South Asian agriculture is the home of small farmers. About 125 million holdings are operating in an area of roughly 200 million hectares, with an average size of just 1.6 hectares. They support the food and fiber needs of 1.3 billion people. Of these, more than 80 percent are extremely small, with a bare average size of less than 0.6 hectares, almost the size of a football field! They operate about one-third of the agricultural land. In Bangladesh, however, this size is considered pretty reasonable, as 96 percent of the holdings have an average size of just 0.3 hectares!

They exist. And they exist because this patch of land is their last hope of food security. They want to stand on their own legs, they want to produce their own food, rather than face the specter of famine or be vulnerable to the uncertainties of food aid.

**Land of despair or hope?**

Agriculture in South Asia still engages about two-third of the work force and contributes roughly one-fourth to the gross domestic product of the region. Therefore, what happens to small farmers in South Asia has significant ramifications, both at regional and global levels. South Asia, after all, is a home to 22 percent of world's population, parks about 44 percent of world's poor (living on less than a dollar a day), and lives on less than 2 percent of world's income.

But now, this region is yearning for a change, a change that can fulfill the dreams of removing poverty, hunger, and malnutrition. The signs of this change are visible. It is the second fastest growing region in the world, at more than 5 percent per annum during 1980–2000, and likely to continue on this trajectory for the next two decades.

**Emerging Challenges and Response**

**Population growth** continues during the next two decades, and land and water are becoming increasingly scarce. The average size of the holding is becoming smaller, and every drop of fresh water becoming scarcer. How are the teeming small and marginal farmers of South Asia going to respond to this challenge? Will the tiny farms continue to be divided until they reach the size of a kitchen garden to be ploughed with forks and knives? Or will it stop at some critical “economically viable” size? If so, when? What can the policymakers do in this regard?

Perhaps three things can be made a priority to respond to the land question. First, computerize and update the land records. These records are in a pathetic state. Second, free up the land markets for land transactions, both for rental as well as for sale-purchase. And third, ensure that small farmers have good access to institutional credit so that they can buy land to augment their miniature size of the holding. This would pave the way towards emergence of “economically viable” holding sizes.

As pressure builds on water, the bigger farmers often dig deeper, even usurping the water from nearby wells of small farmers. But how long will it continue? At local levels, small farmers are already fighting back for their existence, often leading to skirmishes among farmers. But at higher levels, it is spilling over to regions, and may soon lead to “water wars” across states, regions, or even countries that
share river waters. What can the policymakers do to find an amicable solution such that small farmers are not put to disadvantage?

Two things can be taken up on the policy agenda for better management of irrigation water, and resolving the water disputes. First, a major drive towards involvement of user groups, especially small farmers, is required in water management. This should include the pricing reforms for both surface and ground water irrigation. Andhra Pradesh in India has taken a bold step in this direction, but much more needs to be done. Second, the states/countries of the region have to realize that it can be a “win-win” situation if they collectively resolve the disputes relating to sharing river waters, and put in resources to exploit the untapped potential, or else they will run out of time.

Globalization of agriculture has opened a Pandora’s box. The Uruguay Round Agreement on Agriculture of the World Trade Organization (WTO) has created fears in the minds of small and marginal farmers of South Asia. It has also raised contentious issues among policymakers, in regards to opening up markets of agricultural goods or providing support to farmers. A moot question haunts the farmers and policymakers alike: Are the small farmers of South Asia globally competitive? Will they be able to gain anything from the global markets, or are they doomed to be wiped out by the waves of globalization?

The available research on these issues shows that small farmers are quite competitive in most of the agri-commodities as far as their production costs are concerned. So theoretically, they will gain if they get market access to high price markets. Their disadvantage is in terms of high transactions costs resulting from low volume of surpluses, and poor infrastructure. Despite these difficulties, they can gain in several commodities, most notably in rice, fisheries, fruits and vegetables, and even dairy products. However, the OECD countries have to provide freer market access, and also do not distort the world markets through subsidized exports or high domestic support. For these issues to be resolved amicably, the negotiators of this region will have to engage more, and not less, in WTO negotiations for agriculture.

Accelerated growth at more than 5 percent per annum rate of this region during 1980–2000, has led to fast urbanization. The consumption basket of people is changing rapidly, moving more towards high value livestock products (meat, dairy, fruits and vegetables, etc.). Most of these are more labor intensive and their demand growing at more than double the rate for staple crops. There is a revolution waiting in the wings. This offers a wonderful opportunity to small farmers to augment their incomes with meager land and water resources. What it would need, however, is higher levels of working capital, better infrastructure and post-harvest facilities.

The policymakers can seize this opportunity if they usher in reforms in the rural credit for the small farmers. Bangladesh has been a pioneer in innovative schemes in rural credit for the poor. The Grameen Bank of Bangladesh is a success story, which is spreading in other countries of the region through so called self-help groups. Lately, India started Kisan (farmers’) Credit Cards, which is another success story. By August 2001, more than 15 million credit cards had been issued to farmers. The challenge, however, is much bigger.

Several other policy issues, such as, relating to domestic and foreign investments in post-harvest activities, and institutional framework for the firm-farm linkages that can protect the interests of the small farmers, need to be addressed by the policymakers to maximize the gains for small farmers.

And finally, more investment in agricultural R&D, and rural infrastructure is needed. The R&D expenditures need to be taken from the existing levels of around 0.5 percent of agricultural GDP to about 1 percent of agricultural GDP. Such investments in R&D and infrastructure are pro-poor, and also generate off farm activity for several farmers to augment their incomes.

In sum, small farmers are certainly going to remain in South Asia, at least for the next two decades. However, they are going to face a number of challenges. They can respond to these and even benefit from them under the right policy environment. But if the policymakers fail to create that environment, the gains would go to the big ones, while the pains would come to the small and marginal farmers.

Note: The views expressed in this summary note are those of the author and are not necessarily endorsed by or representative of IFPRI or of the cosponsoring or supporting organizations.