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Agriculture and eradicating poverty: towards a new approach

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Introduction

Agriculture is widely seen as a critical sector in the effort to eradicate poverty. This was true internationally up to the early 1990s, when its reputation as a sector took a nosedive, from which it is still recovering. One of the reasons for its slow recovery is that it is not always clear that agriculture does reduce poverty, and if it does, how it manages it. Certainly any sort of agricultural growth will not do the job. Another reason is that there remain a number of contested areas of agricultural policy, and it is not always clear which policy is better for poor people. This paper explores what we have learnt about agriculture's role in the Chronic Poverty Research Centre which has never focused squarely on agriculture itself, but has tried to get to grips with what helps people escape poverty, what prevents impoverishment, and what makes people chronically poor over a long time, a lifetime, or inter-generationally. Agriculture can be expected to figure in the answers to those questions.

There is a question about who are the poor, when thinking about agriculture's role in poverty reduction, which we need to address at the outset. The agricultural community too quickly thinks of smallholders as 'the poor'. But in fact, the poorest are often mostly reliant on wage labour, though they may have some land and farm too. In some regions, many of the poorest have to send someone to migrate for at least part of the year to find work. Some of the poorest are so deprived they are unable to do even that. And then, among smallholders there is a substantial number in many countries who are minimally engaged with markets – in countries as diverse as Senegal, Mali, Kenya, Madagascar and Nicaragua (Losch *et al.*,

2011). There are of course, a significant number of market-engaged smallholders who are also poor. But let's not make the mistake of thinking they are the only group.

Overall it can be concluded from CPRC's research that current economic growth does often benefit the poorest, but less so than others (McKay, 2009), and this slowness is due to the structural conditions which the poorest face – the discrimination, exclusion, and extreme vulnerability they face relying on very few assets, and with only highly insecure and low paid jobs available for the most part. The question then is how can agriculture contribute to changing this situation?

How does agriculture reduce extreme poverty? Lessons from CPRC's work

A comparison of evidence from life stories in 4 countries (Bangladesh, Kenya, Senegal, Tanzania) suggests that agriculture is critical to escaping poverty in 3 out of 4 countries, especially where there are cash crops with good returns. In Kenya: cash crops and land accumulation are central; in Bangladesh and Tanzania: there are complex portfolios, nonfarm poverty escapes without agriculture rare; in Senegal: migration of young adults especially important. Diversification (individual/household) remains essential to manage risks of individual activities, and migration is often a critical phase of life leading to investment (especially migration by men). Asset accumulation is central, so upgrading existing strategies via skills (for better jobs) or machinery (e.g. farm equipment), a strong focus on livestock where they are both protective and promotive assets - and accumulating livestock may be an intermediate step to acquiring more land, and getting access to irrigation; these are all focuses of agricultural policy, but often under-resourced.

Land remains the primary source of wealth, social status and power; it is also mortgageable/leasable; and access to other services may depend on it (water, electricity, sanitation). Growing land ownership inequity needs addressing by making it easier to rent in and out, and protecting smallholder rights. Clearly this is another highly contested area of policy, with some governments believing that medium sized and/or large farms are the answer. It is very clear from CPRC's research that accumulating assets through agriculture is a critical pathway out of poverty – removing or reducing that possibility will reduce escapes from poverty. While land accumulation is critical for escaping poverty, sustaining that escape through further upward mobility may be more due to nonfarm business assets (such as refrigeration and transport) in more commercial economies (Berdegue *et al.*, 2008)

Market engagement *on good terms* is critical for poverty escapes, this covers the gamut of input as well as output, commodity as well as labour, and financial markets. Because these markets are so difficult to have confidence in, diversification or engagement in several markets is a very common strategy. The specialisation which characterises upward mobility beyond the poverty line will only come as the performance of these markets improves. Agricultural price variation offers a particular challenge to farm households – anything governments can do to reduce this will make a strong impact on their fortunes. Market collapses in particular can have devastating effects on household economies; the Kenya coffee market collapse at the millennium is an example. Preventing such collapses ought to be a strong priority.

Four propositions

There are four propositions I will advance based on CPRC's work which are germane to answering this question. Firstly, it is the combination of well functioning markets and protection which is critical to asset accumulation, and asset accumulation is at the heart of escaping poverty through agriculture. Secondly, in most situations enhanced women's agency is critical to staying out and climbing out of poverty, and for reducing its inter-generational transmission. Thirdly, agricultural labour can keep people poor or act as a way out of poverty in combination with other livelihood activities. Finally, young adults are most likely to pull their families out of poverty, though this last is rather more tentative than the others, because it is based on less research.

Asset-market-protection synergies

Escaping poverty involves successful participation in commodity and/or labour markets, leading to asset accumulation. However, if assets are not protected they can easily be lost in the risky world that farm households inhabit, with impoverishing consequences; so asset protection is vital. The point to be stressed is that it is not one of these, but the synergies between them which allow people to escape poverty. Sometimes the process is inter-generational, with one generation investing in agriculture for the benefit of the next generation, which gets educated and eventually finds non-agricultural employment, enabling the household to escape poverty. In the more agrarian economies there are few escapes from poverty which do not involve agriculture. So how can those synergies be achieved through agricultural policies?

Firstly, policy is often blind to the risks farm households face. There is a new interest in insurance for smallholder, and health insurance for everyone, but none of this is easy to deliver in economies where financial markets fail. It is particularly important to protect livestock, which is a protective as well as a promotive asset. These are important roles for the state, which some states have taken on with enthusiasm, but which many are reluctant to engage in.

Secondly, policies often have a narrow focus on seed-fertiliser technology. This remains a contested area of policy, with proponents of the green revolution (the quick technical fix) still in the ascendant, while 'sustainable agriculture' has not really made it into the policy mainstream in many countries.¹ The narrow focus is a problem in itself – arguably getting insurance protection to smallholders or ensuring good access to food to buy would achieve more than enhancing productivity, partly because either would put smallholders in a much stronger position to make innovations. New crop cultivars are often designed with risk in mind. But there may be other constraints to making the best use of them: there are typically big yield gaps between the best and worst farm yields in any community (Djurfeldt *et al.*, 2010) – getting your fields ploughed on time, shifting available manure to the fields, protecting them against drought, which suggest that mechanisation and irrigation are important technologies too. The research we have done suggests that acquisition of access to more land, acquisition of ploughs, trained oxen, ox carts, and irrigation are more likely to act as the defining processes helping people escape poverty. But of course, saving the money to buy these assets is critical – that comes from participation in markets, and means that markets have to be providing decent returns. Means of achieving the latter include contract farming, fair trade arrangements, and infrastructure investment in the context of a good business climate to ensure markets are competitive.

State intervention in markets is another of the contested areas of agricultural policy. It is not helpful that there is such a strong ideological divide on the issue between pro-market and pro-state thinkers. It is important to leave countries free to decide for themselves when it is appropriate to intervene in markets, but it is likely to be the case that agricultural markets do often require some shaping if they are to bring benefits to poorer farm households and labourers. For example, contract farming is likely to be beneficial to poorer households if it takes some of the risk away, and provides some upfront financing, things smallholder households find difficult to achieve on their own. But to succeed, contract farming often needs an enabling government policy, or even requires that government insists on it. This will help to ensure buyers the controlled competition they need to make it work. And there must be adequate demand for the product too.

Enhanced women's agency

We know that significant downward mobility and chronic poverty is due to low levels of women's agency, and that women having or gaining access to land and housing are especially important to prevent this. The most difficult situations are faced as a result of being widowed, divorced, or separated, causing loss of access to resources. These processes often feature prominently as causes of inter-generational transmission of poverty and of downward mobility into poverty. It can be noted that women may not be treated as equals in farming groups, and information systems. This needs to be corrected. Women do often participate strongly in savings groups, and this could be built on for agricultural interventions. For example, in contract farming (or other) groups wives could be offered equal membership with husbands. Land access for women is a particularly important and thorny issue in many societies. Progressive inheritance and marriage law reform has been enacted in some countries; is on the agenda in others, which is very promising. But it's not only legislation which is needed – local courts and leaders need to be convinced to implement the revised laws (Cooper, 2010). Land rental systems are especially flexible: but there are many situations in which landowners do not feel secure enough to rent out their land, so increasing security of renting would be an important policy objective.

The overall issue is that longstanding inequalities will often not be solved by agricultural development, but agricultural policy makers can take some parts of the agricultural agenda more seriously than we seem to have -- with women's access to land and water, the provision of services that cut time spent on domestic chores like hauling water, and extension that takes women farmers seriously.

Agricultural labour

Informal employment is generally associated with chronic poverty. Much of this is agricultural and casual. And there is a growing use of contract labour in the formal sector, which is a special problem because legislation is implemented through employers, who are have no direct relation with contract workers, since there is a labour contractor in between (Barrientos, 2010). However, in agriculture, agricultural labour in high value activities can be the way out of poverty (in combination with other household strategies). The classic example of this is Senegal green beans (Swinnen, 2010) where poorer smallholders have benefited from the more dynamic labour market produced by the success of the larger smallholders and the large farms producing green beans for export. Recent research by the Future Agriculture Consortium has indicated that local labour markets in food crop regions can also be very active, and may have similar potential. There are other than purely income dimensions to labouring too: women may choose wage labouring even if the conditions are exploitative

because it provides them with independence in households, sociability, as well as an ability to contribute to household income. What does this mean for agricultural policy?

Labour markets are the dark underbelly of development policy as a whole, and agricultural policy typically shows little interest. There is a reluctance to regulate/enforce laws among economists and governments specifically with reference to agricultural labour markets. For casual labourers governments or organisations can promote decent employment in dynamic value chains with employers/buyers and can provide labourers with information on their rights and how to obtain them. There is a great scarcity of good information on wages, so agricultural wage monitoring would be an excellent service to the poorest – this information could be collated through a text messaging service very easily. Finally, while global consumers are increasingly aware of labour conditions in farms and processing units in developing countries, this is not true of customers in developing countries themselves, so promoting consumer awareness of labour conditions in local markets is another potential strategy.

For contract labour the strategies pursued to date have been: social auditing (multi-stakeholder initiatives, e.g. Extractive Industries Transparency Initiative, EITI), but these may fail to pick up informal/contract labour; and reputational risk campaigns against companies. But where they are successful, these probably represent just spots on a canvas, as few companies can be targeted at any one time. Legal reform can play a role: there is now joint and several liability between buyers, processors and labour contractors for conditions of work; and in China, the new contract labour law seeks to normalise contract labour.

Young adults

CPRC's work in Senegal suggests that these people are the drivers of household poverty reduction, which would put a premium on investment in their education and skills, second chances for education, developing stronger education-labour market links, and enterprise training. Parents do make tremendous sacrifices to educate their children, but often with little state support. All of the above have their place in agriculture, but agricultural education has been sadly neglected both in and out of schools. CPRC's work on adolescent girls & young women has also indicated that they risk being an excluded group among young people (Jones and Harper, 2011), and they need to be included in savings and financial literacy clubs and, by extension, in agricultural organisations such as farmers' associations.

Elaborating the new agricultural consensus

What does all this mean for the emerging agricultural policy consensus (Wiggins and Leturque, 2010)? This is constructed around the following ideas: agriculture has been neglected and needs to be promoted; this means public investment in high return roads, research and extension, schooling, health centres and clean water, along with an enhanced say in decision-making for rural people so that they can demand improved governance. This is all fine, though unless poor households have or gain access to these services, and to decision-making processes, the benefits may continue to go disproportionately to the non-poor, and to the less poor. The poorest will not necessarily gain, based on the foregoing analysis. They will benefit from various context-specific combinations of strong policy initiatives in the following areas, among others:

- Focus policies on minimising risks through an inventory of risk minimising agricultural policies and others, and dovetail agricultural up with social policies, and in particular:
- Protect existing assets and health, through social protection, livestock insurance, greater security for renting land, to prevent impoverishment, and provide the basis for investment.
- Promotion of appropriate mechanisation enabling poor households to cross the poverty threshold through asset accumulation. This is often ox ploughs and carts rather than tractors.
- Support for small stock accumulation and graduation through to land acquisition.
- Creating better conditions to make good use of existing assets:
 - Infrastructure investments, and education (including agricultural, with a special emphasis on young adults).
 - Stable market functioning and decent prices, if possible supported with minimum prices.
 - Inclusive and harmonious farmers' organisations, with membership for women and young adults.
- Encourage vertical integration within value chains where this is possible, and independently monitor conditions of work and incomes for labourers.
- Land redistribution where holdings are highly unequal (but this usually requires massive political change, and is not an option generally available); more generally making sure rental markets work well.
- Revisit global as well as national price stabilisation measures. This is controversial, but there is such a premium on stabilising markets that no measures should be excluded *a priori*.

These areas of policy will be explored in a new policy guide on agriculture being produced by the Chronic Poverty Advisory Network.ⁱⁱ

There are areas of strong disagreement on agricultural policy: the role of the state in markets, the extent of desirable trade liberalisation, the sort of technology to develop, and the role of small farms. On the latter, it is clear that a pro small farms policy will be good for reducing poverty provided reducing risk and accumulating assets are part of the package, either directly or indirectly. This is not to say that all poor farm households should remain in farming; some may find much better opportunities out of farming. On technologies, it is clear that there are massive yield gaps, so poverty can be reduced hugely with existing seed technologies. GM is really not necessary, but there is need for lots of research on the more humdrum aspects of soil and water conservation, and farming systems from a poverty reduction point of view. These other technologies – soil and water conservation, irrigation, mechanisation need far greater policy attention in so far as they represent the assets poor people hold. Trade liberalisation is fine to the extent it enhances producer prices and wages; but to the extent it increases price fluctuation, this is a major cause of impoverishment,

especially for wage labourers, rural and urban. So well designed international and regional/national price stabilisation programmes would be welcome. The role of the state – the above is without doubt an interventionist strategy. Ha-Joon Chang makes the point eloquently that few countries' agriculture has succeeded without extensive interventions (Chang, 2009); it is unlikely that agriculture can reduce poverty dramatically without a range of such interventions. If the quality of governance is not up to the task, then that is indeed a problem for both agriculture and for the poor. However, what is needed is only 'good enough governance' – for the task in hand. Specifying what 'enough' means is something needing a lot of thought in any specific context.ⁱⁱⁱ

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ⁱ Though there are exceptions here and there – the spread of conservation agriculture in Latin America and Southern Africa would be an example.

ⁱⁱ http://www.chronicpoverty.org/uploads/assets/files/CPAN_flyer2.pdf

ⁱⁱⁱ See the work of the Africa Power and Politics Research Consortium:
<http://www.institutions-africa.org/>