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Enabling poor rural people
to overcome poverty

Governing Council Roundtables focus on

Challenges and opportunities for smallholder farmers in the context of climate change and new demands on agriculture

Governing Council — Thirty-first Session
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For: **Information**

Note to Governors

This document is submitted for the information of the Governing Council.

To make the best use of time available at Governing Council sessions, Governors are invited to contact the following focal point with any technical questions about this document before the session:

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Final panel composition of each roundtable will be posted on IFAD's website.

Governing Council Roundtables focus on *Challenges and opportunities for smallholder farmers in the context of climate change and new demands on agriculture*

1. Climate change, biofuels expansion and rising food prices are growing challenges for poor rural people. But these trends also present opportunities. IFAD will hold three roundtable discussions on these new challenges and opportunities for smallholder agriculture at its Governing Council on Thursday, 14 February.
2. Three quarters of the world's one billion extremely poor people live in rural areas and depend on agriculture and related activities for their livelihoods. These are the people who will be hardest hit by climate change. They are also major food producers as well as users and custodians of natural resources.
3. According to the Intergovernmental Panel on Climate Change, agricultural production and access to food in many regions may be severely compromised by climate variability and change. The area suitable for agriculture, the length of growing seasons and the yield potential of some mainly arid areas are expected to decrease. Episodes of heavy rainfall and drought are likely to become more frequent and severe. Under such circumstances, the prospects of achieving the Millennium Development Goals may be seriously compromised.
4. The women and men involved in agriculture have always evolved and adapted to ever-changing environments. They have developed farming systems in response to different opportunities and constraints faced over time. Adaptation measures that help people and ecosystems reduce their vulnerability to the impact of climate change are important.
5. But poor rural people could also play a major role in mitigating climate change through the sustainable management of land, forests and other natural resources. And climate change mitigation policies can represent a historic opportunity to acknowledge and remunerate them for providing environmental services that benefit us all.
6. International agricultural commodity prices are rising because of a combination of factors: an increased demand for food due to rapid growth in emerging countries like India and China; unprecedented and rapid migration from rural to urban areas; recent poor harvests in some countries that may be a result of climate change; and the conversion of land use from food crops to biofuel crops. This will have enormous consequences for poor rural people, particularly for women who often are responsible for providing food for the family. But rising commodity prices could improve the incomes of smallholder farmers if more remunerative prices are realized at the farm gate and if supporting policies and investments are put in place to ensure they can respond to the demand.
7. There are also concerns about the potential impact of the expansion of biofuel production and its impact on the rural poor. These concerns include a possible diversion of agricultural land from food to biofuel, the impact on food prices and availability, and the impact on the environment.
8. However, soaring energy prices and the role that fossil fuels play in global warming provide a compelling rationale for looking more closely at biofuels. Multipurpose crops that can grow on marginal lands and whose components can be used for biofuels, animal feed and human consumption, could become a new source of income for small farmers.

I. Climate change and the future of small holder agriculture

How can the rural poor people be a part of the solution to climate change?

9. The effects of climate change are already being felt. Unless measures are taken immediately, they will accelerate further, putting millions of poor rural people at risk. Adaptation is part of the coping strategy for poor rural people. However, adaptation measures will vary enormously. Suitable responses will be determined by the nature of risks related to climate change, geographical locations and livelihoods.
10. Mitigation is another building block of climate change response. Poor rural people can play a major role in mitigating the effects of climate change by sustainably managing land, forests and other natural resources. They can, for example, rehabilitate degraded crop and pasture land, use minimum tillage, and improve forestry and livestock management.
11. However, in global discourses on climate change, the voices of those who are most affected - poor rural people – are seldom heard. Mitigation and adaptation are closely linked and for poor rural households, they are not mutually exclusive.
12. The global carbon market is expanding fast, with billions of dollars pouring into carbon trading schemes. The Clean Development Mechanism is growing rapidly as more private sector entities are entering the market with skills and knowledge. The international community must develop mechanisms to engage poor rural people in, and compensate them for, adopting practices that secure ecosystem conservation and restoration.
13. One way of effectively engaging smallholders in the mitigation process is to expand the concept of carbon trading to include compensating rural communities for soil conservation and reforestation. Payment for Environmental Services, where poor rural people are paid for protecting biodiversity and the environment, is another option.

Questions to guide the roundtable discussion:

- How can poor rural people be helped to adapt to a new magnitude of climate change?
- How can poor rural people benefit from mitigation mechanisms and be paid for the environmental services they provide?

II. Biofuel expansion

Challenges, risks and opportunities for rural poor people

14. The price of fossil fuels is rising, and is expected to remain relatively high due to increasing demand. As a result, the biofuel market is expanding as an economically viable and competitive substitute for fossil fuels. Many countries are formulating policies, or have already done so, for mandatory blending of fossil fuels with bioethanol and biodiesel.
15. However, there are questions about the impact of biofuel production on poor rural people. The international debate is lively, and all aspects of biofuels, including their impact on food prices, the poor and the environment, are being widely discussed. Meanwhile, global concerns about environmental pollution and climate change provide a compelling rationale for looking more deeply into biofuels as a potential contributor to the climate change mitigation agenda.
16. Much of the debate around biofuels is about the trade-offs between food security and fuel production. Biofuels are also seen as an important response to climate

change, but risk increasing the competition for agricultural land. Research on multiple-use plants that can provide food, fibre and animal feed can address some of these issues. At the same time, second generation biofuel crops that can grow on marginal lands could become a new source of income for small farmers.

17. There are divergent views on the impact of biofuels on the poor. On the optimistic side, higher food prices can be beneficial to food producers, including smallholders. They can have a positive impact on rural areas through additional capital inflows, which can also create demand for goods and services, as well as related employment opportunities. This will occur only if institutional mechanisms can be put into place to ensure that rural communities are partners in the process. However, there is some concern about the possible repercussions that higher food prices due to increasing biofuel demand may have on the poorest consumers.
18. There are also concerns that poor rural people living in marginal areas may lose their lands as larger more influential interests seek additional lands for fuel production. The challenge is to ensure that the poor can benefit from this emerging opportunity and address the many and varied concerns.

Questions to guide the roundtable discussion:

- What are risks and possible opportunities for rural poor people?
- What are the policy and other conditions for enabling the rural poor to seize opportunities and yet be protected from the risks?

III. Growing demand on agriculture and rising prices of commodities

An opportunity for smallholders in low-income, agricultural-based countries?

19. International prices of cereals, oilseeds, meat and dairy products have increased sharply in recent years, with prices of wheat, rice and maize hitting record highs in 2007. The hikes have been partly fuelled by temporary factors such as bad harvests in some countries, historically low levels of stocks, the high prices of oil, and fast-growing demand from the biofuels industry.
20. However, most experts believe that commodity prices will remain high in the coming decade due to the structural evolution of supply and demand, which includes rapid urban population growth; improvements in the living standards and changes in consumption patterns in large Asian countries where prospects for further expansion of agricultural land are limited; sustained growth in demand for biofuels due to the high price of fossil fuels; public support for the biofuel industry; and the growing risks of climate-related disasters and water scarcity.
21. In the short term, this new scenario may pose serious threats to food security in low-income countries that are net importers of food. But after decades of low prices and cheap imports, this structural evolution of agriculture markets could represent an opportunity for smallholder farmers and pastoralists in low-income, agriculture-based countries. How this opportunity unfolds will depend on whether appropriate public policies, rural investments and institutional support are put in place to enable poor rural communities to feed themselves and to increase production to satisfy the growing demand of urban populations.

Questions to guide the roundtable discussion:

- How are recent trends in world prices of food and agricultural commodities transmitted to local rural markets and farm gates in low income agricultural-based countries?
- What are the policy conditions for a rapid and successful smallholder response to this evolution, particularly in food deficit countries?