policy pennings

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Prescriptive Agricultural Policy For Developing Countries: Back To Basics

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Agricultural policy in developing countries has been an ongoing concern since the end of WWII and the dismantling of colonial European empires. Over that period of time the models that were used to guide agricultural development have changed several times.

Early on the policies included the use of international commodity agreements to manage overproduction and protect the prices received by farmers, the establishment of tariff barriers to protect local producers, the development of extension programs to aid farmers, the provision of subsidized inputs, and the establishment of marketing boards for major export crops. Government sponsored, cooperative-like structures were put into place to house trained personnel who delivered production information and input-purchasing and product-marketing services.

By the 1970's the emphasis turned toward the problem of chronic hunger and low yields in developing countrieas when compared to developed countries. Building on the work of researchers that began much earlier, the green revolution took off as farmers in developing countries were introduced to the fruits of agricultural research, the use of commercial inputs, and the first steps toward the mechanization of what had been animal powered agricultural systems.

The Agency for International Development, Peace Corp volunteers, and others helped countries build infrastructure, from roads to agricultural research facilities, and provided one-on-one advice to farmers and rural community leaders.

The 1970's also saw the availability of petrodollars and other expanded sources of funds that were used by the leadership of many countries to purchase foodstuffs for their population in addition to various development projects. Eventually the debt level rose to the point where the repayment of those loans became a burden for many developing countries. When these countries were unable to promptly repay their debts, they were forced into Structural Adjustment Programs (SAPs) as a condition for obtaining lower interest rates and further support from the World Bank and the International Monetary Fund. The basic policies of the SAPs included privatization of state enterprises, deregulation, and the reduction of trade barriers.

The government sponsored cooperative-like agricultural-services structures were on the top of the SAP list for elimination.

Gone also were fertilizer subsidies and the extension service as well. It was argued that private enterprise would quickly respond to these new farm markets by competing for farm accounts. As for extension services, it was believed that in developing countries multinational agricultural input suppliers would duplicate the kinds of marketing and information programs that they provide to farmers in developed countries where farmers often rely on the advice of sales personnel, and private crop advisory services as frequently as they do extension personnel.

For the most part, the quantities involves in rural areas with poor transportation access was not sufficient to attract the kind of supply networks that farmers in places like the US rely upon.

The multinationals had little-to-no incentive to provide the kind of general production and marketing extension services most needed by smallholder agriculturalists. It would be too resource intensive. Besides that, it would primarily involve providing low-tech production and basic marketing information, while very helpful for smallholder farmers while resulting in limited or negative commercial opportunities for individual multinationals.

The result was that many developing countries traded an extremely helpful, but admittedly less-than-efficiently-administered set of farmer-oriented organizations, for the blue-sky promises of a private-sector-based utopia that never arrived.

The reduction of trade barriers left farmers at the mercy of the same low prices that plagued farmers in developed countries. But in contrast to developed countries like the US, Japan, and the members of the European Union that could afford various support programs for their farmers, developing countries lacked the financial resources to compensate their farmers.

Another of the SAP directives that clearly affected the ability of developing countries to feed themselves dealt with which commodities farmers were incentivized to produce. The intent was to focus less on producing commodities consumed domestically and more on expanding trade as the basic tool for generating farmer prosperity through market access programs and the development of an export oriented agriculture.

The expectation was that by using their comparative advantage in the production of labor-intensive export crops like flowers, fruits, and vegetables, countries could use the revenue from these crops to import staples like corn, wheat, and rice.

In the utopian world of free trade theory, all would be better off. But the revenue generated from agricultural exports does not always flow back to those who used to grow their own food or had ready-access to locally grown staples.

In the end, farmers in developing countries are as insecure as ever and rural poverty and chronic hunger are rampant. Farmers often leave their rural communities in hopes of finding a job in large cities only to join the mass of unemployed and underemployed people.

Back to basics. Developing the agriculture in a developing country – done in a way that does not severely disrupt the economic and social fabric of the country – is a long-term endeavor.

First and foremost, it involves making agriculture more productive – sufficiently productive that farmers increasingly produce more than can be consumed by their households.

It involves implementing government policies similar to early US developmental and other policies but adapted to local country conditions. In our view, there are two basic policy categories.

The first policy set reduces the cost, increases the availability, or improves the quality of inputs used by agriculture. We did that in spades in the US. We made land available at nearly zero cost to homesteaders and for financing local (one-room) schools.

We subsidized the expansion of railroad networks in rural areas and built farm-to-market roads.

We invested in land grant universities, a vast network of publicly-sponsored agricultural research stations, an extension service that provides county-level information services nationwide, and a network of low-cost agricultural credit institutions.

All of this was designed to lower the cost, increase the supply, or improve the quality of important inputs used in production agriculture. Those inputs included seeds, machines, and other specific inputs (including, of course, land). But also other important "inputs" like the availability of low-cost credit and free, locally-specific, production-practice information and marketing information services.

In the US much of this was done through the extension service. The strength of US agriculture is in no small part the result of the investment made in the Cooperative Extension Service. Agricultural agents made the results of public research available to local farmers while home economists taught basic skills in food safety, nutrition, and food preservation. 4-H agents led programs that taught farm youth essential leadership skills that they continued to use as adults, both on the farm and across the country.

The first set of policies provides farmers with a dependable and affordable way to secure inputs and information to support their operation.

The second set involves ensuring dependable and reasonably stable prices for their output. This helps stabilize income in the short-run, but just as importantly, it provides the security needed to invest (especially via loans) in technologies to increase long-term productivity. These policies could also involve the reinstatement of marketing boards.

While many in the US see single-desk marketing boards controlled by farmers as problematic, one needs to consider the nature of the markets into which farmers sell their products. A significant portion of exports and thus prices for domestic supplies are in the hands of fewer than five firms who have access to market information that is unavailable to farmers in the US let alone farmers in developing countries. The presence of marketing boards could balance out the power of these large institutions to the benefit of farmers everywhere.

As we noted in last week's column, it is critically important to consider policies that are sensitive to the cultures and needs of farmers. Some of the policies discussed above are likely not appropriate, and all of them would have to be shaped for local conditions. And of course, many additional policies and concerns would need to be considered and addressed.

Too often in the recent past, we in developed nations have thought developing countries can skip some steps – for example going directly from an agricultural-based economy is to an economy that is highly industrialized or importing staples and producing crops for export. The results have been mixed at best, especially in the lowest of low-income developing countries.

Well, we have tried that. Is it now time to go back to tried and true? ∆

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