

Integrating Smallholders into Inclusive Markets: Why it's so hard and so important

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Inclusive Market Development
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Points to be covered:

1. Role of inclusive markets in structural transformation
2. Opportunities and limitations
3. Key entry points to make markets more inclusive

Take home message #1

- The pace of structural transformation depends on how inclusive the rural development process is

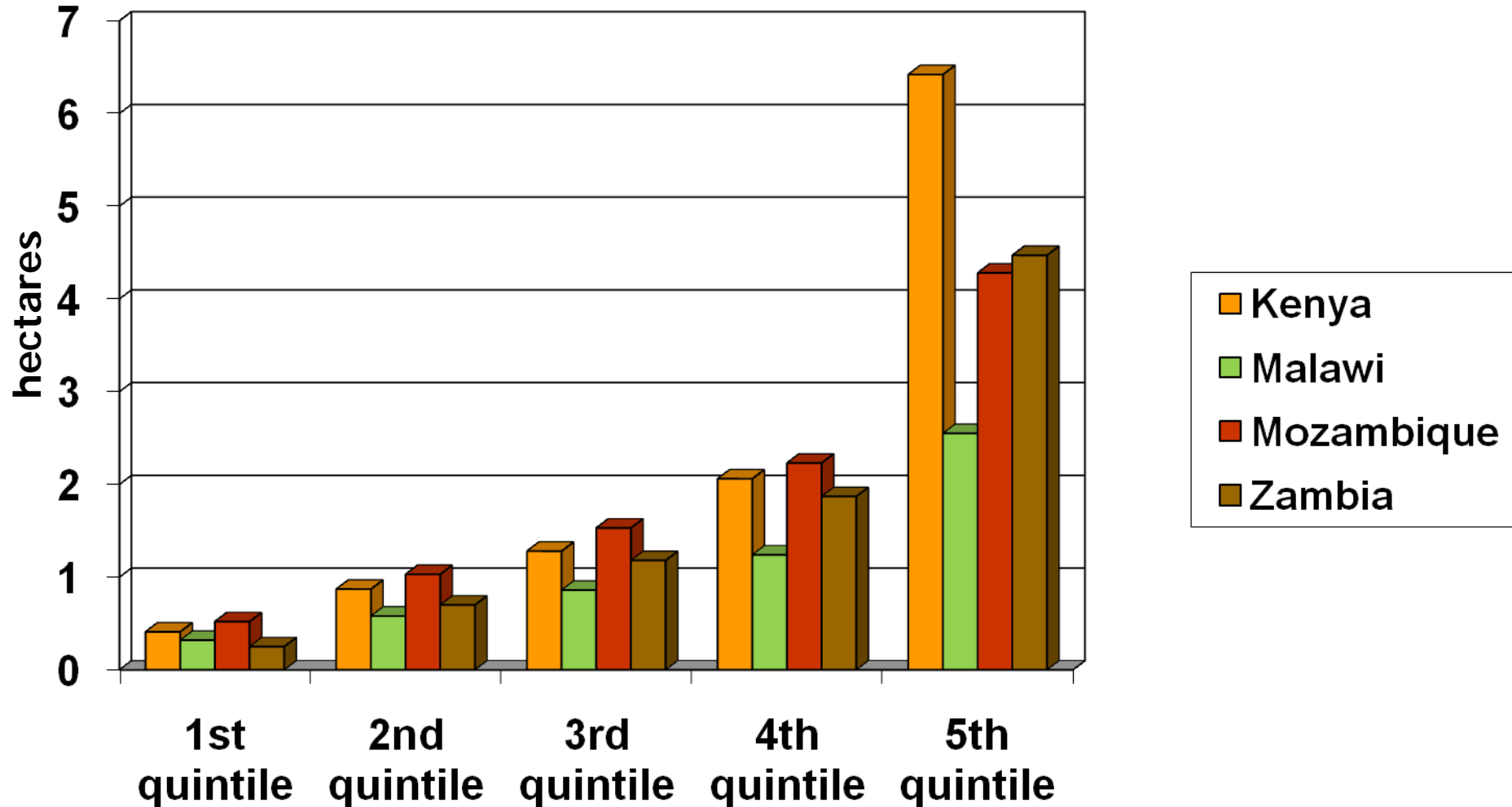
Why there is no alternative to a smallholder-led agricultural development strategy

- 50-70% of the population is engaged primarily in agriculture
- Agricultural growth *with* poverty reduction requires that smallholders be the engine
 - Large-farm-led model → latifundia
- Multiplier effects of agricultural growth are highest in smallholder agriculture
- Broad-based agricultural growth leads to virtuous symbiotic rural-urban development
- Unresolved question: how broad-based does agricultural growth need to be to achieve virtuous structural transformation processes?

Take home message #2:

- It's difficult to make markets inclusive when there are such disparities in productive assets in rural communities

Distribution of farm sizes in smallholder farm sectors



Disparities within smallholder agriculture, Zambia - 2008

	N=	Farm size (ha)	Asset values (US\$)	Gross rev., maize sales (US\$)	Gross rev., crop sales (US\$)	Total hh income (US\$)
Top 50% of maize sales	30,150 (2%)	7.2	3,703	3,199	3,354	7,624
Rest of maize sellers	467,320 (30%)	1.9	257	172	252	1,272
Households not selling maize	1,010,014 (67%)	1.1	129	0	57	756

Source: CSO Supplemental surveys, 2008

Take home message #3

- Food crops vs. cash crops: false trade-off
 - Most research finds important synergies
 - Companies often provide inputs on credit for both food and cash crops
 - In some cases, companies provide infrastructure that benefits all residents in the community
 - Rate of private investment (e.g., by input suppliers, service providers) higher in areas where money is being generated by the cash crop scheme

Take home message #4

- Not sexy \neq not effective

Take home message #4

- Not sexy \neq not effective



Important entry points

	Hot	Not hot

Important entry points

	Hot	Not hot
Effective		
Not Effective		

Important entry points

	Hot	Not hot
Effective		<ul style="list-style-type: none">• Crop science (R&D)• Agronomic / crop husbandry training• marketing training• Organizing farmers into groups for marketing, input procurement• Infrastructural dev.• Supporting rural electrification
Not Effective		

Ranking of Alternative Investments: Meta-Study Evidence from Asia and Africa

	The Economist	IFPRI study
Policies		
Road investment		
Agricultural R&D		
Agricultural extension services		
Credit subsidies		
Fertilizer subsidies		
Irrigation		

Ranking with respect to *agricultural growth*: Evidence from Asia

	The Economist	IFPRI
Policies	1	
Road investment	2	1
Agricultural R&D	3	2
Agricultural extension services	4	
Credit subsidies	7	3
Fertilizer subsidies	5	4
Irrigation	6	5

Ranking with respect to *poverty reduction*: Evidence from Asia

	The Economist	IFPRI
Policies	1	
Road investment	2	1
Agricultural R&D	3	2
Agricultural extension services	5	
Credit subsidies	7	3
Fertilizer subsidies	4	4
Irrigation	6	5

Thank you

