International Journal of Management, Accounting and Economics
Vol. 3, No. 8, August, 2016
ISSN 2383-2126 (Online)

www.ijmae.com

Markets Work for Rural-Poor: Why a Need to Develop Roadside Farm Markets for Small-Scale Farmers in South Africa?

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Abstract

Over 70% of rural population in South Africa survives on subsistence small-scale farming as source of food and household incomes. However, due to lack of Agro-market facilities in rural South Africa, small-scale farmers can hardly compete favourably to benefit from the nation agricultural market, leaving almost 85% share of agricultural-market to the well-off large commercial farmers. These imbalances in South Africa's agricultural markets are manifested in its dualistic economy, the "*first-world economy"* and the "*second-impoverished economies*", respectively. Recent policies have been focused more on increased agro-productivity with less emphasis on markets for the rural-poor subsistence small-scale farmers. This review used case-study elsewhere especially in Sub-Saharan Africa and Asia where surveys have shown tremendous positive results to supported the argument. Therefore, this review suggest *"Markets Work for Rural-Poor in South Africa: Developing Roadside Markets for Smallholder Farmers"* to improve on their shares and benefit more from the rich national agricultural market.

Keywords: Small-scale farmers, Roadside markets, rural poor, South Africa, supermarkets.

Cite this article: Kibirige, D. (2016). Markets Work for Rural-Poor: Why a Need to Develop Roadside Farm Markets for Small-Scale Farmers in South Africa? *International Journal of Management, Accounting and Economics, 3*(8), 453-458.

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Introduction

According to Kisaka-Lwayo and Obi (2012), and Kibirige (2013,) there are approximately 2.6 billion small-scale farmers forming 40% of the world population. Though they hold the largest part of global agricultural land and produce most of the global food, majority of small-scale farmers are faced with poverty and hunger. In South Africa, over 70% rural-poor population survives on small-scale subsistence agriculture as source of household food and incomes. Despite the fast global economic growth and development, people faced with poverty are steadily increasing and approximately one fifth of the world people's population is poor. In Sub-Saharan Africa, poverty levels increased from 358 million in 1996 to 415 million in 2011 (Zimbabwe Independent, 2015). Two thirds of impoverished people are reported to be either small-scale farmers or farm workers who receive low wages on commercial farms (Balunywa and Ntamu, 2012).

Due to poverty, small-scale and subsistence farmers can hardly adopt new technologies which require high investments, and therefore, this type of farming has conventionally been perceived as backwardness and neglected by policy makers (Kibirige, 2013). This perception is not new to the South African dual agricultural sector which persistently and reluctantly has failed to address the lack of small-scale and subsistence farmers' access to well-networked better paying agro-markets. Government has come-up with programs to support emerging black farmers in South Africa but its interests have been skewed towards few black people, whose projects are capital-intensive and have neglected the vast majority small-scale farmers with nearly zero support (Kibirige, 2013). This further has created more income inequalities in the country resulting in two classes of citizens, one group being considered as "*first-world economy"* and the other "*second impoverished economy"*, small farmers being the majority in the later economy.

There is increasing growth in private sector involved in agro-markets (Van der Heijden and Vink, 2010). Moreover, these markets are oriented towards profit maximization with less interest of investing in public infrastructures and institutions key for improved access to agro-markets by small-scale farmers. Like in most Sub-Saharan African Countries, small-scale farmers in South Africa are faced with several challenges hampering their access to modern markets (supermarkets) and these include poor, limited or non-existent access to market information, low levels of bargaining power, low levels of trust between producers and buyers, poor infrastructure in rural areas, and lack of the necessary financial, physical and human capital (Van der Heijden and Vink, 2010)

Approach

This article mainly used secondary qualitative data to show case of the importance of roadside markets to small-scale farmers as compared to the high rate of growth of supermarket chains. Literature sourced information and observations related to roadside markets were drawn from Uganda, Zimbabwe, Ghana, Kenya, Swaziland, South Africa and United States of America (USA).

Review Results and Discussions

A study carried out by Balunywa and Ntamu (2012) to assess the "*social marginalization of women, business start-up and poverty alleviation: a case of women entrepreneurs in roadside markets in Uganda"*, indicated that roadside markets have improved livelihoods of hundreds of households, especially the women headed. Participants interviewed in this survey indicated to have acquired multiple high valued assets like land, houses, and funds to educate their children. Among items sold by the roadside market sellers included agro-produce which are well organised and displayed to attract road users. When travelling along Uganda's major roads running from the city centre to national territorial boarders, someone can easily observe fresh agro-produce markets established by small farmers and rural retail traders with the support of the government, companies and NGOs.

During personal interviews with small farmers and traders and observations in Uganda, Ghana, Kenya, Zimbabwe and Swaziland, findings indicate that they earn more money from these markets when selling directly to the final consumers than middle men who offer low prices. Further respondents indicated that they incur less market costs compared to when they are selling their produce in supermarkets. Roadside markets in these countries are also believed to reduce on transaction costs especially related to transportation of unprocessed agro-produce which is transferred to the final consumer in terms of high food prices (Balunywa and Ntamu, 2012). Establishment of these roadside markets have also become a source of income for local governments through tax collections and this fund is reinvested in meaningful pro-rural-poor public infrastructures. However, most roadside market infrastructures in the mentioned countries are semi-permanent and call for more government, private sector and NGOs interventions to realise a more hygienic, attractive and profitable to business for small-scale farmers (Balunywa and Ntamu, 2012).

Small-scale farmers in developed countries like USA are also faced with lack of markets that suit their abilities (Dunns *et al.*, 2006). This problem may be as a result of multinational supermarket chains that dominate the food markets with stringent restriction which can hardly be met by small-scale farmers. Highly capital-intensive commercial farms control food markets in the USA and they easily influence agricultural policies and capable of meeting the supermarket and international regulatory standards, excluding the majority small-scale farmers in food markets (Dunns *et al.*, 2006). After realising such a gap, the Dunns *et al.* (2006) recommended development of roadside farm markets in USA for small-scale farmers.

Like in developed countries in North America and Europe, research evidence and observations indicate a growth of supermarkets in South Africa (Balunywa and Ntamu, 2012). Although a few studies have indicated a multiple benefits accrued from supplying merging supermarkets, few small-scale farmers have met the required set standards. Supermarkets in South Africa are faced with generally accepted "best" business practices adopted worldwide which excludes a large number of small-scale farmers (Balunywa and Ntamu, 2012). These global set business practices implemented by national and multinational supermarket chains are too costly for an ordinary rural-poor small farmer. According to the global business regulation in the supermarket supply chain, the supplier (farmer) meets a range of costs and payments in addition to their production costs, some of these marketing costs include packaging, delivery and taxes imposed on goods (Balunywa and Ntamu, 2012).

Van der Heijden and Vink (2010) indicated that increasing number of supermarkets in South Africa avails opportunity to rural poor small-scale farmers to access output markets, and generate higher incomes. Nevertheless, the dominance of supermarkets in the country has discouraged small farmers' rural markets and this is forcing majority of rural-household to buying their food supplies in bulk to avoid accumulation of high transport costs to and from these supermarkets (Balunywa and Ntamu, 2012). Well-established multinational supermarkets have to some extent established branches in rural small towns to out-compete small farmers'/traders, and these supermarkets are ready to absorb losses to capture this market (Balunywa and Ntamu, 2012). Consequently, the growth of supermarkets has increased small farmers' risks and reduced gains leading to stagnant and declining number of smallholder farms in South Africa (Kibirige, 2013). This exposes the country to high risks of food insecurity, increased poverty and increasing expenditure on imported food-staffs.

Expansion of Supermarket chains has created barriers to small-scale farmers and they can hardly sell their marketable surpluses, and even the niche organic agro-produce markets have been taken by these supermarkets (Balunywa and Ntamu, 2012). This has left small-scale farmers with no alternative but to accept the extremely low prices offered by supermarkets on conditions that the products meet the set business standards. According to the researcher's observations there are few, if any organised roadside markets on major South African roads that pass nearby many rural-townships. This causes many rural dwellers to buy all their food staffs and necessities from supermarkets complexes located far away from their homesteads, thereby spending more on transport costs, in addition to strategic high agro-product prices located in semi-urban areas. During end months, big crowds and queues are seen in banks, ATMs, and supermarkets. These queues are mostly formed by rural-poor mothers struggling to buy food in bulk for their households. This depicts the lack of especially food markets nearby their homesteads.

Van der Heijden and Vink (2010) lament the reduction in purchase of fresh produce by supermarkets from traditional wholesalers and fresh produce markets. This indicates that large commercial farms with well-equipped and sophisticated technologies, and well financed take the largest share of produce supplies to these supermarkets in South Africa, leaving the rural poor small-scale farmers' produce without a buyer. This leads to high post-harvest losses, income loss and stagnate high poverty levels in these rural areas.

Conclusion

It can be concluded that countries that have adopted development of roadside business for small-scale farmers are realising increasing economic growth through attracting investments in infrastructure development and improving incomes of rural-households who mainly depend on subsistence small-scale farming globally. This has been observed in countries especially in the sub-Saharan Africa like Ghana, Uganda, Kenya, Zimbabwe, and Swaziland. On realising the importance of roadside markets in rural USA, small-scale farmers are encouraged to participate in developing such markets to improve on their accessibility to road user costumers. There are hardly any organised small-scale farmer roadside farm markets established along South African main roads yet these farmers are faced with stiff competition with high capital-investment supermarkets nationwide. Supermarkets have created a barrier to entrance in the agricultural market for small-scale farmers in South Africa due to incapability of these farmers meeting the costly stringent "best" business practices imposed by global supermarket supply chain. This call for action from government and NGOs to protect and improve on accessibility of small-scale farmers markets as a way of boosting the rural-economy through increased food security and reduced poverty levels.

Implications and Recommendations

South African rural-farming especially small-scale farming is bound to decline posing a big threat to rural household food security, incomes, and wide spread poverty levels, and hence retarding economic growth if small-scale farmers' access to rural agro-markets is not improved. Meaningful agricultural market policies in South Africa that create an environment which encourages more small-scale farmers' participation in the main stream agricultural markets are urgently needed to neutralize the stiff imbalances existing between the giant multinational supermarkets and local small-scale farmer markets. Among key policies for improved small-scale farm markets include development of roadside rural-markets on major South African roads. These roadside markets have proved their efficacy in improving access to agro-markets of small farmers, and improve on household incomes of participants thereof.

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