

# Pathways out of poverty in the new agriculture



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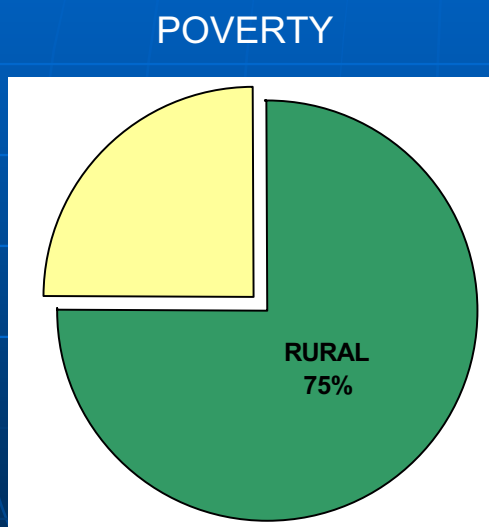


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## The Small Farmer in the New Agriculture

- Agriculture for Development in the 21<sup>st</sup> Century
  - The WDR's 3 worlds of agriculture:
    - Agriculture-based countries (mainly SSA)
    - Transforming countries (mainly Asian)
    - Urbanizing countries (mainly Latin American)
  - Agriculture's role in promoting economic growth
    - A source of growth
    - A distributor of growth
    - An important factor in making growth sustainable

# Agricultural growth *can* have unique powers for poverty reduction



Agriculture as main livelihood

- Most of poverty remains rural
- GDP growth from agriculture benefits the poor at least twice as much as GDP growth originating in non-agriculture
- Example of China

## What's needed: agricultural transformation

- Broad-based *productivity* increases in farming and related value chains
- Productivity increases result from integration of small farmers into:
  - Broader economic systems
  - Broader knowledge and information systems (including systems for delivering better technologies)

# How does agricultural productivity growth lead to pathways out of poverty?

1. Direct participation in more productive farming
  - As family farmers
  - As farm laborers
2. Indirect (linkage) effects
  - Increased employment and income in producing farm inputs and processing & marketing outputs (production linkages-- backward & forward)
  - Flows of labor and capital from farming to other sectors of the economy (factor market and fiscal linkages)

# How does agricultural productivity growth lead to pathways out of poverty?

2. Indirect (linkage) effects
  - Increased employment in producing consumer goods (consumption linkages)
  - Increased economic productivity due to better nutrition of workers and more efficient (less liquid) investment (productivity linkages)
3. Lower prices for staples, which:
  - Raise real incomes of the poor
  - Help expand employment by holding down wage rates (wage good effect)

# Pathways between agricultural growth and poverty alleviation

- Both direct and indirect effects depend both on technology *and* institutions, especially markets, which in turn depend on access to information & supporting services
- Experience of Green Revolution in Asia: *indirect* effects (especially the consumption linkages & wage-good effects) had bigger, albeit second-round, anti-poverty effects than the direct effects.

## Key challenges in creating & broadening the pathways

1. Building a strategy that addresses the *diversity* of smallholders (wrt size, gender):
  - Commercial smallholders
  - Potential commercial smallholders
  - Subsistence smallholders who need, over time, to move to more remunerative livelihoods
2. The challenge is to how to
  - Help the second group become viable commercial smallholders
  - Capture part of the benefits of productivity growth among the first 2 groups to help facilitate the movement of the 3<sup>rd</sup> group out of farming.

# Key challenges in creating & broadening the pathways

3. Helping the poor participate in the “new agriculture”
  - Demand driven
  - Increasingly attribute-specific as opposed to commodity oriented
  - System-oriented
  - Global
  - New actors, new technologies & new risks
  - Broad array of consumers, with varying ability to pay for upscale services in poor countries.
    - Scope for increased regional trade
    - Supermarkets still account for a minority of sales, esp. in SSA
  - Implication: Need to be able to identify & target diverse markets & respond to their varying needs.

## Key Challenges for broadening the pathways in SSA

4. Balancing site specificity with the need to achieve economies of scale
  - Diversity of farming systems
  - 48 separate countries, many small
    - Importance of regional trade & transaction costs
    - National governance problems become regional
    - Scale & spillovers in research, education, policy
  - Low population & infrastructure density



## What do the different rural entrepreneurs, including farmers, need to increase their productivity and incomes?

1. Information about market opportunities
2. Productive technologies and practices
3. Support services
4. An enabling policy environment

### Note:

- Farmers need all 4 of these (market information not enough), but there is an information component to each.
- Need to view these as part of an integrated system.
- Needs are frequently different by gender

## What's needed for those who cannot farm their way out of poverty?

- Risk reducing agricultural technologies
- Information about non-farm opportunities
- Education to be able to move out of agriculture
- Information and supporting services for transition out of agriculture
- Sustainable safety nets

*As with the more commercial farmers, these factors have important gender dimensions*



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