

# Investing in Poor Farmers Pays

## Rethinking how to invest in agriculture

*Decades of faltering public commitment to investing in agriculture has hindered farmers' ability to cope with price volatility, climatic and economic shocks, or to pull themselves out of poverty. Yet donors and governments must see investing in agriculture as part of the long-term solution to the food, financial, and climate crises. Global agricultural growth and rural livelihoods cannot be improved nor poverty reduced without renewed public commitment to invest more, and more wisely in agriculture. Investments must include the forgotten poor people who live in marginalized areas, and must be context specific, demand-driven, participatory, and promote sustainable rural livelihoods through environmentally sustainable and empowering practices that treat men's and women's needs equitably.*

## Summary<sup>1</sup>

In July 2008, world food prices reached their highest peak since the early 1970s. Food stocked on grocery store shelves was out of reach. Riots ensued. Millions were afflicted. Another 100 million people were pushed into the ranks of the hungry, raising the total to nearly one billion worldwide. And these numbers could climb again as food prices remain high, and continue to rise in many local markets.

Notwithstanding, the 20th century witnessed unprecedented growth in agricultural productivity for one primary reason: strong government commitments to invest in agricultural research and development (R&D) and supporting sectors. Growth occurred most visibly in the rice and wheat 'Green Revolutions' of Asia during the 1960s and 1970s, where rice yields grew by 32 per cent and wheat by 51 per cent. Without these advances, it is largely recognized that there would be large food deficits in the world today,<sup>2</sup> but these gains were not achieved without losses to the environment and human health, increased rural inequality, and insufficient solutions to establishing better policy frameworks for tenure security, labour regulations and enforcements, and women's empowerment.

Ironically, these successes contributed to public complacency about the world food supply, leaving many on the sidelines of prosperity.<sup>3</sup>

Complacency manifested itself in decades of faltering public commitment to investing in agriculture in developing countries. And this complacency has hampered farmers' ability to cope with price volatility, climatic and economic shocks, or to pull themselves out of poverty. Yet rich countries did not neglect their own agricultural

sectors. Respectively, the USA and the EU invested annually an average of \$17,765 and \$7,614 per farm from 1986 to 2007, compared with the miniscule \$1.01 (US) and \$2.46 (EU) invested in small farms in poor countries over nearly the same period.<sup>4</sup> Even though investments did occur, they were insufficient in magnitude, inadequate in scope, and inequitably distributed, and therefore unable to address the needs of many agricultural communities, particularly those of smallholders, women and workers in marginalized areas.

The 2008 *World Development Report* renewed interest in agriculture as the foundation for poverty and hunger reduction. In response, investments from all donors increased nearly 25 per cent from \$3.8 billion in 2006 to \$5 billion in 2007.<sup>5</sup> The food crisis of 2008 then riveted public attention on the plight of agriculture. Bilateral and multilateral donors came swiftly, although inadequately, to the rescue, only to be shadowed by the impact of and response to the global financial crisis and tailing recession. Failing banks and lenders have already begun to worsen the effects of the food crisis and to steal the spotlight.

With at least \$8.7 trillion injected into the global financial sector since January 2009 to resume trade and credit flows,<sup>6</sup> the donor community is drawing on empty pockets as national governments watch their revenues dwindle, potentially reversing any gains made in poverty reduction in recent decades. Under a worst-case scenario, global unemployment could reach 231 million, and another 53 million people could be trapped into poverty living on less than \$2 a day.<sup>7</sup> Yet donors and governments must see investing in agriculture as part of the long-term solution to the food, financial, and climate crises. In poor countries whose economies depend on agriculture, agricultural growth can reduce poverty through broad-based demand for labour, rural goods and services.

Global agricultural growth and rural livelihoods cannot be improved, nor poverty reduced, without renewed public commitment to invest more, and more wisely, in agricultural research and development, rural development, and supporting sectors: education, infrastructure, health, and the environment. With relatively few opportunities for profitable investments by private sector investors in many of these areas, the public sector and voluntary sector must play stronger roles. When measured against poverty reduction indicators rather than returns on investment, investing in poor people pays.

Major, predictable funding of agricultural development is critical. Agriculture is a diverse and dynamic industry. As conditions vary from place to place, 'one size' will not 'fit all.' Agricultural investments must be tailored to the specific conditions and actors in different locations. Just as there is no one technology that will work everywhere, technology in and of itself is only part of the answer. To address poverty, investments must be made in, in support of, and outside of agriculture.

Investment where and for whom is also significant. Agricultural investments must include those who have been left behind by the

productivity gains of the past century – an estimated two-thirds of farmers in low and middle-income countries who live in risk-prone growing environments or in remote areas, or both – and for whom fewer non-farm employment options are available. Due to their physical and social exclusion, poverty in these areas is more prevalent due to physical, social, and political exclusion. Desperation-led migration exacerbates social problems, particularly for women. Insecure land and workers' rights make labour more casual. Women left on farms don't always have the time, assets or social capital to engage productively in farming. Thus, investing equitably in men's and women's needs is fundamental.

Farmers in marginalized areas are also the caretakers of some of the most degraded lands, shouldering the burden of conserving global crop biodiversity and managing some of the world's most fragile soils. Thus they are critical allies in the fight against climate change. A longer-term perspective on resource conservation means shifting from a technology-only approach to an environment-centred paradigm. Rather than focusing solely on improved yields, investments must also aim to promote environmental sustainability.

Looking ahead, investments in agriculture must invest in people. Cultivating the social and knowledge capital of poor people, particularly women, in rural areas, and enabling them to adopt environmentally sustainable farming methods through participatory design, must become centre stage. Operationally, investments need to be demand-driven, but also to include some combination of cutting-edge science; low-cost farmer-driven models of technology development and diffusion; value chain expansion incorporating stakeholder empowerment; and instruments for better risk management. Producers and labourers need basic protection and enforcement of their labour rights, and governments must help retailers and employers to create an environment of 'development inclusiveness.'

Together, investments must aim to reduce poverty; respond to the needs of poor people; promote environmental sustainability; and empower women and rural communities to build sustainable rural livelihoods. Indicators of success for donors and governments alike must be measured against these criteria.

### **Oxfam recommends that donors, national governments and private sector investors:**

- **1. Make agriculture centre stage.** Ultimately, to reduce poverty, agriculture must once again become a top priority for governments and donors alike.
- **2. Invest more, and more wisely.** Investments in agriculture must be greater than previously envisioned, predictable, transparent, untied, channelled through budget support, and complemented by funding for civil society groups, both as government watchdogs and as complementary service providers.
- **3. Recognize that one size does not fit all.** Investments in

agriculture and agricultural research for marginalized areas need to be tailored to the conditions of specific locations, participatory, and demand-driven.

**Oxfam recommends that national governments, with the help of donors, must:**

- 1. Fill the gap left by the private sector.** Because private sector investors find few profitable opportunities in marginal areas, the public sector and voluntary sector must play stronger roles.
- 2. Build sustainable rural livelihoods.** Public investments in agriculture are paramount, but must be complemented by investments in non-farm rural development, soft and hard infrastructure, education and health care, to have the greatest impact on productivity and ultimately on poverty reduction.
- 3. Invest in marginal areas.** Agricultural investments must include those who have been left behind: an estimated 66 per cent of poor, rural people. Any strategy that exclusively emphasizes agricultural investments in favoured areas is ill-advised, particularly in countries with limited shares of high-potential land.
- 4. Support low external input technologies.** Investments are needed in the development of low external input technologies that address resource conservation, reduce dependence on purchased inputs, and promote farmer empowerment in marginal and favoured areas.
- 5. Recognize that there is no silver bullet.** Just as there is no one technology that will work everywhere, technology in and of itself is only part of the answer. Investments must also reach outside of agriculture entirely to provide safety nets for those affected by climatic and market shocks and who cannot engage consistently in the economy.
- 6. Empower farmers and their communities** to participate in identifying their own needs and most suitable investments, by strengthening the capacity of producer organizations to undertake collective actions, and bargain for better prices and services and self-finance development priorities.
- 7. Treat people as the key resource to develop.** Delivery of better technology will not in itself end hunger or improve food security. Investments in agricultural technologies that work in marginalized areas require substantial investments by farmers themselves. Most promising new technologies are knowledge-intensive. Their adoption and impact depends on farmer education outside formal schooling, such as farmer field schools.
- 8. Strengthen labour rights.** Waged agricultural workers need enforceable legislation that provides better worker protection, minimum wages, pensions, and access to health care.
- 9. Invest in women's needs.** Women are the key to food security. Investments in agriculture must involve women and address women's needs within agriculture and related sectors. Women's access to inputs and financial services must be improved in order for their potential to be realized.

# Notes

- <sup>1</sup> Three interrelated background papers and a technical annex have been drafted by Oxfam America to support Oxfam International's briefing paper on public investments in agriculture. One summarizes the arguments for investing in agriculture as a pro-poor growth strategy, and explores sector allocations at national and regional scales (M. Smale, K. Hauser, N. Beintema and E. Alpert, 2009, 'Turning the Tables: Global Trends in Agricultural Sector Investments'). A second, in progress, examines Official Development Assistance (ODA) to agriculture. A third explores options for engaging farmers in marginal areas, focusing more on program options at a sub-national scale (M. Smale and E. Alpert, 'Making Investments Pay for Poor Farmers: A Review of the Evidence and a Sample of Options'). The technical annex by K. Sebastian presents the methodology and data used to map marginal areas (K. Sebastian, 2009, 'Mapping favorability for agriculture in low and middle income countries: technical report, maps and statistical tables'). In addition, the Oxfam International Discussion Paper on Agriculture has been extensively consulted.
- <sup>2</sup> A. Evans (2009) *The Feeding of the Nine Billion*, London: Chatham House.
- <sup>3</sup> R.E. Evenson and M. Rosegrant (2003) 'The economic consequences of crop genetic improvement programmes', Chapter 23 in R.E. Evenson and D. Gollin (eds.) *Crop Variety Improvement and its Effect on Productivity: The Impact of International Agricultural Research*, Wallingford, Oxon, UK: FAO and CABI Publishing: 495.
- <sup>4</sup> Authors' calculations based on OECD DAC commitments, Producer Support Estimates and FAO data on small farms. US and EU per-farm ODA investments cover the period 1983 to 2007.
- <sup>5</sup> OECD Development Assistance Committee (DAC) data for Official Development Assistance to agriculture. Accessible at [www.oecd.org/dac](http://www.oecd.org/dac). Note: 2008 figures were not available at the time of writing this report.
- <sup>6</sup> Oxfam GB calculations and Bank of Scotland data.
- <sup>7</sup> World Bank and UNESCO data.

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