Will the small farmers win this time?

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Published by UC Berkeley Center for Latin American Studies
https://clas.berkeley.edu/events/fall-2007/agriculture-development-implications-latin-america

October 2007

With the world's donors rallying around meeting the UN Millenium Development Goals to cut poverty in half by 2015, one would expect to see money pouring into the rural sector. Yet while three-quarters of the rural sector live in poverty, only 4 percent of official development assistance (ODA, or aid to developing countries) is directed towards agriculture.

For UC-Berkeley agricultural economist Alain de Janvry, this "inconvenient discrepancy" serves as the impetus for the forthcoming World Development Report 2008: Agriculture for Development (WDR). De Janvry co-authored the report with a team of 75. No less important than Al Gore's melting glaciers, investment in agriculture is essential in order to meet the Millenium Development Goals. Agriculture not only provides food, but also serves as a trigger of growth that benefits the world's poorest half two to three times more than non-agricultural growth. Despite the important role agriculture plays in bolstering food security, economic growth, and environmental services, only a small percentage of public funds in the developing world are invested in the agricultural sector.

Poverty and growth have different faces in the "three worlds of agriculture," however. In agriculture-based economies, more than two-thirds of the poor are rural and agriculture accounts for 32 percent of GDP growth. Most of sub-Saharan Africa falls into this category. In "transforming countries" such as China, India, Indonesia, and Morocco, agriculture accounts for only 7 percent of growth. "Here you have a major contradiction. Huge success in terms of economic growth, but a failure in that the rural population is left behind. Eighty to 90 percent of the rural sector is in total poverty."

In the largely urbanized economies Latin America, Central Asia, and Eastern Europe, agriculture accounts for less than 5 percent of growth. Poverty is largely urban, yet almost half of the poor are rural. Agrifood industry and services account for a third of GDP growth in these countries. These "three worlds" are highly heterogeneous. In Mexico, for example, the states of Chiapas and Oaxaca, as well as their Central American neighbors, are still agricultural. In Brazil, several urbanized states continue to have agricultural bases. De Janvry underscored the importance of identifying multiple approaches to match the specific needs of an area. "In the end the policy recommendations are going to be tailored to each of these different contexts."

Within agricultural areas worldwide, the economic terrain consists of a patchwork of subsistence farms and large-scale commercial farms. Unlike the Green Revolution approach, where development agencies steered mostly large-scale farmers towards packages of hybrid seeds and fertilizers, agricultural development this time around has to be tailored to the specific needs of a diversity of farmers.

The WDR highlights the new opportunities for agriculture in the developing world. Trade agreements have created better incentives for investment. New markets are opening for high-value exports, biofuels, and supermarket provisioning. Technological innovations are improving production. Institutional innovations such as producer organizations are helping small farmers tap into larger markets.

Yet there are still enormous hurdles. Subsidies in the industrialized countries continue to distort trade. Reorganization of agricultural value chains "tends to be detrimental to smallholders" who have a hard time meeting the marketing and food safety demands. Global warming affects the poorest to a greater extent as they tend to live on the most marginal land in zones of water scarcity.

Perhaps the greatest obstacles lie at the level of institutions and governance. While structural adjustment mandated decentralization, there has been neither a redefinition of roles for the state nor sufficient reallocation of resources to accompany the devolution of power to local communities. "If you ever visit a Ministry of Agriculture, it's usually a rather pitiful institution. The building is crumbling. People are not trained for their new functions. There is decentralization, but that quite often doesn't play in favor of agriculture." As the pressures facing agriculture are increasingly global in character, these institutions have not been prepared for increasingly interdisciplinary problems.

The new Green Revolution that has been proposed for Africa and other poor smallholders will have to be fundamentally different than the one that brought fertilizers high-yielding rice and corn varieties to Asia and Latin America several decades ago. This time solutions must be specific to the local landscapes and cannot be technological alone. "The answer. You have to decentralize. You have to involve local governments and organizations. You have to cater to local specificity." Health, education, and rural infrastructure are preconditions for success, de Janvry explained. "So it's a huge challenge, but the message here [in the WDR] is that you have no choice. These countries will not progress without agriculture."

Free trade agreements will provide new comparative advantage for farmers as new markets open up, according to the report. In Latin America, where most smallholders are net buyers of food, the poor will gain from the resulting lower food costs. However, where smallholders fail to outcompete cheap imports, there must be some sort of safety net in place. In Latin America's larger countries such has Brazil and Mexico, transfers (such as subisidies or remittances from abroad) have been crucial to the reduction of household poverty. However, the WDR argues that direct autonomous income for the smallholder should play a larger role. Accessing new markets will be key. In largely urban Latin America, supermarkets now control 60 to 80 percent of food sales. Agricultural economies must be increasingly geared towards meeting the needs of booming urban markets in order to stay competitive with food imports.

De Janvry concluded by underscoring the need to improve the capacity for smallholders to negotiate. The "aid for trade" model must support comparative advantage of agricultural economies in developing countries. Finally, "the losers need to be compensated" via transfers and protected via a strong social safety net.

Anticipating criticism of the WDR, de Janvry joked, "If it survives Berkeley, it will survive Washington!" He likened the document to a Trojan horse that opens doors into the World Bank, allowing entry for progressive ideas from the academics, scientists, NGOs and farmer organizations who served as consultants and co-authors for the report.

During the Q&A session that followed, some members of the audience members nevertheless questioned the inclusiveness of the WDR. ESPM Professor Miguel Altieri, an outspoken advocate for small farmers in Latin America, commented that the WDR fails to adequately address food sovereignty, the right of communities and countries to control their food sources outside of the neoliberal logic of free trade and comparative advantage.

In response to another question about the WDR's minimal attention to role of land reform and popular movements such as the MST (the Landless Workers Momement) in Brazil, de Janvry explained that things have come a long way. He joked it used to be illegal to talk about land reform at the World Bank. Now governmental land market assistance reforms such as those underway in Brazil are widely accepted at the Bank. Yet land is not enough. While access is a step forward, the crux lies in making production competitive. Otherwise the landless poor simply become poor with small parcels of land.

The World Development Report is no more than its title portrays, a document that unveils the state of the agricultural economy and advances some policy recommendations to World Bank leadership. Moving from theory to praxis, however, may prove to be more of a challenge. The next phase includes collaborative working sessions bringing together NGOs, farmer organizations, governments, and the World Bank, and what de Janvry is looking most forward to.

What remains to be seen is how much can actually be accomplished under the current neoliberal economic paradigm of privatization and rolling back of the state. Indeed, the WDR's recommendations seem to be by trying to undo what was undone by structural adjustment and decentralization, namely bringing back the social safety net and strengthening institutional support. How will governments that have been downsized and decentralized by Washington Consensus economics be able to meet the recommendations of the WDR while privatization and deregulation continue in full stead? Without the significant state investment in rural infrastructure, healthcare, education, and market access that the WDR recommends, it is not clear how smallholders will be better off this time around. A Trojan horse is a good start, but those inside clearly have a long battle ahead.

Alain de Janvry is Professor of Agricultural & Resource Economics at the University of California, Berkeley, and one of the authors of the 2008 World Development Report: Agriculture for Development. He presented the report and its implications for Latin America on October 1st at the Bay Area Latin America Forum.

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