



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

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October 4, 2010, Polaris Room
Ronald Reagan Building & International Trade Center
Washington, DC

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.

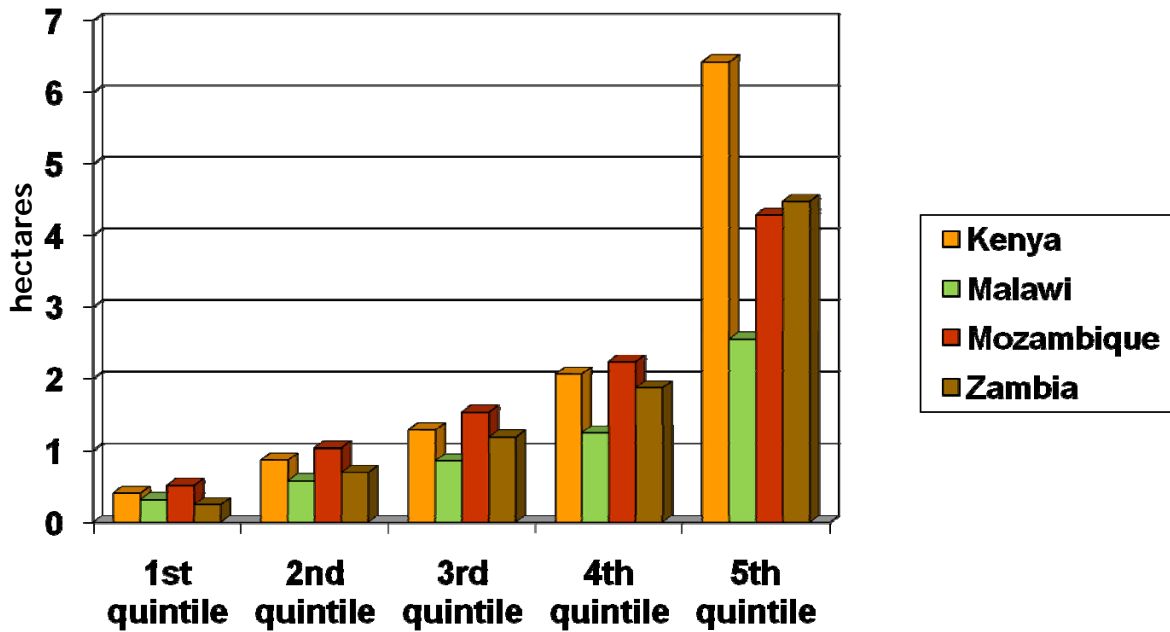
Why there is no alternative to a smallholder-led agricultural development strategy

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

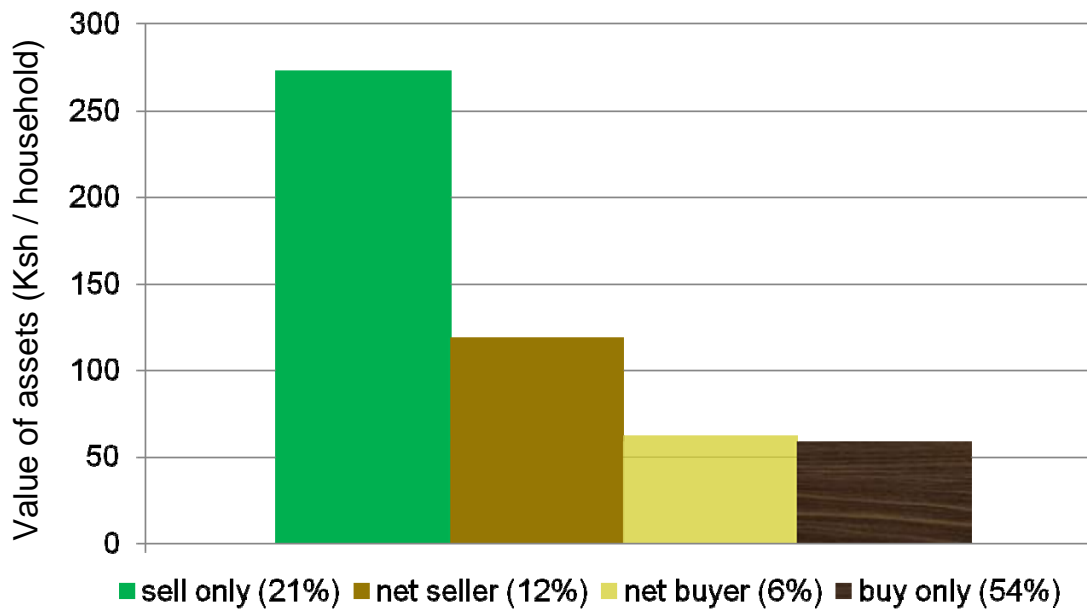
Why the poorer half of smallholder population will not participate directly in agricultural markets

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

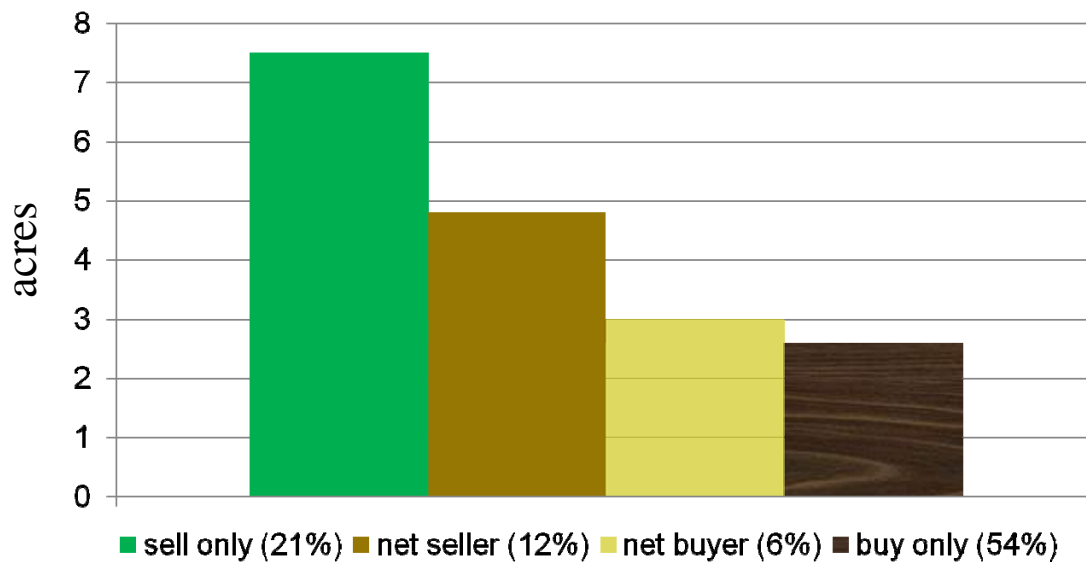
Most smallholder farms lack the land and other resources to produce a surplus



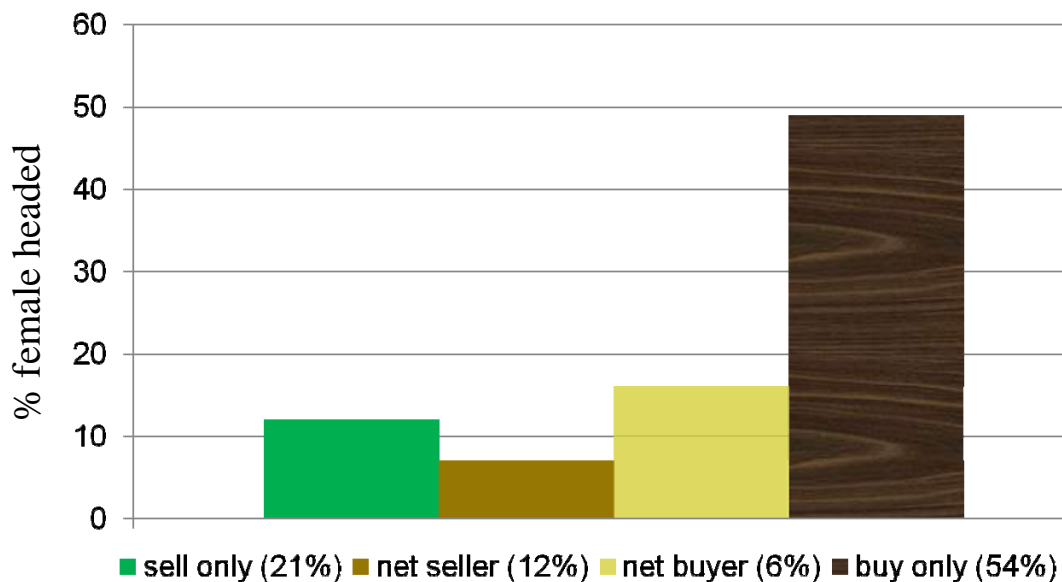
Maize buyers have few productive assets, and they constitute the majority (54%) - Kenya



Maize buyers have less than 3 acres on average - Kenya



Maize buying households are disproportionately female headed



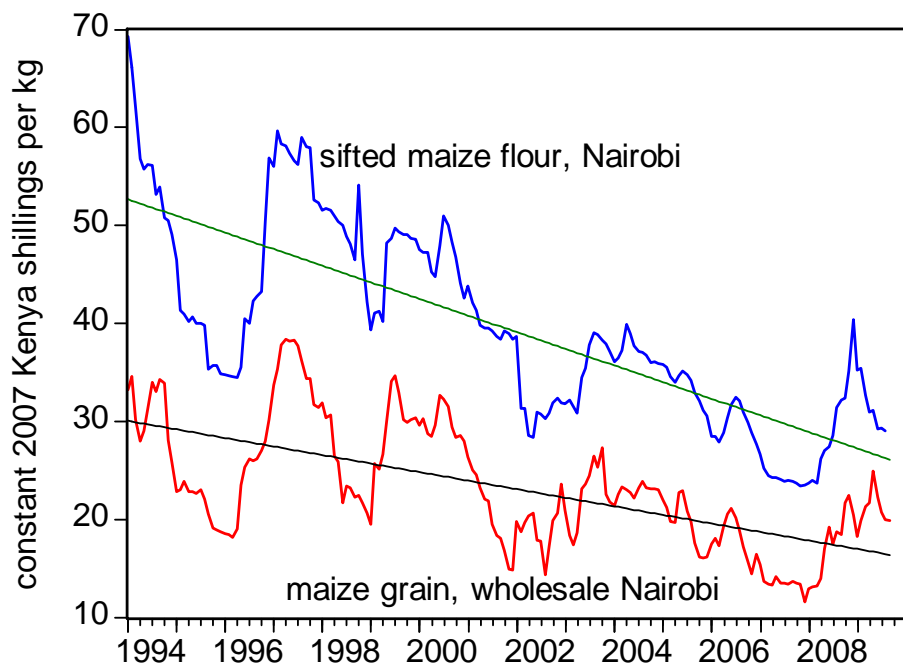
Conclusion so far:

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

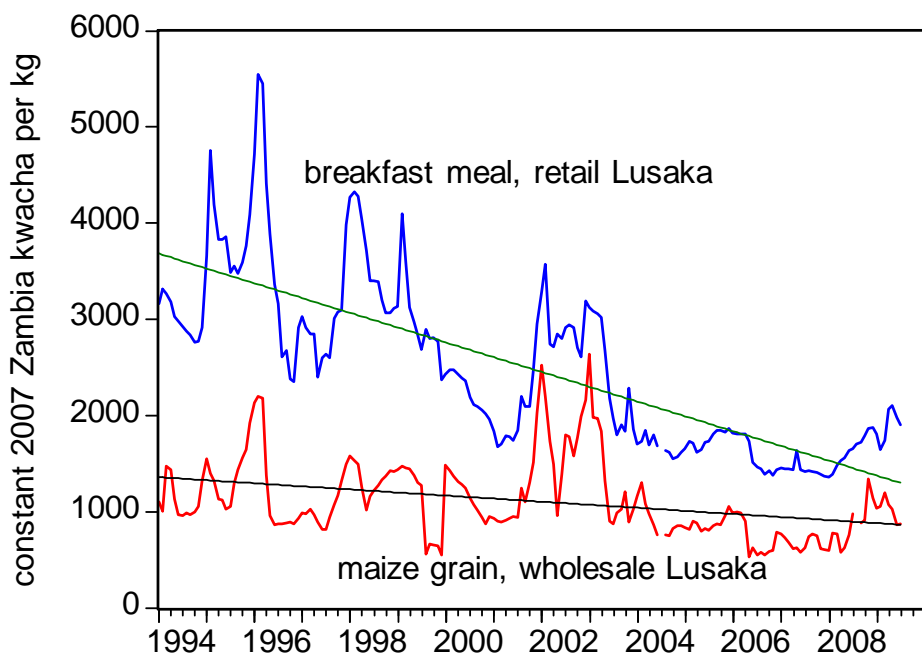
Why market development is still crucial for reaching the bottom half

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

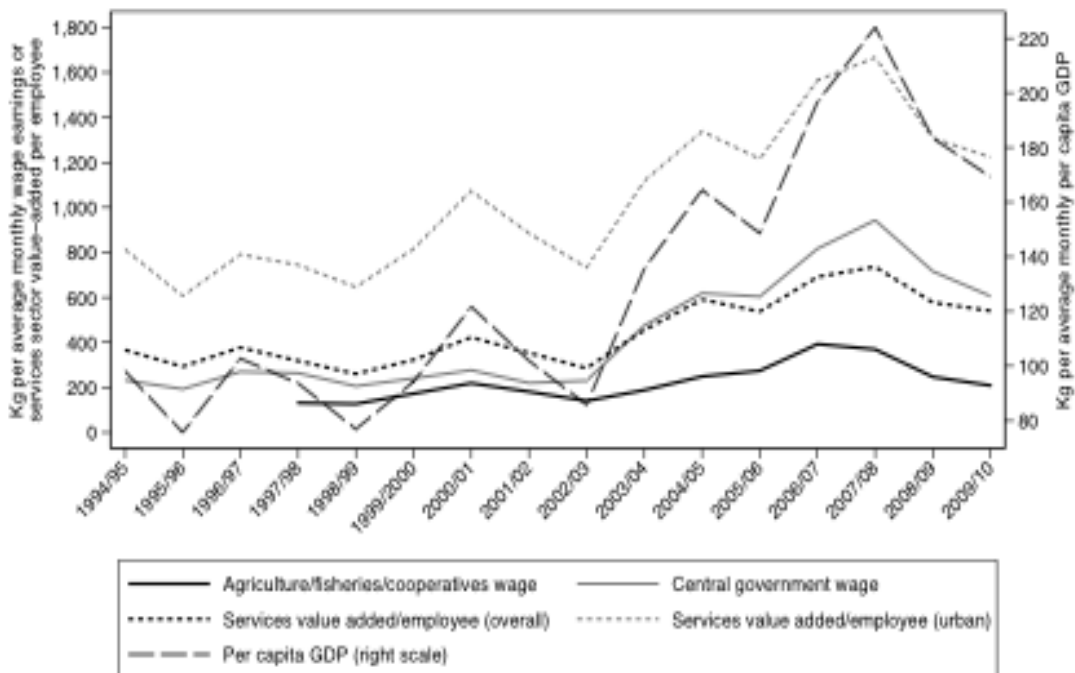


Retail maize meal prices trending downward due to liberalization





Kgs breakfast meal per average monthly wage, Lusaka



Conclusion:

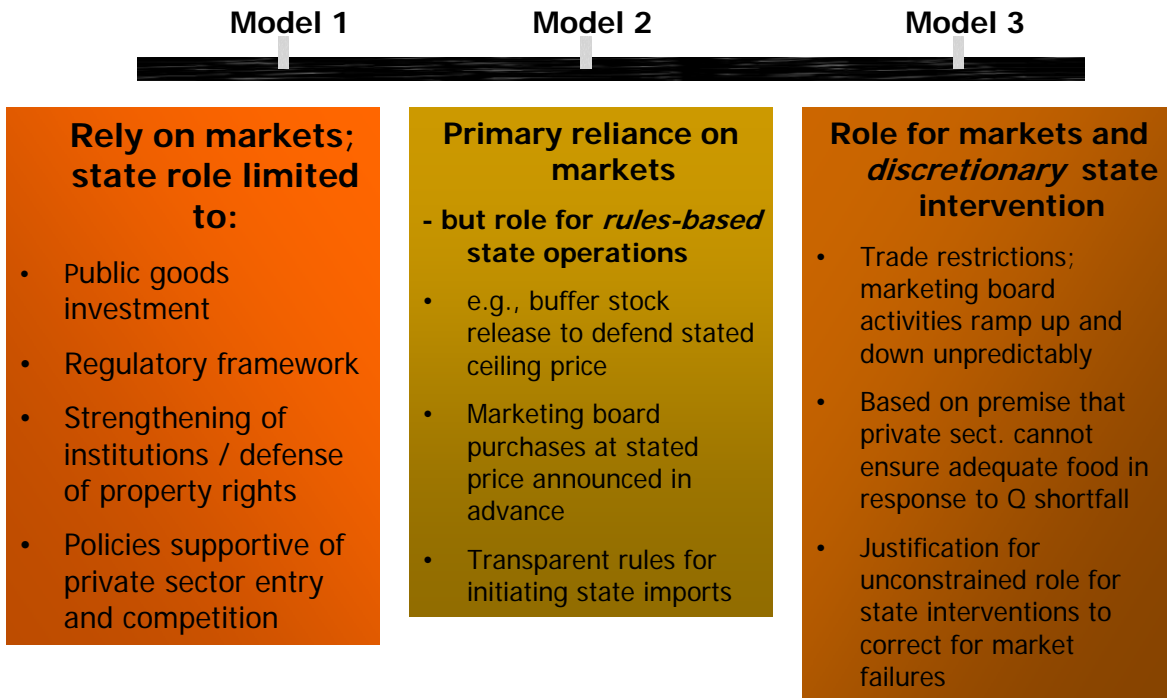
Market liberalization:

- 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

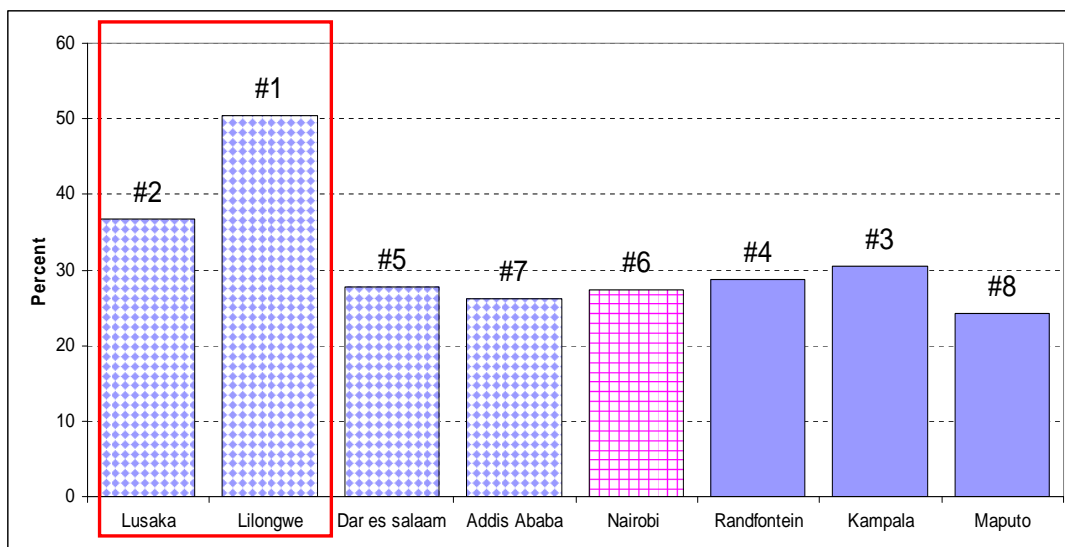
4. Discretionary state involvement in food markets are undermining private investment in markets

Caution: the “development state” is making a comeback

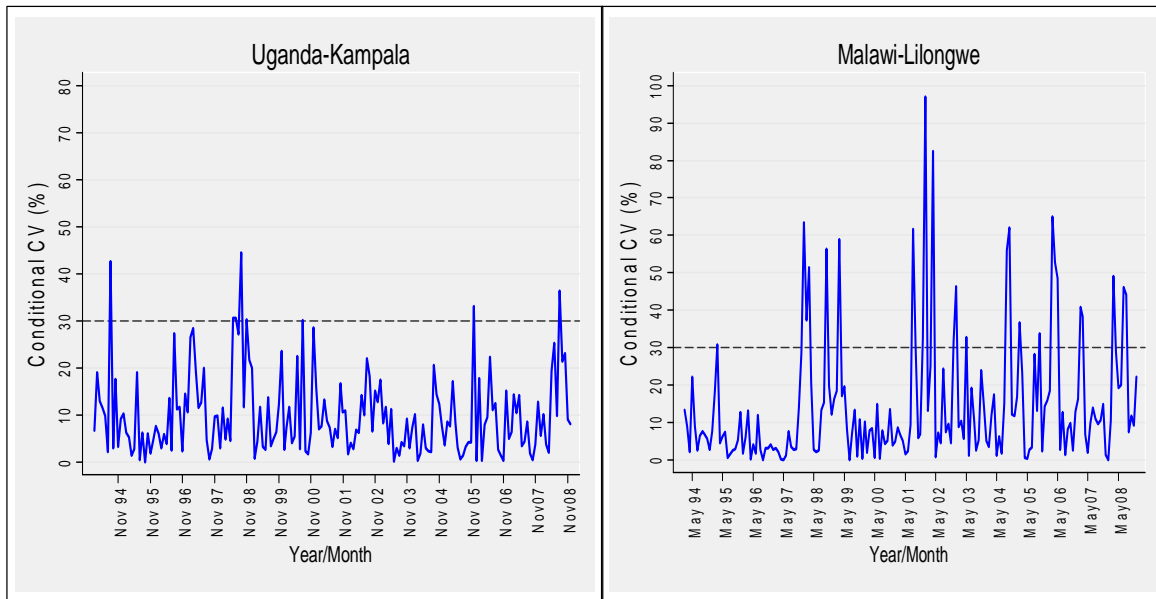
Competing models of the role of state and private sector in food markets:



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

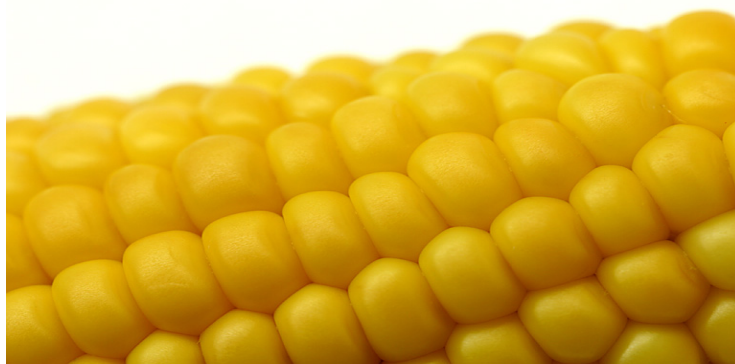
5. Priority strategies for promoting equitable and sustainable agricultural development

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

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

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

