smallholder farmers to strengthen their resilience. Access to innovative tools and technology transfer can help farmers add value to their products, diversify their crops and income sources, and generate employment opportunities. These measures are essential to protect farmers against food price volatility and to reduce the impact of risks and shocks on their agricultural income, ensuring greater stability and sustainability over time.
- 8.** Promote smallholder products with specific quality characteristics that increase income and can respond to consumer demand while preserving traditional practices and knowledge, and agricultural biodiversity.

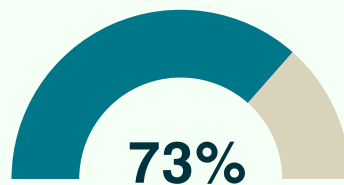
Conclusion

Ensuring that smallholder farmers can access modern agri-food supply chains is critical for ensuring food security, productivity, and healthy nutrition. Smallholder farmers play an irreplaceable role in global and EU agricultural markets. They produce a substantial portion of the world's most vital commodities, including cocoa, coffee, bananas, tea, and cotton, and are essential to the stability and resilience of food systems.

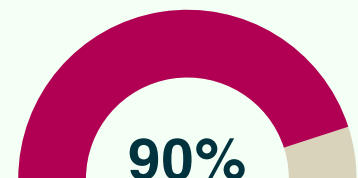
CONTRIBUTION OF SMALLHOLDER FARMERS TO THE WORLD'S KEY CROPS.



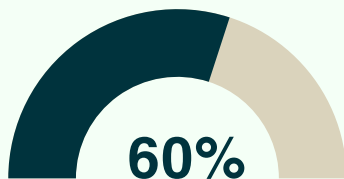
The bulk of world banana production (almost 85%) comes from small farms. [151]



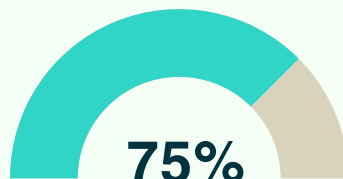
Globally, around 73% of all coffee is produced by smallholder farmers. [152]



Over 90% of cocoa growers are smallholder farmers. [153]



More than half of the tea produced globally (60%) is grown by smallholder farmers. [154]



Smallholder farmers are estimated to produce over 75% of the world's cotton. [155]



About four-fifths of the world's rice is produced by small-scale farmers. [156]

Beyond their economic contributions, smallholders act as caretakers of biodiversity and sustainable farming practices, preserving traditional knowledge while trying to adapt to modern environmental challenges.

Despite these significant contributions, smallholder farmers face significant barriers in their daily activities, including limited access to markets, resources, and fair pricing structures. These challenges are further exacerbated by the increasing pressures of climate change, stringent trade requirements, and unequal power dynamics within agricultural supply chains. Exclusion from modern agri-food systems would not only jeopardise the livelihoods of millions of smallholder families but also threaten global food security, biodiversity, and rural economies.

Protecting and empowering smallholder farmers is, therefore, a critical and urgent priority. Inclusive trade policies, capacity-building initiatives, and equitable financing mechanisms are vital to ensuring their continued participation in global markets.

Investment in adapted technologies and more equal supply chains can enhance their productivity and resilience, while initiatives like public procurement programs can provide stable demand and fair remuneration. Moreover, promoting South-South and Triangular Cooperation offers opportunities for knowledge exchange and sustainable development tailored to their needs.

The EU, as one of the largest markets for smallholder-produced goods, has a unique opportunity to lead the way. By fostering sustainable partnerships with producer countries, reducing trade barriers, and ensuring fair compensation, the EU can strengthen its agricultural supply chains while supporting the millions of smallholders who constitute the foundations of these supply chains.

In conclusion, smallholder farmers are not only the backbone of rural economies but also central to the sustainability of global food systems. Ensuring their inclusion and resilience is a shared responsibility that requires collaboration across governments, businesses, and consumers. By safeguarding their role in supply chains only can build a fairer, more equitable, and sustainable future for all.

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