What Kinds of Agricultural Strategies Lead to Broad-based Growth?

Strategies for FTF

T.S. Jayne
Food Security Group, Michigan State University

USAID Evidence Summit, December 9-10, 2010
Arlington, VA

Main issues to be covered

1. What does “broad based growth” mean?
2. Review research evidence on returns to alternative investments and policies to achieve broad based growth
   • Special focus on the ultra-poor and women
3. Why there is no alternative to a smallholder-led agricultural development strategy
4. Five priority strategies for FTF
I. What does “broad-based growth” mean?

• Growth processes that effectively reach a large proportion of the population
• Especially the poor – *equitable* growth

• That being said, broad based equitable growth is difficult to achieve.
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Evidence has shown that broad based growth is associated with:

- Relatively equitable initial distribution of productive assets / resources within society
- Agricultural growth in agrarian-based economies
  - Crops that feature prominently in cropping system
  - Geographic coverage
  - The nature of government involvement in the sector/crop
- Public support for investments that most of the population can take advantage of: infrastructure, seed research, extension programs
Evidence has shown that inequitable growth is associated with:

– Highly concentrated initial distribution of productive assets / resources within society
  • e.g., latifundia-type landholding systems
– Elite capture of political process
– Use of public funds to invest in ways that are primarily appropriated by elites
  • Marketing board operations that raise prices with regressive income distributional effects
  • Input subsidy programs that are disproportionately targeted to better-off farmers (not in all cases though)

II.
Evidence on returns to alternative investments and policies to achieve broad based growth
### Ranking of Alternative Investments: Meta-Study Evidence from Asia and Africa

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

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

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III. Why there is no alternative to a smallholder-led agricultural development strategy
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 highest in smallholder agriculture
- Broad-based ag. growth leads to virtuous symbiotic rural-urban development

A major challenge for success of FTF:

- Addressing the asset constraints that prevent a large % of rural population from being able to respond to growth opportunities and incentives
Most smallholder farms lack the land and other resources to produce a surplus.
Consequences of not addressing the land access for the rural poor:

1. Inability of large % of rural population to participate in / respond to agricultural growth opportunities
2. Broad based growth will be more difficult
3. Unviable rural livelihoods contributes to rural-urban migration and the myriad problems associated with rapid urbanization
   - rise of urban slums, poor sanitation, health crises
   - unemployment, poverty
   - rising national food deficits
4. possible civil instability
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## IV.
Priority Strategies for FTF
Three basic pathways

1. Strategies that can greatly raise farm productivity that are appropriate for 1 hectare farm conditions
2. Strategies that can shift composition of farm activities from low-value / low-return activities to high-return activities
3. Strategies that expand the rural poor’s access to additional land → area expansion

Priority Strategies for FTF

1. Projects to improve the “enabling environment” (e.g. working within government ministries to improve quality of policy and public investments)
   – difficult to achieve success in short-run
   – but in many cases is crucial
      • The enabling environment may constrain growth so severely that progress on other fronts cannot be made without tackling fundamental policy environment
      • Examples:
         – warehouse receipting systems
         – Commodity exchanges
         – Storage to reduce magnitude of seasonal price rises
   – Support for development of local analytical capacity
      • Locals can make the case for effective reform more compellingly
Competing models of the role of state and private sector in food markets:

Model 1: Rely on markets; state role limited to:
- Public goods investment
- Regulatory framework
- Strengthening of institutions / property rights

Model 2: 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

Model 3: Role for markets and discretionary state intervention
- Trade policies and marketing board activities change unpredictably
- Justification for unconstrained role for state interventions to correct for market failures

Priority Strategies for FTF

2. Projects to improve allocation of public resources in ways that encourage broad-based economic growth
   - Improved seed generation systems
   - Improved agronomic practices
   - Road, rail, port infrastructure – feeder roads
2009 Allocation of Public Budget to Agriculture

- Poverty reduction Program (FSP), 35.3%
- Poverty reduction Program (All Other), 1.8%
- Agricultural development Programs, 20.3%
- Allocation via other ministries, 6.9%
- Personal Emoluments, 12.7%
- Recurrent Departmental Charges, 10.8%
- Other MACO expenditures including capital expenditure, 4.0%
- Allocation via other ministries, 6.9%

Political economy of public resource allocation

- Donor support
  - Programme support
  - Private sector
  - PPP
  - NGOs

- Budget Support
  - Long-term productive investments:
    - R&D, infrastructure, education, etc.
  - High social payoffs
  - But payoffs come 5-20 years later
  - Critical for sustained poverty reduction

- Input subsidy programs
- Marketing board price supports
- Immediate political payoffs;
- Visible support to constituencies
- Contribution to sustained growth / poverty reduction is unclear
Priority Strategies for FTF

3. Training programs that reach women farmers
   - functional literacy (not an ag program but an important adjunct to help ag. programs effectively reach women)
   - Crop / animal husbandry to improve productivity and incomes for women farmers marketing skills
   - Promotion of group marketing arrangements
   - Marketing training

Farm-gate maize prices compared to retail prices, Mulanje District, Malawi, 2009
4. Programs that address the increasingly severe land access problems facing smallholder agriculture
   a. Programs to develop improved farm technologies appropriate for 1 hectare farms
   b. Programs that support small farm entry into higher-value crops with high growth opportunities
      - Pay attention to gender barriers
   c. Open up unutilized land for small farm-based expansion – Gokwe example

5. Invest in locally managed agricultural policy institutes that can:
   - Produce credible research to guide policy discussion
   - Work with local media → shape mainstream ideas
   - Serve as both a resource and a watchdog over public policy process
   - Long-term support for African university capacity building would help raise the supply of local analysts
Thank you