Meeting the Challenges of Value Chain Development

Value Chain Investments and Improved Food Security Outcomes: Natural Partners or Arranged Marriage?

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Roadmap for presentation

- What can past research tell us about:
  - Requirements for improved food security outcomes?
  - Comparative advantage and limits of VC approaches in relation to these outcomes?
  - Complementary investments needed to broaden and ensure sustainability of VC and FS outcomes?
  - Implications for program design – arranged marriages have better outcomes!
Dimensions of improved food security

- Increased availability
- Increased access
  - Physical, Economic, Intra-household
- Increased utilization
  - Dietary quality (diversity), food safety
  - Sanitation and health
- Increased stability (predictability)

Gender is a crucial cross-cutting element
Comparative advantages of VC

- Engages the private sector to increase productivity, broaden participation and raise incomes of participants (sustainability)

- With urbanization and income growth the post-farm value added has the potential to grow much faster than farm-level value added (growth enhancing)

- Impacts on food security outcomes for both VC participants (direct effects) and non-participants (indirect effects)
Direct vs. indirect benefits

Direct benefits (accrue to VC participants)
- Increased production (availability)
- Increased incomes (access)

Indirect benefits (accrue to non-participants as well)
- Access to inputs/technology (availability)
- Lower prices of food (access)
- Employment (income multiplier) effects (access)
- Food quality/safety innovations (utilization)
- Services financed out of VC profits (utilization)
Limits to food security outcomes

- Most rural households are too asset poor to obtain direct benefits from crop production value chain investment.
- Only a small proportion of households have sufficient land and other resources to participate in food value chains as net sellers.
- Even fewer households can take part in non-food value chains requiring purchased inputs.
Smallholder landholdings in ESA

Kenya
Malawi
Mozambique
Zambia

Hectares

1st quintile 2nd quintile 3rd quintile 4th quintile 5th quintile

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Mozambique: Distribution of cultivated land area
Mozambique: market participation and land holding

The graph shows the probability of selling maize, cotton, and tobacco as a function of total area (ha). The probability increases with the total area for all three crops. The maize curve is the solid line, the cotton curve is the dashed line, and the tobacco curve is the dotted line.
Mozambique: sales and land holdings

- **Maize**
- **Cotton**
- **Tobacco**

Log (sales value in Meticais) vs. Total area (ha)
Market participation in Zambia

![Graph showing market participation in Zambia for different quintiles of land holding. The x-axis represents the quintile of land holding, and the y-axis represents the share selling. The graph includes bars for Maize and FFV, demonstrating an increasing trend in market participation with higher quintiles of land holding.]
Complementary investments – household level

- Assets/services to raise labor productivity
- Increasing food crop productivity and diversity
  - Improved varieties
  - Conservation farming
- Nutrition education related to local agricultural context
- Assets/income earning activities for women
Complementary investments – food system level

• Re-engineering tertiary agricultural education to meet needs of private sector
  – Food technology
  – Agribusiness/finance

• Continued investment in agricultural technology and information dissemination (source of continued VC growth)

• Investment in local food and agricultural policy analysis and engagement capacity
Takeaways

• Value chain investments are a powerful tool for private-sector driven growth

• Indirect benefits at least as important for improved food security outcomes as direct benefits

• Complementary household investments need to be coordinated with VC investments

• Continued investment in future growth drivers: improved technology, human capital, organizational capital, governance
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