



# **Developing staple food markets to reduce hunger and poverty: Strategies for FTF**

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## **Key issues covered in this presentation**

1. There is no alternative to a smallholder-led agricultural development strategy
2. Developing staple food markets will not allow the poorer half of African smallholders to become staple food sellers
3. Developing staple food markets is nevertheless crucial for achieving mass poverty reduction and food security
4. Modern marketing institutions will not develop until governments transition from discretionary to more systematic and rules-based forms of interventions
5. Priority strategies for promoting equitable and sustainable agricultural development and food security.

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

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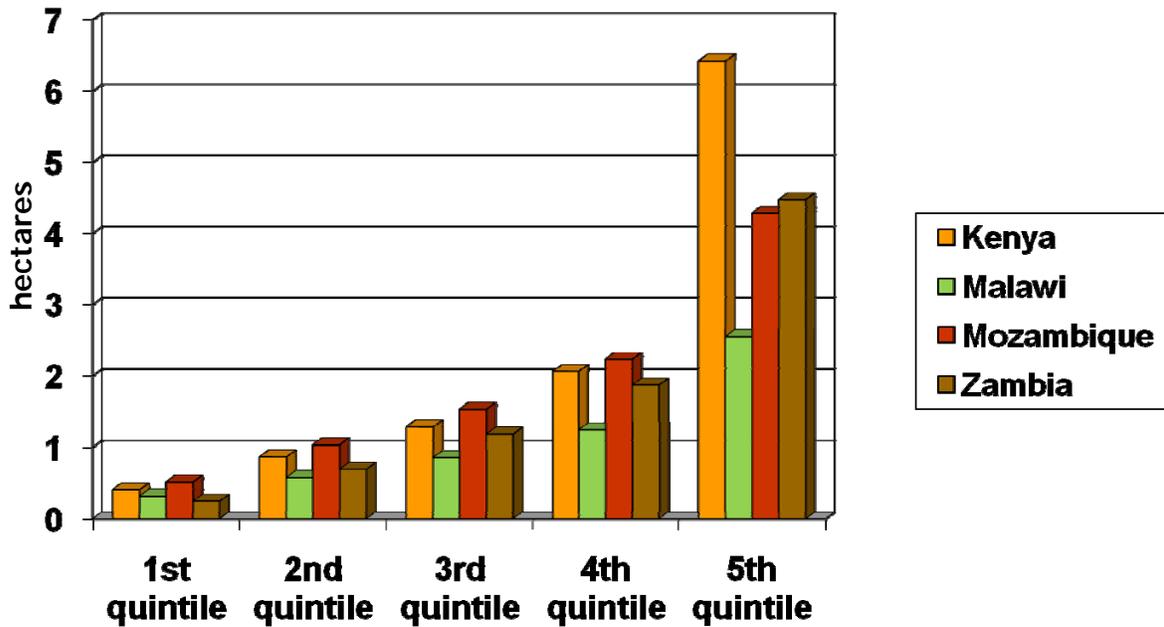
1. 50-70% of the population is engaged primarily in agriculture
2. Agricultural growth *with* poverty reduction requires that smallholders be the engine
  - Large-farm-led model → latifundia
3. Multiplier effects highest in smallholder agriculture

## Why the poorer half of smallholder population will not participate directly in agricultural markets

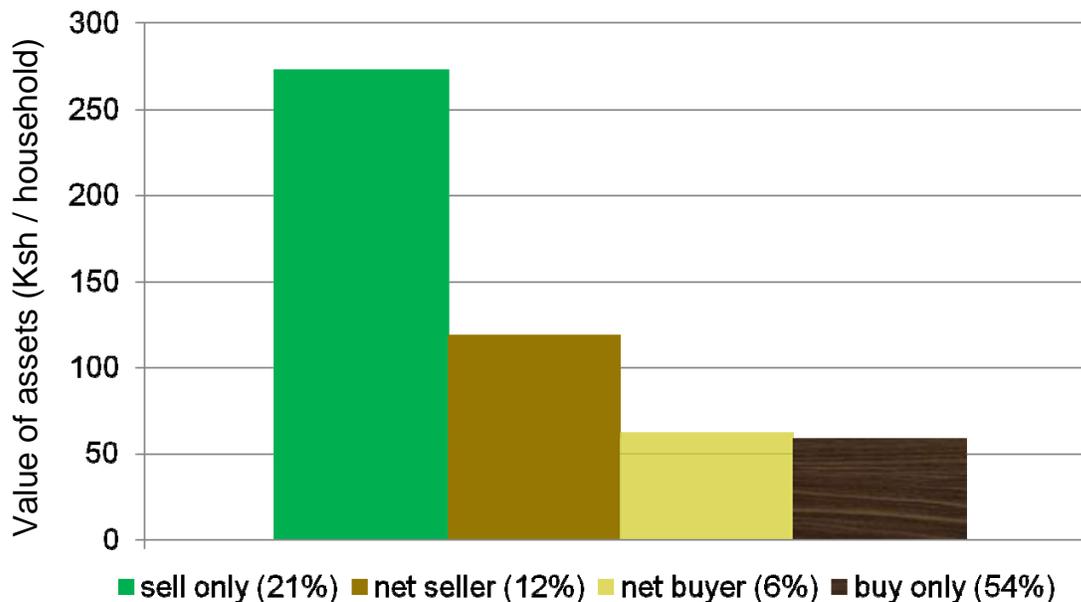
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1. Inability to produce a surplus is the primary reason why most farmers do not sell crops
  - Inadequate land and resources
  - Low productivity of resources owned

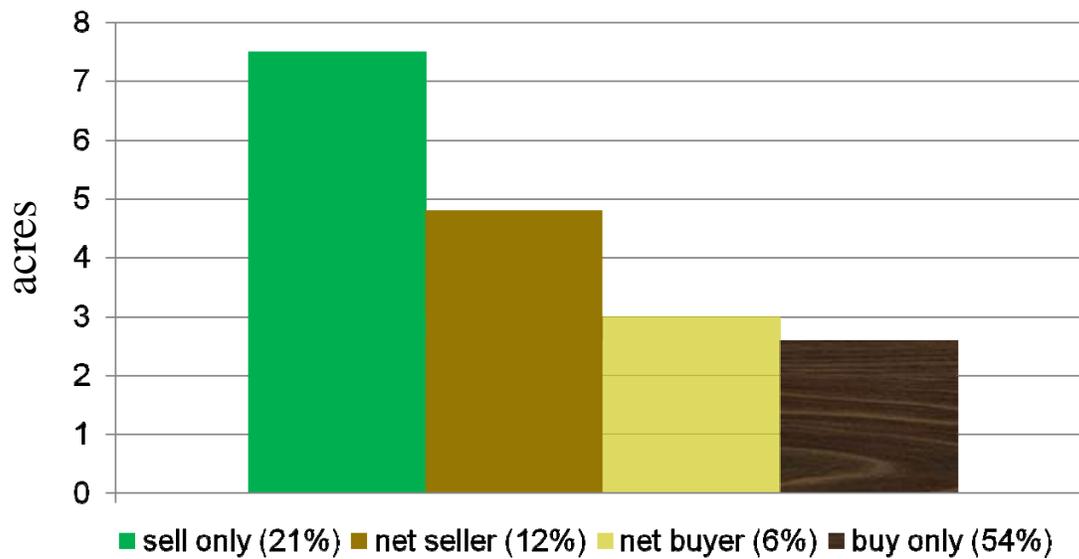
## Most smallholder farms lack the land and other resources to produce a surplus



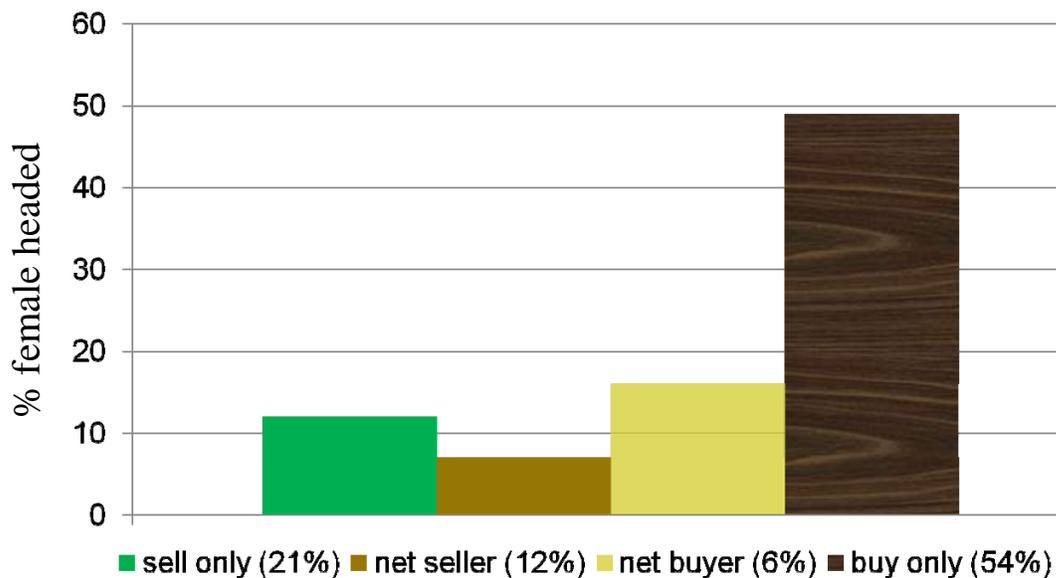
## Maize buyers have few productive assets, and they constitute the majority (54%) - Kenya



## Maize buyers have less than 3 acres on average - Kenya



## Maize buying households are disproportionately female headed



## Conclusion so far:

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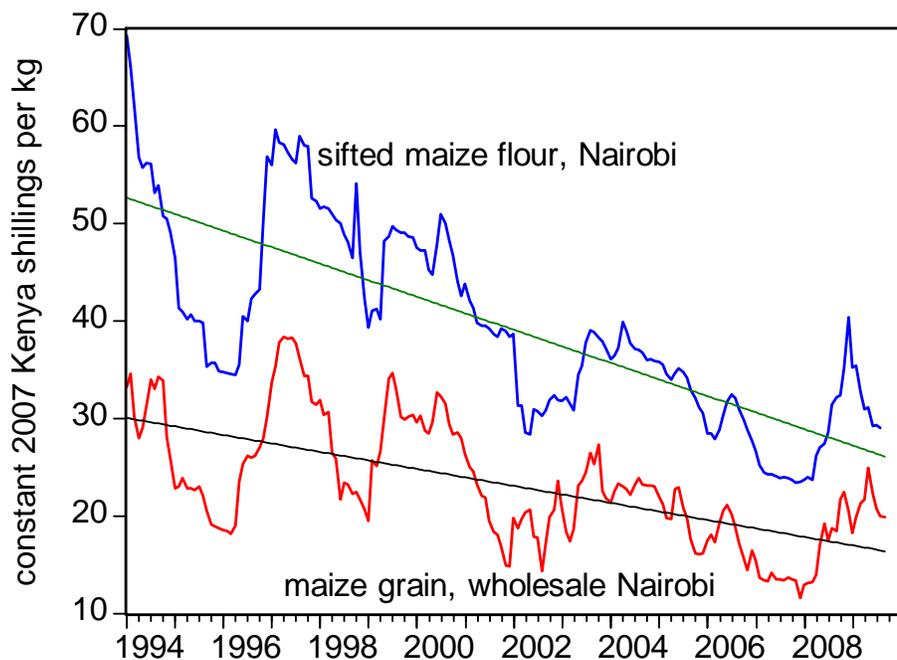
1. It will be difficult to turn staple food buyers into sellers just by improving the market
  - productive potential is a major problem for at least 50% of the smallholder population
2. Efforts to promote farm productivity are crucial

## Why market development is still crucial for reaching the bottom half

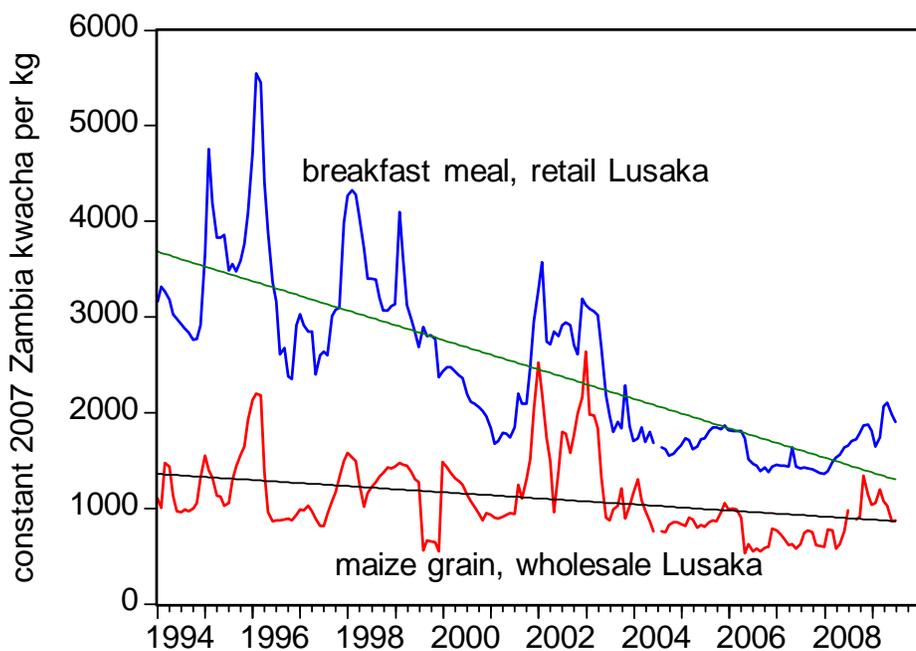
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1. Lower food costs constitute major gains in disposable income for consumers
2. Stable food markets enable farmers to shift toward higher-valued crops and activities
  - major source of land and labor productivity growth

## Retail maize meal prices trending downward due to liberalization

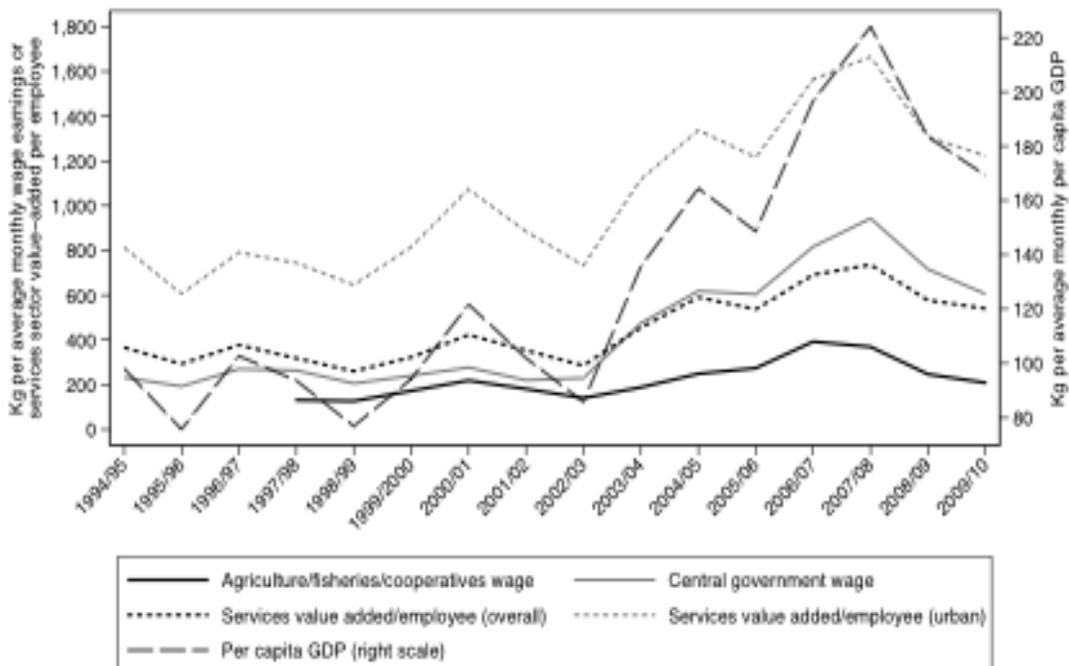


## Retail maize meal prices trending downward due to liberalization





## Kgs breakfast meal per average monthly wage, Lusaka



## Conclusion:

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### Market liberalization:

- Has reduced marketing costs, particularly at milling and retailing stages (which were highly concentrated prior to reform)
- Major benefits to millions of consumers – rural and urban

### 4. Discretionary state involvement in food markets are undermining private investment in markets

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Caution: the “development state” is making a comeback

# Competing models of the role of state and private sector in food markets:

Model 1

Model 2

Model 3

## Rely on markets; state role limited to:

- Public goods investment
- Regulatory framework
- Strengthening of institutions / defense of property rights
- Policies supportive of private sector entry and competition

## Primary reliance on markets

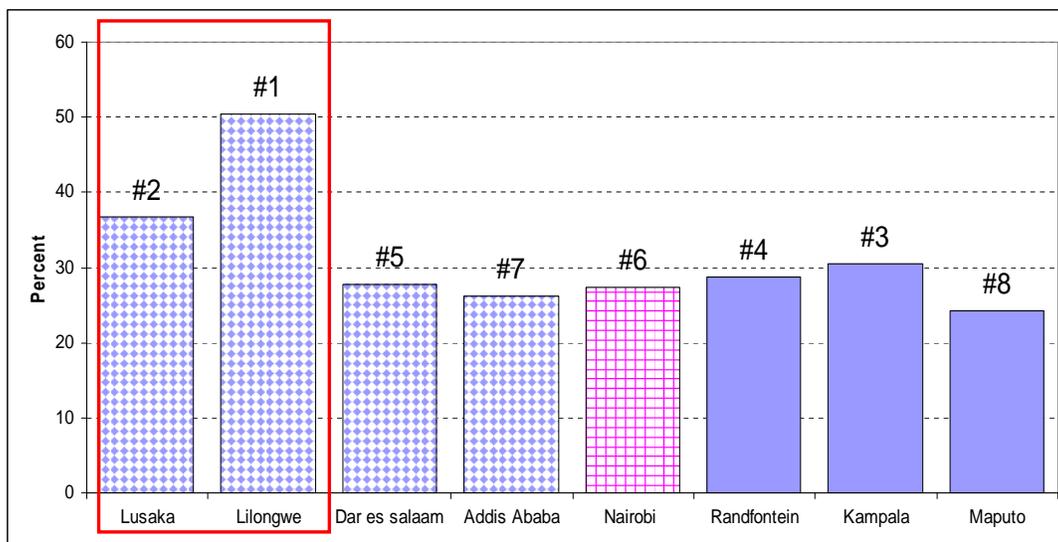
### - but role for *rules-based* state operations

- e.g., buffer stock release to defend stated ceiling price
- Marketing board purchases at stated price announced in advance
- Transparent rules for initiating state imports

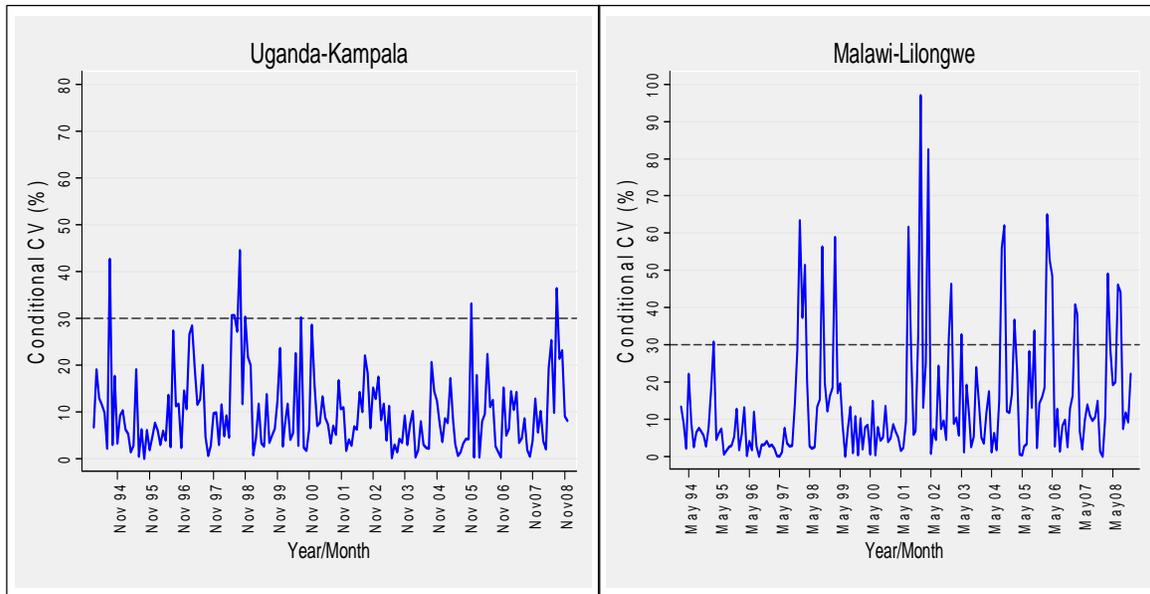
## Role for markets and *discretionary* state intervention

- Trade restrictions; marketing board activities ramp up and down unpredictably
- Based on premise that private sect. cannot ensure adequate food in response to Q shortfall
- Justification for unconstrained role for state interventions to correct for market failures

## States intervening most heavily in markets and trade to stabilize prices experience the most price instability



# Maize price unpredictability: Uganda vs. Malawi



## 5. Priority strategies for promoting equitable and sustainable agricultural development and food security

1. Predictable state role in markets is crucial – support efforts to move from Model 3 (discretionary) to Model 2 (rules-based)
2. Achieving greater stability of retail food markets will support shifts into higher-return crops and development of non-farm sectors

## 5. Priority strategies for promoting equitable and sustainable agricultural development

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3. Focus on farm productivity growth - support public investment in
  - Crop science, improved seed varieties
  - Improved farm management practices
  - Infrastructure – road, rail, ports

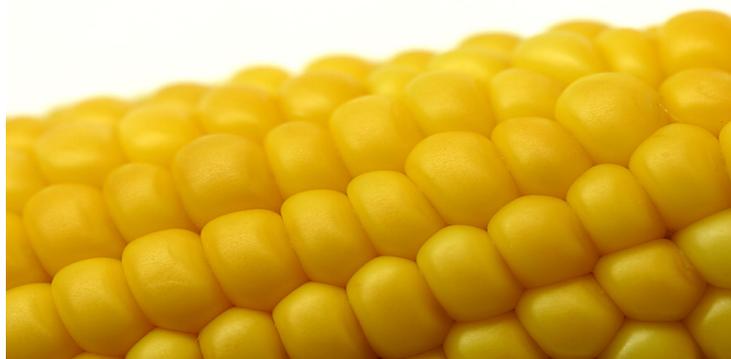
## 5. Priority strategies for promoting equitable and sustainable agricultural development

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4. Cereals vs. other crops?
  - Appropriate crop focus varies by region
  - ....and by political receptivity to a more systematic role for government in food markets
5. Create forum for regular consultation and coordination between private and public sectors

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Small farms will thrive when  
leaders are ready to think  
about the long run....



Thank you

<http://www.aec.msu.edu/fs2/>

# Kgs of maize meal per average monthly wage, Nairobi

