

Agricultural land is a Mozambican resource. The case for small commercial farmers

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Land is one of Mozambique's most important natural resources. But unlike coal or gas, if it is properly cared for, it is a permanent resource. Like any resource, it should be employed to benefit the people. But who should use and manage the land?

The majority of Mozambicans are rural, and the land is underutilised, although it is not unused nor unoccupied. Mozambique wants to use its land more intensively, to produce more food and export crops and create more jobs. Despite its huge farm potential, Mozambique is a net importer of agricultural products. The Ministry of Agriculture admits that "rural poverty is mainly due to the limited agricultural development, limited access to markets, and weak productivity of food crops."³ A green revolution is essential. And that requires modernisation. Farmers cannot continue in the same way as their great grandparents.

The use of that land is linked to a broad range of issues, including national economic development, poverty reduction, food security, job creation, and rural class formation. Who benefits from the land, and who does not? In this paper we look at an emerging group of small and medium commercial farmers and argue that they should be supported. These farmers have become the dynamic sector of the rural economy. This is based on research for our new book, *Galinhas e cerveja: uma receita para o crescimento*.⁴

Failure of dual strategy

Since independence, Mozambique has followed a dual agricultural strategy, promoting large "modern" industrial farms on one side and supporting "subsistence" peasants on the other.⁵ The two halves link, because if peasant families are kept on one hectare, this could release millions of hectares of arable land for plantations. In the socialist era, the large farms were to be state farms; now the large farms are to run by foreign investors with Mozambican partners.

But the dual strategy has failed. On one side, rural poverty is increasing, not decreasing. Donors and government regularly talk of supporting tiny "subsistence" farmers who produce their own food and are largely self-sufficient. This is a myth. There are no "subsistence" farmers. Most farmers do not produce enough food to feed their family for the year and they must buy food or go hungry. That means they must find some cash income - by selling crops, obtaining money from family in the city, doing day labour (*ganho-ganho*) for other farmers, or making charcoal or beer for sale. No farmers are "subsistence"; all are integrated into the market, albeit in very unfavourable conditions, and try to find at least some work. The median cash income in rural Mozambique is only 675 MT per person per year - less than \$2 per month.⁶ Peasant farmers are very poor.

Most family farms are only 1 ha, because that is all the land a family can open with hoes in a year. Indeed, for the many families so short of food that they do not eat enough calories to work the entire day, even 1 ha can be difficult. Nearly all peasant farmers use no modern inputs - fertilizer, improved seed, irrigation. Many donors follow a strategy of leaving the family farmers on their 1 ha, but trying to raise their production - through improved seeds, irrigation, post-harvest conservation, and sometimes various

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³ Plano Estratégico de Desenvolvimento do Sector Agrário 2011-2020 - PEDSA, Maputo: Ministério da Agricultura, 2011 p 5

⁴ Teresa Smart and Joseph Hanlon, *Galinhas e cerveja: uma receita para o crescimento*. Maputo: Kapikua, 2014.

⁵ We do not look in detail at Mozambique's agricultural history, and instead refer readers to books by Joao Mosca: João Mosca, *Políticas Agrárias de (em) Moçambique (1975-2009)*, Maputo: Escolar Editora, 2011; João Mosca et al, *Economia de Moçambique 2001-2010*, Maputo: Escolar Editora, 2013.

⁶ \$ = United States dollar; MT = Mozambique Meticals; mn = million.

forms of conservation farming. But who pays and who carries the risk? With improved seeds and fertilizer, maize yields can be doubled, making a major improvement to family nutrition. But this would require improved seed, costing perhaps 500 MT, and two 50 kg bags of fertiliser, costing 2500 MT. For a typical family, 3000 MT (\$100) is most of their annual cash income. Donor agencies will not pay for this year after year. And what will happen if the rains fail. Even if donors provide an initial boost, most 1 ha hoe farmers will eventually not have the money to buy seed and fertiliser. Keeping peasant farmers on 1 ha is to doom them to poverty.

And on the large-scale end of the dual strategy, not one new large industrial plantation since independence has become profitable.⁷ The old state farms, ProCana, Sun Biofuels, and most recently Mozfood in Chokwé have all failed. Neither state nor private management have made new giant farms successful. Indeed, throughout Africa, most large farms have been failures. The World Bank notes that "experience with establishment of large farms in the course of history has been largely negative"⁸, and that "there is little to suggest that the large-scale farming model is either necessary or even particularly promising for Africa."⁹

It is always assumed that bigger, mechanised farms are more efficient and productive than small farms. But several decades of research shows that for farming, there are few "economies of scale", and that smaller farms are as productive and efficient as large ones. This often surprises policy makers, who assume bigger must be better. There are productivity gains from bigger machines and more use of inputs and agrochemicals. But the smaller commercial farmer has a management advantage. While the big farmer will plant thousands of hectares of a single crop, the smaller farmer knows every corner of her farm and may choose to plant a half hectare of horticulture in the wettest corner of the farm and plant maize elsewhere, or can do various intercrops which raise overall productivity. Labour management is key – family members work harder and with more care, especially at key points such as during harvest – and a small farmer has much more personal contact with hired labour and can supervise their work more closely. Thus, the gains from closer management of a small or medium commercial farm often outweigh the gains of big machines of a giant farm.

The economies of scale are not in the farming, but in other parts of the value chain - particularly access to global markets which is every more tightly controlled by supermarket chains and a handful of global traders - and access to less expensive credit.

Neither huge nor tiny

The World Bank, which had been a proponent of large farms, is quietly, with little publicity, changing its views. In two major reports, *Growing Africa: Unlocking the Potential of Agribusiness* in 2013 and *Awakening Africa's Sleeping Giant* in 2009, the Bank looked to medium farmers. The 2009 report is about the African Savannah, which includes most of Mozambique. It looks at two alternative models, the Brazilian cerrado and northeast Thailand, and comes to the unexpected conclusion that Thailand and not Brazil is the appropriate model for Africa.

The cerrado is the tropical savanna of the central plateau of Brazil, which has poor and acidic soils and irregular rainfall. The region was transformed through Japanese aid which funded a development of very large scale commercial agriculture, particularly of soya beans and beef, during the Brazilian military dictatorship 1964-85. This apparent success was the driving force behind the Brazilian-Japanese ProSavana project in the Nacala corridor of Mozambique. But the World Bank does not agree. In a 2012 paper, Bank researchers note that although the cerrado "was a major technological success", it did little to reduce poverty.¹⁰ And the 2009 report says "the Brazilian model of large-scale farming appears to have severe limitations in Africa."¹¹ The 2013 report comments that "Brazil's dependence on

⁷ Colonial sugar plantations have been successfully revived and expanded, but no entirely new sugar plantation has yet succeeded. A few of the state farms were becoming productive, and had the 1981 war not intervened, might have been successful. Similarly, although no post-war plantation investment has yet become profitable, it is possible that a few large soya, timber and cattle farms now being developed could become profitable. But the failure rate of plantations has been higher than that associated with small businesses.

⁸ Klaus Deininger and Derke Byerlee, "The Rise of Large Farms in Land Abundant Countries: Do They Have a Future", *World Development*, 40(4), p 701. (*World Development* is a World Bank journal.)

⁹ World Bank, *Awakening Africa's Sleeping Giant*, 2009, p 8.

¹⁰ Klaus Deininger and Derke Byerlee, "The Rise of Large Farms in Land Abundant Countries: Do They Have a Future", *World Development*, 40(4), p 702.

¹¹ World Bank, *Awakening Africa's Sleeping Giant*, 2009, p 10.

large capital-intensive farms means that its success in agricultural growth has translated poorly into poverty reduction." ¹²

Instead of Brazil, both the 2009 and 2013 World Bank reports point to another model, northeast Thailand, where small and medium scale commercial farmers with 5-15 hectares led a transformation making Thailand the world's leading rice exporter. Four policy choices were important:

- Thailand forbids foreign investment in farming, but promotes foreign investment in agro-processing and other parts of the value chain;
- Government policy encourages farmers to expand cultivated area;
- There is heavy government investment, including successful attempts to reduce the price of fertiliser; and
- A state bank lends to 95% of farmers.

The Thai experience points to the missing middle in Mozambican policy - farmers who are neither small nor large. And that experience is relevant because of the way the Thai government encouraged farmers to expand land area. Mozambique is unusual in that most farmers have access to more land than they use at any one time, and follow a rotating cultivation, leaving areas fallow for several years. First, the small commercial farmers tend to expand the area they cultivate, either by hiring labour or having access to cattle or a tractor for ploughing. The next step is raise productivity through improved technology, including fertiliser, improved seed, and sometimes irrigation. This group has been able to expand beyond the normal tiny farm, typically to 3-20 hectares, and is producing largely for the market.

We estimate from recent surveys that there are 68 000 small and medium commercial farmers. This is less than 2% of the 3.9 million farmers in Mozambique, but shows what is possible. Although they grow much of their own food, they produce primarily for the market, and are creating rural jobs and boosting the rural economy. This group has largely arisen in the two decades since the war. Tobacco has been the biggest driver, followed by cotton, and farmers of these two crops have grown with the support of the large foreign trading companies. But some others have pulled themselves up by their own bootstraps and have become commercial farmers of maize, beans, oilseeds, cattle and vegetables.

Our estimates are based on data from the TIA (Trabalho de Inquerito Agrícola) of 2008 and the IAI (Inquerito Agrícola Integrado) of 2012. First we look at some basic cash income data. The IAI shows that the median rural family cash income -- the level at which half of families are above and half are below -- is 3400 MT per year (or 675 MT or \$ 23 per person per year), That is significantly less than half a US dollar per person *per week* in cash, to purchase food and all the others things a family needs. Next, we define a "small commercial farmer" as a farmer who produces primarily for the market and sells crops worth more than five times the median family cash income, 17 000 MT per year (about \$ 600 per year). We somewhat arbitrarily define a "medium commercial farmer" as being in the top quarter of commercial farmers, with cash sales of over 40 000 MT (\$1300) per year. We can use the terms "emergent farmers," "middle farmers" or simply "commercial farmers" for both small and medium commercial farmers. In summary:

- 675 MT (\$23) = median cash income per rural person per year
- 3 400 MT (\$110) = median cash income per rural family per year
- 17 000 MT (\$600) = minimum cash income¹³ per family to be a small commercial farmer.
- 40 000 MT (\$1300) = minimum cash income per family to be a medium commercial farmer.

We estimate the distribution of small and medium commercial farmers by province as:

Tete	18 000
Niassa	14 000
Nampula	10 000
Manica	9 000
Zambézia	6 000
Sofala	4 000
Cabo Delgado	2 000
Inhambane	2 000
Gaza	1 000
Maputo prov.	1,000
Total	68 000

¹² World Bank, *Growing Africa: Unlocking the Potential of Agribusiness*, 2013, p 21.

¹³ Note that cash income is not profit - some costs and expenses must be paid from this.

More than half of Mozambique's emergent farmers are in three specific areas in the higher land near Malawi and Zimbabwe. One-quarter live in the Planalto de Angónia of Tete province.¹⁴ They have the highest earnings, with a mean income of over 50 000 MT per year. Another large group is at the western end of the Nacala corridor, again in high areas of Niassa, Nampula and Zambézia near Malawi. A third large group is in four districts of Manica along the border with Zimbabwe. These are areas of good soils and rainfall. There has been regular trade and movement across the border and thus these farmers have regular contact with more established small commercial farming in neighbouring countries. But these districts were also heavily affected by the 1981-92 war. That means most of Mozambique's middle farmers are relatively new, and developed their farms after the end of the war.

A hand up through contract farming

The step up from 1 ha to 3 ha and more is difficult because it requires a complete change in thinking, as well as resources for essential investment. A commercial farm is a small or medium business (SME) which requires a whole new set of skills - bookkeeping and looking to costs and profits, managing workers, and understanding markets and choosing the most profitable crops. Probably the most important attitude change is learning to reinvest profits in the business. But it also requires substantial outside capital and technology. The 1 ha farm is the limit for a hoe farmer, so expanding even to 2 or 3 ha requires some other means of land preparation - having or hiring cattle or a tractor, or being able to hire labour to open the fields with a hoe. Profitability requires raising productivity which in turn means fertilizer and improved seeds. Most rural families are so poor that they cannot afford even basic modern inputs. In 2009-11 there as study of the use of subsidised seed and fertilizer vouchers. The package was worth 3500 MT (\$117) and the farmer only had to pay 950 MT (27% of the cost). It was widely accepted that it would be profitable to use these inputs, yet 46% of the farmers could not find the 950 MT to pay their part.¹⁵

The second issue for all new commercial farmers is an assured market. Most peasants sell some surplus to traders passing through their area, and they are entirely dependent on the time and price set by the traders. Maize producer prices are often so low - at half or less of import parity price - that the sales price does not cover the extra cost of fertiliser. Both the government and the donor community stress increasing production, but when too many people produce tomatoes or pineapples, they cannot be sold and are left to rot. In his Open Presidency tours, President Armando Guebuza has faced repeated complaints about lack of markets.

Some farmers have been able to pull themselves up by their bootstraps; some used money from a salary, for example as a teacher, others received money from family members in town, and some reinvested profits from a particularly good crop instead of improving their house. But most commercial farmers have had outside support. Tobacco has probably done more to reduce rural poverty than any government or donor intervention; there are more than 100 000 tobacco farmers, including 20 000 who are small or medium commercial farmers. This is entirely contract farming. The tobacco companies, mainly Mozambique Leaf Tobacco (MLT), supply seeds, fertiliser, and technical assistance on credit, and guarantee to buy the tobacco. The farmers must sell to the tobacco company. And it has proved profitable to both sides, and it has taken many farmers out of poverty. Cotton is the main crop for 10 000 commercial farmers, and that, too, is on contract.

However, this is not a free market. Cotton and tobacco contract companies want their producers tied to them and with nowhere else to sell their produce, so government has awarded the companies exclusive rights to a district or an area, in which producers cannot sell to another company. Economists call this a "monopsony".¹⁶ There are three problems with monopsonies. First is that the buyer has total control over price and over assessment of quality, for example deciding if the cotton is top grade or second grade. Second, the buyer can break the contract without any real penalty, especially when world markets change suddenly. This happened with cotton in 2013, when contract cotton companies failed to buy. The third problem is that government has to approve a monopsony, and that creates space for corruption. On 6 August 2010, Universal Corporation (trading as Mozambique Leaf Tobacco, MLT)

¹⁴ We use Angónia to mean the four districts of the planalto, Angónia, Chifunde, Macanga, and Tsangano.

¹⁵ Michael Carter, Rachid Laajaj, and Dean Yang, "The impact of voucher coupons on the uptake of fertilizer and improved seeds: evidence from a randomized trial in Mozambique," *Amer. J. Agr. Econ.* 95(5): pp 1345–1351, 2013.

¹⁶ A "monopoly" is where there is only one producer or seller but many buyers; a "monopsony" is where there are many sellers but only one buyer.

pleaded guilty to charges brought by the United States Securities and Exchange Commission (SEC), and paid fines and penalties of \$9 million. Universal admitted that between October 2005 and July 2006 MLT paid cash to “a governor” and “gave gifts including supplies for a bathroom renovation, personal travel on a company jet, and cash payments to officials in Mozambique.” Bribes totalled \$165 000 (then 4 million Meticais). These payments related to the transfer of the exclusive license to buy tobacco in Chifunde district, Tete – one of the best districts for tobacco – from Dimon to MLT. The SEC said that \$86 830 (then 2 mn MT) in bribes relating to Chifunde brought MLT an extra \$457 260 (11 mn MT) in profits in the first year alone.¹⁷

The soya boom

Some tobacco farmers are now moving over to a new, more profitable crop. Soya beans are the catalyst for one of the most dramatic changes to the rural landscape in recent years. Totally unknown a decade ago, it has become the key crop for thousands of emergent farmers. Soya is a model of how a new crop can be introduced and small and medium commercial farmers can be promoted. Within that are many different stories: the central role of the public sector, time and patience, social differentiation, contracts, and land conflicts between big and small. First introduced in 2004, by the 2011/12 season there were 26 750 farmers growing 31 500 tonnes of soya, mainly in Alto Zambézia and Angónia.¹⁸ Of these farmers, 5 000 are large enough to be considered commercial farmers. The farm gate value of this soya was 472 million Mt (\$16 mn) in 2012. Soya is produced entirely for rations for the rapidly expanding chicken production.

In Lioma, Zambézia, some soya farmers now come into town on motorcycles – to shop or at the weekend to go to the disco. They are earning more money than the young people in the informal sector of the small town and two years ago earned enough to buy the motorcycle. In the district town Gurué, there is an expanding market that stretches along the ridge beside the road toward Lioma. There is no longer just a row of stalls selling bicycles and spare parts, but now stalls with motorcycle tyres and parts. Rural electrification means that smaller towns have electricity, allowing night school and discos. And the third mobile telephone company, Movitel, installed its masts in Lioma and now small farmers have celphones. Farming is never easy or secure, but suddenly in Lioma there are farmers who are living comfortably, and not just scratching subsistence from the soil with a hoe. And these new soya farmers are role models, proving that it is possible to earn a good living from farming.

Soya is not the result of the free market, but of a successful decade-long push of a technological package from 2004 by donors and NGOs – Clusa, TechnoServe, Gates, Norway, Switzerland, the United States, International Institute of Tropical Agriculture (IITA) and others – that turned it into a profitable crop. Unlike many donor projects which only offer information and help to organise associations, the Norwegian-funded Clusa/TechnoServe support programme involved people literally getting their hands dirty – supplying tractors and ploughing, organising seed production, promoting marketing, and training people to see farming as a business.

This is the antithesis of the private sector acting on its own. This was what might be called the “international public sector” building the social, technological and market infrastructure. The private sector only showed interest when the public sector had proved soya was profitable. Starting in 2010 some companies have tried to farm big tracts of land, which has already created land conflicts, while three companies have opted for contract farming, often reducing their risk through partnerships with NGOs and donors

For the producers, soya farming was driven first by a guaranteed and profitable market. Second came finance and technology. Few could have made the leap into this new crop without support from the “international public sector”. A third area which is less discussed is land preparation. Expanding from the 1 ha which can be prepared by a family with a hoe requires some way to plough the larger land area. In neighbouring Zimbabwe the small commercial farmers use cattle or tractors - sometimes their own, and sometimes hiring their neighbours with cattle or tractors - to plough their fields. In some parts of Mozambique this is also done, but much less, in part because there are many fewer tractors in Mozambique and because cattle can only be used in higher areas which are free of tse tse. In Gurué Clusa and some of the contract farming companies have ploughed fields for some small and medium soya farmers; but the shortage of tractors forced some farmers to hire dozens of day labourers (*ganho-ganho*) to open 10 ha or more with hoes, with loans from Clusa or the contract companies.

¹⁷ Within Mozambique, there were no penalties for MLT or the people who took the bribes, and MLT retained its monopsony.

¹⁸ Luis Pereira, “Situação geral da Soja em Moçambique”, Maputo: TechnoServe, 2012.

There are fewer than 7000 tractors in Mozambique, which is well below the needs.¹⁹ The World Bank estimates the Mozambique imports only 450 tractors a year, which is not enough to replace those which are wearing out.²⁰ The average imported tractor costs 850 000 MT (\$28 000),²¹ too expensive for nearly all farmers, and most imported tractors are distributed by government or aid agencies to farmers they choose.

Donors, ministers and officials all like large tractors; they look good in pictures and when they are being handed out. But there are more effective intermediate alternatives – motor cultivators (also known as power tiller, walking tractor, two-wheel tractor, or single axle tractor) and animal traction. A wide range of countries, including China, Japan, Poland and Brazil produce motor cultivators and one of the best ways to support emergent farmers would be to import thousands of these smaller units, which could be controlled by small groups of farmers and which are easier to maintain.

To become a successful commercial farmer and to farm more than just 1 ha requires a guaranteed market, inputs, credit, and land preparation. In Mozambique, this has been provided by private companies who want to buy soya, cotton and tobacco on contract, or by the 'international public sector' promoting new crops. So far, government has not supported these emergent farmers, despite their dynamism.

At its best, contract farming works for both exporter and farmer, and it has played a central role in the growth of commercial farming in Mozambique. But there is a huge power imbalance, with the contract company has almost total power. And Mozambique has no regulations governing the contracts, and there are no checks on the contract companies. Some state regulation is needed to reduce the power imbalance.

Contract farming is expanding into other areas. In Manica, in Vanduzi 500 contract farmers produce vegetables and piripiri for export, while in Catandica commercial farmers are producing oilseeds on contract. In Nampula province, in Iapala 300 commercial farmers are producing soya and sesame on contract, in Rapale 187 commercial farmers are producing chickens on contract, and in Ribaué farmers are producing cassava for the new Impala beer. In Angónia in Tete, there is contract farming for maize seed and for maize for the World Food Programme, both of which pay double the normal market price, but not for other food crops.

Mozambique had a Cereals Institute, which served as a marketing board and guaranteed an adequate minimum price for peasant maize. But the government was forced by the international financial institutions to end this, as the Cereals Institute was accused of distorting the free market. Thus Mozambique is in the unusual position that it is encouraged to have private monopsonies for export crops but not allowed to have state intervention in food security.

No country has become food self-sufficient without government intervention and the US and Europe still hugely subsidise their food self-sufficiency. So far, commercial farming has been largely for export because contract companies will support export crops. The government will need to decide if it wants to support food crops, notably maize.

Class in rural areas

The deepening rural poverty is matched by the growth of a still small group of people who have a relatively high income, some of whom are now middle class,²² including teachers, civil servants, traders and small businessmen, but now joined by a growing group of commercial farmers, many of whom live well, with improved houses, some with motorcycles. At the top is a new rural middle class with cars and sending their children to university. So the first to gain from small commercial farming are not the poorest. And differentiation is increasing in rural areas.

The repeatedly expressed demand in rural areas is for jobs. Because most peasants are not subsistence farmers, they need cash to survive, and there is huge demand for day labour. Young people with some schooling move to the towns, but many would stay in rural areas if there was employment.

¹⁹ Data is poor, but Mozambique has about 13 tractors per 100 sq km of arable land, compared to 22-25 in Kenya, Tanzania and Zambia, 43 in South Africa, and 67 in Zimbabwe. <http://www.quandl.com/> using World Bank and FAO data.

²⁰ World Bank. 2012. *Agribusiness indicators : Mozambique*. Washington, DC: World Bank, p 38.

<http://documents.worldbank.org/curated/en/2012/04/16374790/agribusiness-indicators-mozambique>

²¹ "Subsídio à mecanização agrícola vai continuar", *Notícias*, 30 May 2013 and "Disponíveis 400 milhões para crédito agrícola", *Notícias*, 2 August 2013.

²² International Labour Office, "Global employment trends 2013: Recovering from a second jobs dip", Geneva: International Labour Organization, 2013. The ILO estimated that for Mozambique, an income over 23 000 MT (\$770) per year is middle class, and this includes all medium commercial farmers.

Small and medium commercial farmers create many workplaces, both for family and for hired labour, but these are often poorly paid. Ganho ganho is typically paid at half the official minimum wage (2500 MT, \$83 per month). Gurué soya farmers found many people coming from neighbouring districts who were prepared to prepare land with a hoe for 50 MT per day.

One argument for large industrial farms, in both the capitalist and socialist eras, is that they create a rural working class. And they do create some good employment - tractor drivers, overseers, technicians, etc. But most jobs are poorly paid and seasonal, as farm labourers. Agricultural plantations create perhaps 1 job for each 10 hectares and forestry plantations 1 job per 100 hectares. So plantations can create a labour elite, but they do not create much employment and most pay poorly.

At least initially, small commercial farmers create many more jobs but not good jobs. In the short term, that is the expressed demand of rural people.

Support medium farmers to reduce poverty

"Growth in agriculture is up to 3.2 times better at reducing ... poverty in low-income and resource-rich countries than an equivalent amount of GDP expansion outside agriculture," according to a recent World Bank report.²³ The report goes on to stress that this is particularly true for Mozambique, because capital-intensive mining and mega-project driven growth has such a small impact on poverty. A study by the United Nations University-Wider concluded that for Mozambique "the most important priority for jobs is to address low levels of agricultural productivity in order to help reduce poverty."²⁴

"Half the population still lives below the national poverty line," notes the IMF, "while nationwide rural poverty continues to be severe."²⁵ The dual agricultural strategy pursued for the past 35 years is not working. Keeping most peasants on tiny pieces of land, while making huge tracts of land available for foreign investors to create modern industrial farms, is a failure. Trying to raise the productivity levels of the majority of Mozambicans farming less than 1 ha while keeping them on their 1 hectare dooms these peasants to continued poverty. On the other side of the dual strategy, nearly all the plantations fail and they create too few jobs.

The poverty of the majority of rural Mozambicans, who have a cash income of less than 675 MT per person per year, is obvious when one drives through rural Mozambique. But almost unnoticed, there is a rural revolution being carried out by emergent farmers and members of commercial farming associations - the missing middle not even noticed by the dual strategy. They are part of the more than 68 000 Mozambicans who have become small and medium commercial farmers in the two decades since the war. These are families who are increasing productivity by adopting new technologies, but are primarily raising production by farming more land. This transformation has happened in just 20 years. So far they are islands of success in a sea of poverty, but they show what is possible and point a way forward. These farmers have combined their own initiative with support from the public sector to expand their area to take advantage of new markets.

The litany of problems is well known - lack of credit, inputs, markets, etc. Nevertheless, the growth of commercial farmers over the past two decades has been truly remarkable. The new commercial farmers are only a small percentage of Mozambican farmers, but they show what is possible. Most of these commercial farmers had help from somewhere, such as contract companies for tobacco. It took a decade of continuing support from international NGOs and donors to make soya a profitable crop. This was hands-on help, providing tractors and seed and creating markets. Developing the cassava market involved a decade of donor intervention and the development of machinery and markets. Chickens, too, had international public sector support. And maize is profitable only when the public sector buys. What is striking is the most of the support is from outside - foreign companies, international NGOs and agencies, bilateral donors. Domestic investors, banks and the government are largely absent.

The other thing we saw is that most commercial farmers are under-capitalised. They would like to expand, but do not have the money and cannot obtain credit. They lack machinery and modern inputs. There are tens of thousands of peasant farmers who would like to grow from 1 ha to 3-5 ha, and have the land, but are too poor to expand. Mozambique's rural areas are too poor to develop on their own. Is Mozambique to continue to depend on the outside world to develop rural areas?

²³ Punam Chuhan Pole (Deputy Chief Economist, World Bank Africa Region) et al, *Africa's Pulse*, Vol 8, Washington: World Bank, October 2013.

²⁴ "How to promote sustainable jobs in Mozambique", *WiderAngle*, November 2013.

²⁵ International Monetary Fund, "Staff report for the 2013 Article IV consultation", IMF Country Report 13/300, 2013, p 20.

Plantations have consistently failed in Mozambique, while concentrating on so-called "subsistence farmers" is a recipe for continued poverty. It is time to pay more attention to the missing middle. Unfortunately, many donors, ministers and officials are still transfixed by the chimera of a foreign investor flying in and ending poverty as if by magic. The alternative is to support small and medium commercial farmers to cultivate larger tracts of land. This is not an easy solution, but there are no easy solutions. Supporting tens of thousands of farmers is complex; different farmers and different regions have different needs. Subsidy and credit, guaranteed markets, help with business and farming skills, risk sharing, and regulation of contract farming will all be needed. Tens of thousands of farmers will need to believe that they can have a motorcycle, build a modern house, and send their children to school.

This requires a clear policy choice by government and the international community. If one-fifth of smallholders significantly expanded their area, they would occupy most of the underused land. There would be little farmland left for large investors. There will be land competition between large investors and small and medium commercial farmers. Ministers can no longer make sweeping statements about the land available to all potential users, foreign investors as well as local farmers. Choices will need to be made about the best uses and users of prime farmland.