



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

Strategies for FTF

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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?

Broad based growth defined

- 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.

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | | | | | | | |
|----------------------------|-------------------|--|--|--|--|--|--|--|
| Top 50% of maize sales | | | | | | | | |
| Rest of maize sellers | | | | | | | | |
| Farm hhs not selling maize | | | | | | | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | | | | | | | |
|----------------------------|-------------------|--|--|--|--|--|--|--|
| Top 50% of maize sales | 1.6 | | | | | | | |
| Rest of maize sellers | 19.6 | | | | | | | |
| Farm hhs not selling maize | 78.8 | | | | | | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | | | | | | |
|----------------------------|-------------------|----------------|--|--|--|--|--|--|
| Top 50% of maize sales | 1.6 | 2.0 | | | | | | |
| Rest of maize sellers | 19.6 | 1.3 | | | | | | |
| Farm hhs not selling maize | 78.8 | 1.2 | | | | | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | Asset wealth ('000 kw) | | | | | |
|----------------------------|-------------------|----------------|------------------------|--|--|--|--|--|
| Top 50% of maize sales | 1.6 | 2.0 | 208 | | | | | |
| Rest of maize sellers | 19.6 | 1.3 | 94 | | | | | |
| Farm hhs not selling maize | 78.8 | 1.2 | 14 | | | | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | Asset wealth ('000 kw) | Maize sales (kgs) | | | | |
|----------------------------|-------------------|----------------|------------------------|-------------------|--|--|--|--|
| Top 50% of maize sales | 1.6 | 2.0 | 208 | 2,510 | | | | |
| Rest of maize sellers | 19.6 | 1.3 | 94 | 204 | | | | |
| Farm hhs not selling maize | 78.8 | 1.2 | 14 | 0 | | | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | Asset wealth ('000 kw) | Maize sales (kgs) | Non-farm income ('000 kw) | | | |
|----------------------------|-------------------|----------------|------------------------|-------------------|---------------------------|--|--|--|
| Top 50% of maize sales | 1.6 | 2.0 | 208 | 2,510 | 101 | | | |
| Rest of maize sellers | 19.6 | 1.3 | 94 | 204 | 31 | | | |
| Farm hhs not selling maize | 78.8 | 1.2 | 14 | 0 | 12 | | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | Asset wealth ('000 kw) | Maize sales (kgs) | Non-farm income ('000 kw) | female headed (%) | | |
|----------------------------|-------------------|----------------|------------------------|-------------------|---------------------------|-------------------|--|--|
| Top 50% of maize sales | 1.6 | 2.0 | 208 | 2,510 | 101 | 13 | | |
| Rest of maize sellers | 19.6 | 1.3 | 94 | 204 | 31 | 25 | | |
| Farm hhs not selling maize | 78.8 | 1.2 | 14 | 0 | 12 | 28 | | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | Asset wealth ('000 kw) | Maize sales (kgs) | Non-farm income ('000 kw) | female headed (%) | Subsidized fertilizer received (kgs/hh) | |
|----------------------------|-------------------|----------------|------------------------|-------------------|---------------------------|-------------------|---|--|
| Top 50% of maize sales | 1.6 | 2.0 | 208 | 2,510 | 101 | 13 | 166 | |
| Rest of maize sellers | 19.6 | 1.3 | 94 | 204 | 31 | 25 | 85 | |
| Farm hhs not selling maize | 78.8 | 1.2 | 14 | 0 | 12 | 28 | 60 | |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

Extreme concentration of marketed maize output – Malawi, 2008/09

| | % of total sample | Farm size (ha) | Asset wealth ('000 kw) | Maize sales (kgs) | Non-farm income ('000 kw) | female headed (%) | Subsidized fertilizer received (kgs/hh) | commercial fertilizer bought (kgs/hh) |
|----------------------------|-------------------|----------------|------------------------|-------------------|---------------------------|-------------------|---|---------------------------------------|
| Top 50% of maize sales | 1.6 | 2.0 | 208 | 2,510 | 101 | 13 | 166 | 251 |
| Rest of maize sellers | 19.6 | 1.3 | 94 | 204 | 31 | 25 | 85 | 48 |
| Farm hhs not selling maize | 78.8 | 1.2 | 14 | 0 | 12 | 28 | 60 | 34 |

Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

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

| | The Economist | IFPRI study |
|---------------------------------|---------------|-------------|
| Policies | | |
| Road investment | | |
| Agricultural R&D | | |
| Agricultural extension services | | |
| Credit subsidies | | |
| Fertilizer subsidies | | |
| Irrigation | | |

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

| | The Economist | IFPRI |
|---------------------------------|---------------|-------|
| Policies | 1 | |
| Road investment | 2 | 1 |
| Agricultural R&D | 3 | 2 |
| Agricultural extension services | 4 | |
| Credit subsidies | 7 | 3 |
| Fertilizer subsidies | 5 | 4 |
| Irrigation | 6 | 5 |

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

| | The Economist | IFPRI |
|---------------------------------|---------------|-------|
| Policies | 1 | |
| Road investment | 2 | 1 |
| Agricultural R&D | 3 | 2 |
| Agricultural extension services | 5 | |
| Credit subsidies | 7 | 3 |
| Fertilizer subsidies | 4 | 4 |
| Irrigation | 6 | 5 |

III.

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

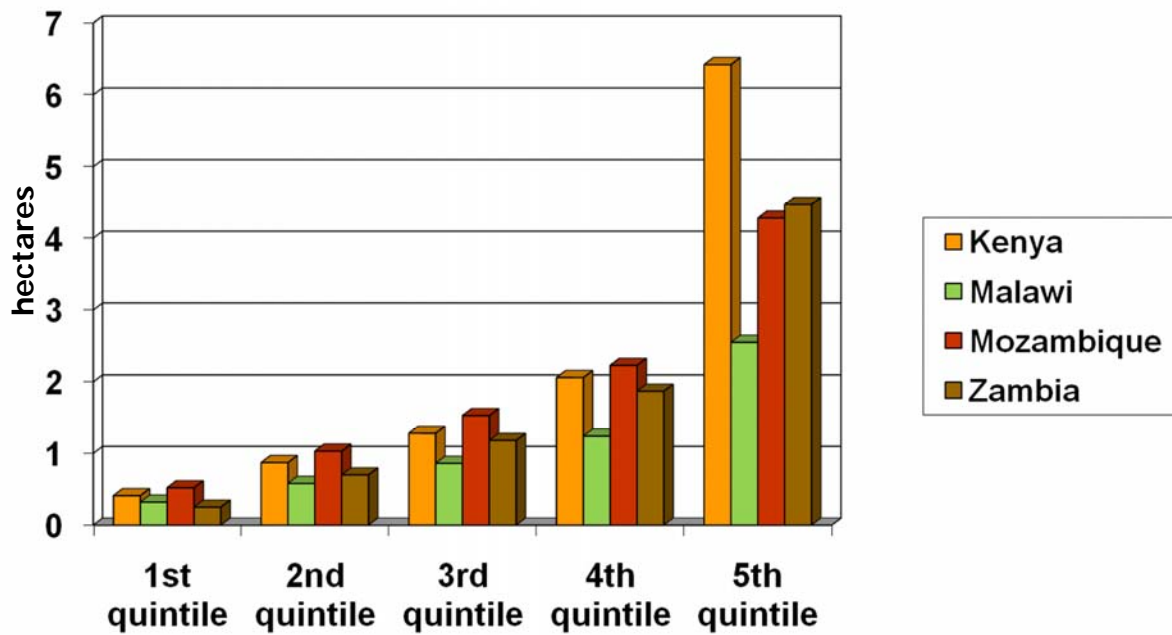
Why there is no alternative to a smallholder-led agricultural development strategy

- 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

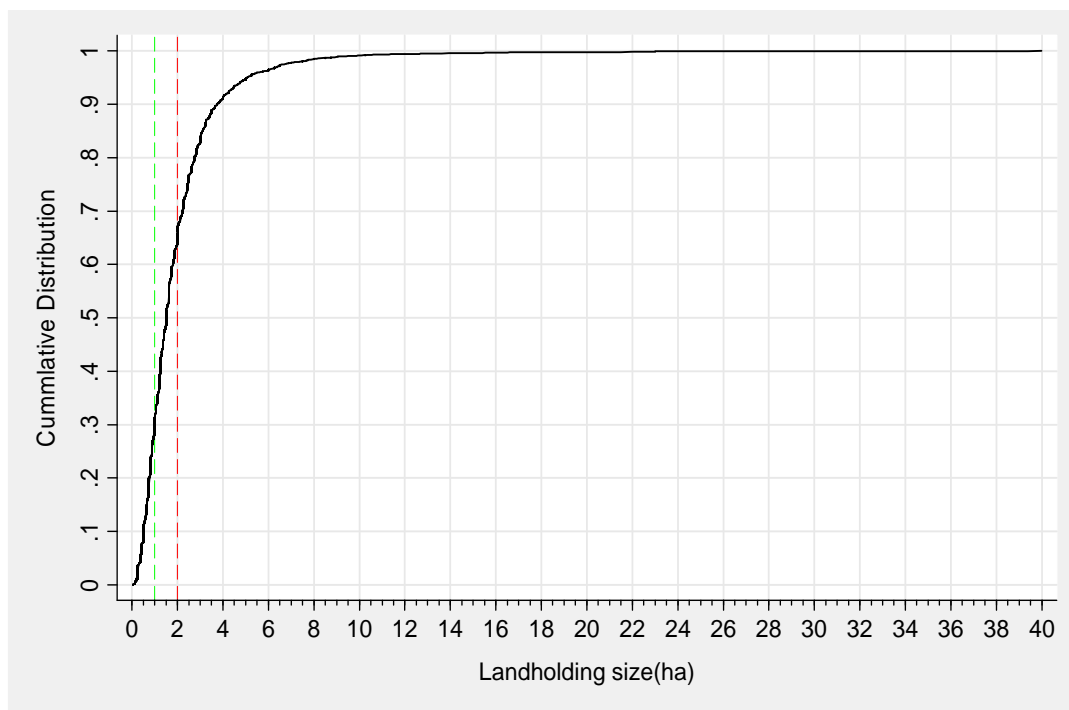
A major challenge for success of FTF:

- 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

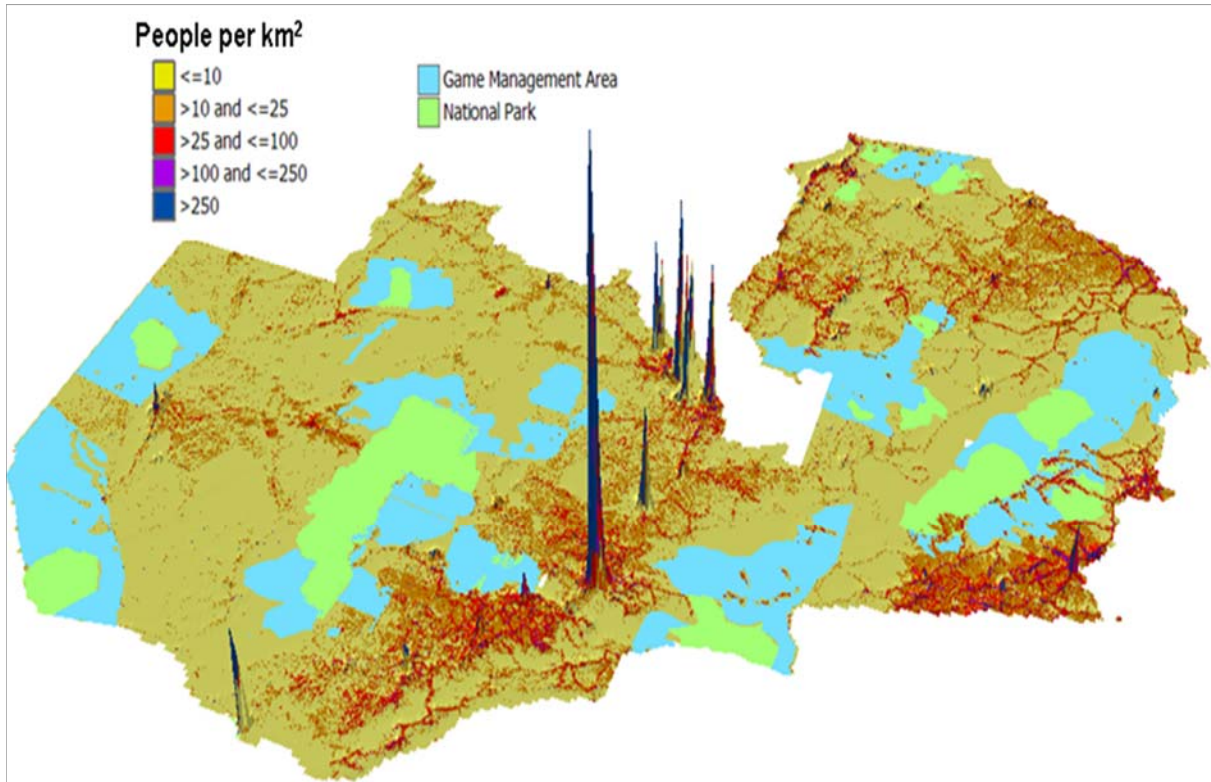


Distribution of Smallholder Landholding Size and Land Cultivated, 2004



Source: Central Statistical Office, Govt. Zambia

Population Density, Zambia



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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Source: Agricultural Inputs Support Survey (n=1904 farm households), sample frame from National Statistical Office, Government of Malawi

IV. Priority Strategies for FTF

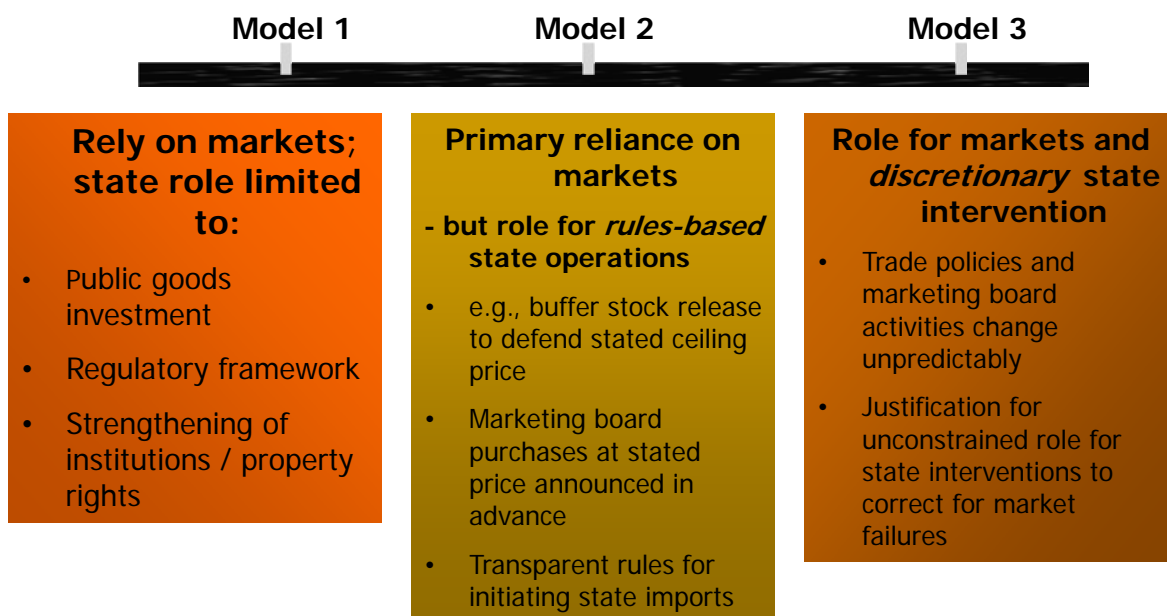
Three basic pathways

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:

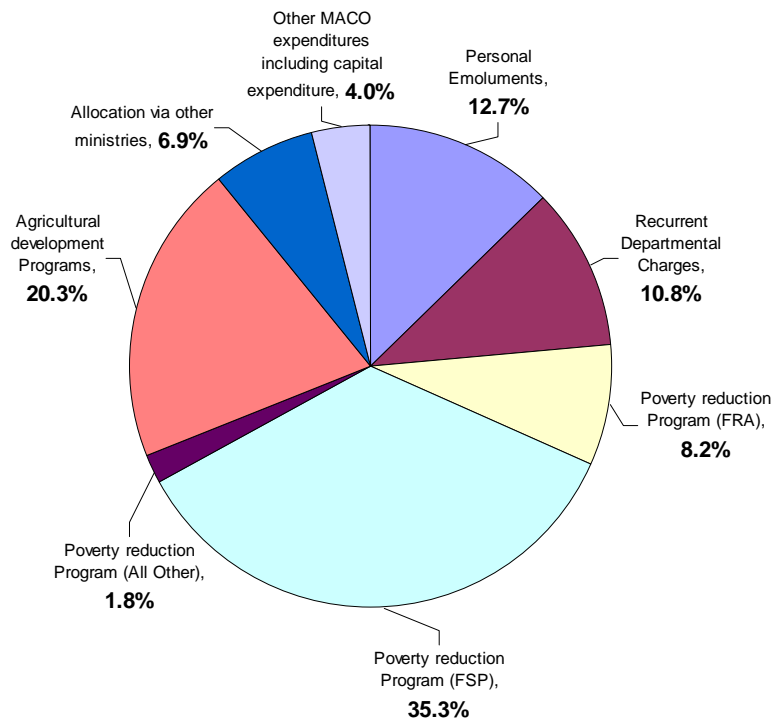


Priority Strategies for FTF

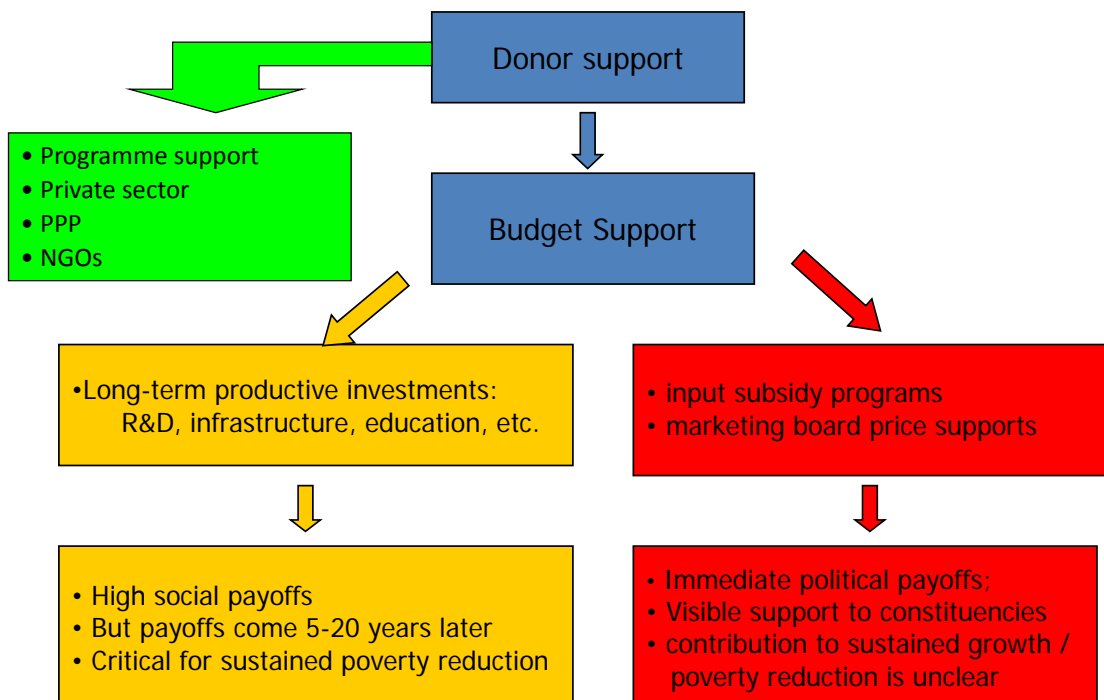
2. Projects to improve allocation of public resources in ways that encourage broad-based economic growth

- Improved seed generation systems
- Improved agronomic practices
- Road, rail, port infrastructure – feeder roads

2009 Allocation of Public Budget to Agriculture



Political economy of public resource allocation

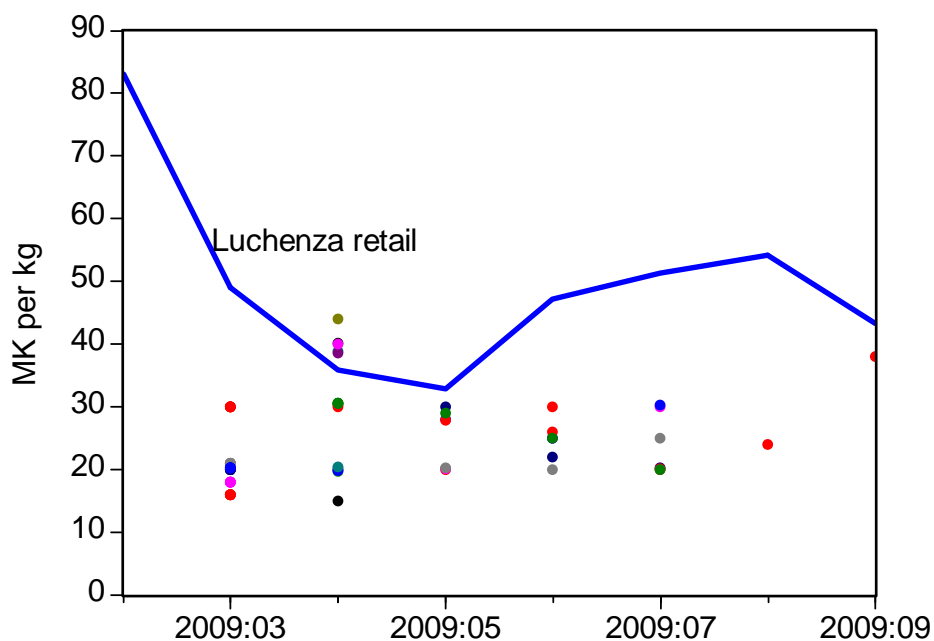


Priority Strategies for FTF

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



Priority Strategies for FTF

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

Priority Strategies for FTF

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