



Short Article

The Food Price Hike, Secondary Crops, Poverty and Action Research

The recent food price hikes have brought extensive discussion about their implications for the agriculture sector, food security and poverty. Some commentators suggest a positive impact will be an increase in farmers' incomes. Others put the issue in a broader context, arguing that consumers will certainly lose, and overall, food security will be jeopardized, in particular in net food-importing countries.

Both arguments have merits in their own right. What this article intends to address is the impact of the food price hike on poverty among farmers that rely on secondary crops. The hypothesis is that in general both the negative and positive impacts will only have mild effects on secondary crops farmers. So the question is asked: is poverty mildly increased as a result of the persistent increases in food prices? And how should poverty problems for these farmers be addressed? In general, secondary crops-based farmers are among the poorest segment of the poor, and this article proposes that, rather than adopt ad hoc or reactive approaches to combating poverty for this group – such as attempting to capitalize on the food price hikes – approaches should go back to the fundamentals, i.e. seeking the root cause of the problem and pursue long-term solutions through an action research cycle that focuses on action.

'Secondary crops' usually refers to those crops second to the main staple crops or food crops grown in a country. Coarse grains, pulses, roots and tubers. Many of these crops are grown on dry upland, rainfed and marginal land. Some farmers can grow main crops, such as rice, in the wet season, supplementing these with secondary crops during the dry season. But many other farmers in upland areas rely solely on secondary crops as their source of food and income. These farmers face the challenges of low production, poor soils, little available technology, isolation and poor infrastructure.

The majority of the poor in developing countries live in rural areas and are heavily dependent on agriculture. And the majority of these, the poorest of these poor, are dependent on secondary crops. With this understanding in mind, we can now see that the incomes of this segment of the poor are very unlikely to be improved as a result of a world food price hike. Firstly because price increases are rarely transmitted to this segment of farmers, and secondly because few of these crops are internationally traded, meaning they do not experience price increases (except maize and soybeans). Even if the prices were increased, the lives of the farmers will not be affected because there are rarely

substantial marketable surpluses of these crops. Worse yet, those who are net consumers of the main staple food, will be worse off as food becomes more and more unaffordable. The rise in transportation costs would have an impact on food prices, but it may be minor. In fact, from a food security perspective secondary crop farmers may even be more resilient in such crises since food will be available and affordable at the usual quality and quantity.

The question is, what then is the solution to alleviate poverty in this segment of the community? The answer is certainly not the usual theory of tapping into price increases and expanding farming operations, because most secondary crop farmers eke out a living through agriculture, not agribusiness. The solution then, is the old long-term holistic approach to poverty alleviation, the socio-economic-anthropologic approach, which could be considered part of an action research cycle. Importantly, the emphasis must shift from research to action or operationalization of poverty reduction interventions. Action is needed to make continuous improvement in the social and cultural conditions of secondary crops-based farmers, as well as in economic conditions. The research component of this approach corresponds to the 'check' part of the "Plan-Do-Check-Act" of the Deming's continuous operational improvement cycle.

The first thing to do is to 'plan': to select the target group and theme for improvement, grasp the current situation, establish priorities, study cause-and-effect relations, and devise countermeasures to eliminate the cause of poverty. Then 'do' or implement countermeasures: the action or operationalization to eliminate the cause of poverty or improve the livelihood of the target group. Next is 'check', or the research part, to confirm and reflect on the effect of the countermeasures. Lastly the 'act' part: to collate the effective countermeasures that can be continuously pursued in the everlasting continuous improvement cycle (KAIZEN) or scaled up to other places in the region, and identify remaining poverty-causing problems and evaluate the whole procedure.

Concepts, books, research results, policy and good intentions alone will not alleviate poverty, actions will. ■

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(References available upon request)

Flash **BREAKING****UN Rome-based Agencies Call on G8 for Decisive Blow on Hunger**

The heads of the three United Nations agencies based in Rome (FAO, IFAD and WFP) called on G8 leaders to help feed the world by contributing to a new green revolution through much-increased public financing to agricultural development. In the joint statement, it is noted that one underlying cause of the current world food crisis was the dramatic decline in agricultural investment over the past three decades. For the next ten years at least high prices would make agriculture attractive to private investors. But the public sector's role would continue to be crucial. Indeed, in order to defuse the current food crisis and promote an Agricultural Renaissance the G8 must take a clear lead in helping promote the new Green Revolution.

FAO Newsroom, 2008. UN Rome-based Agencies Call on G8 for Decisive Blow on Hunger, <http://www.fao.org/> (8 July 2008).

Asian Integration Vital to Growth and Managing Risks

According to a new Asian Development Bank (ADB) study, economic integration in Asia is becoming increasingly important to global growth and managing shared risks in the region. It shows that economic integration offers a new platform to promote growth. To take full advantage from increased regional interdependence, Asian economies need to boost their ties through closer dialogue and policy co-ordination. The study highlights that Asia is less integrated in finance than in trade but financial markets are now larger, deeper, and more sophisticated than they were a decade ago. With the growth of trade and financial ties, Asia's macroeconomic interdependence has also increased. The region needs to co-operate to make development sustainable.

ADB, 2008. Asian Integration Vital to Growth and Managing Risks, Says ADB Study, <http://www.adb.org/> (7 July 2008).

Land Degradation Affects 33M Pinoys

The FAO has released a study result revealing that undergoing land degradation is intensifying in many parts of the world with more than 20 per cent of all cultivated areas, 30 per cent of forests and 10 per cent of grasslands. Thirty three million Filipinos are among the 1.5 billion people affected by it with total degraded area in the country amounted to 132,275 square kilometres. The consequences of land degradation include reduced productivity, migration, food insecurity, damage to basic resources and ecosystems, loss of biodiversity through changes to habitats at both species and genetic levels, in addition to climate-change mitigation and adaptation. The study shows that land degradation remains a priority issue requiring renewed attention by individuals, communities and governments.

Apanay, I. K., 2008. Land Degradation Affects 33M Pinoys. The Manila Times, <http://www.manilatimes.net/> (8 July 2008).

Empowering Farmers through Real Time Weather and Price Information

Global information service provider Thomson Reuters presented Reuters Market Light (RML), an inclusive business initiative that provides farmers with affordable and up-to-date information on crop prices, weather forecasts, and other agriculture-related news via text messages to mobile phones. The aim is to facilitate individual farmers in India to increase their productivity and maximize their revenue. A successful pilot has further prompted Reuters to launched RML on a full commercial basis, introducing a customer charge of 60 rupees (US\$ 1.50) per month. Once the business model, technology and partnerships are firmly established, Thomson Reuters will also explore potential roll-out to other developing markets in Africa, South America and Asia.

WBCSD-SNV Alliance, 2008. Empowering Farmers through Real Time Weather and Price Information: Reuters Market Light, <http://www.inclusivebusiness.org/> (26 June 2008).

Speculation and World Food Markets

As food prices continue to rise, threatening the livelihoods of many poor people around the world, some observers have pointed a finger at speculation as a culprit in the price run-up. In the context of food markets, there are two forms of speculation: (a) the purchase and/or hoarding of commodities in the hope that their price will continue to rise; and (b) the purchase of agricultural futures and options purely as an investment strategy. Hoarding is the real speculation problem. Hoarding can be conducted by millions of households and thousand of firms. But the biggest hoarders are the national governments. Export bans are the most significant way in which food stocks are kept off international markets. Reforming commodity markets is an important first step to promote transparency and reduce opportunities for market manipulation. Some of the most likely initiatives include: (a) implementing technical reforms to tighten links with cash-market prices; (b) requiring more comprehensive and detailed reporting of transactions; (c) re-examining limits on the size of speculative positions, especially for index-fund investors; (d) requiring investors to provide larger 'down payments' on futures contracts; and (e) reforming the laws governing pension funds and limiting their ability to invest in commodity futures. In the long run, in addition to international trade reform, investment in agricultural production is key for reducing the incentive for speculation. Moreover, the current low levels of grain reserves need to be addressed. A virtual global grain reserve has to be established to help calm markets through the futures market. ■

Based on Young, J. E., 2008. Speculation and World Food Markets. IFPRI, <http://www.ifpri.org/> (July 2008).

Getting out of the Food Crisis

In March 2008, the United Nations Food and Agriculture Organization (FAO) began talking openly about a global food crisis. Everyone agrees that something needs to be done. Contrary to the traditional solution to continue industrializing agriculture and liberalizing trade and investment, a shift in power structure is necessary, i.e., social movements and small farmers, who are still responsible for most food produced, should be the ones setting agricultural policy. Three interrelated issues need to be tackled to get out of the food crisis: land, markets and farming itself. Access to land by peasant farmers is clearly central. Governments and corporations are installing plantation agriculture, displacing peasants and local food production. The model of export-led agriculture is destroying the very systems of food production. For decades, global liberalization of markets has destroyed tariff systems needed to protect local agricultural production. These countries have been forced to open their markets to global subsidized agribusiness from rich countries, turning many poor countries into net importers of food, not to mention the spectacular profits that the market has allowed big agribusiness and speculators to make from it. From the farming itself, the proposals is moving towards farming methods that are productive, non-petroleum based, and under the control of small farmers. Scientific studies have shown that these methods can be more productive than industrial farming, and being more sustainable. It means, too, that governments should stop promoting agribusiness and export markets, and start protecting and celebrating the skills, knowledge and capacities of their own people. ■

Based on GRAIN, 2008. Getting out of the Food Crisis, <http://www.grain.org/> (July 2008).

Implications of Higher Global Food Prices for Poverty in Low-Income Countries

In many poor countries, the recent increases in prices of staple foods raise the real incomes of those selling food, many of whom are relatively poor, while hurting net food consumers, many of whom are also relatively poor. The impacts on poverty will certainly be very diverse, but the average impact on poverty depends upon the balance between these two effects, and can only be determined by looking at real-world data. Results using household data for ten observations on nine low-income countries show that the short-run impacts of higher staple food prices on poverty differ considerably by commodity and by country, but, that poverty increases are much more frequent, and larger, than poverty reductions. The simple average of the estimated effects on national poverty rates (US\$1/day) in this nine-country sample is an increase of 4.5 percentage points. Applying this average result to all low-income countries translates into an increase in the poverty headcount of 105 million people. The high shares of staple foods in the expenditures of poor people increase their vulnerability to food price rises, while the limited share of output marketed by small, subsistence farmers reduces their benefits. There are many possibilities for mitigation of these poverty impacts but there are also risks that the full costs could be even greater, particularly if the surge in food and energy prices is transmitted into higher overall inflation rates. ■

Based on Ivanic, M. and Martin, W., 2008. Implications of Higher Global Food Prices for Poverty in Low-Income Countries. World Bank Policy Research Working Paper 4594, World Bank, <http://www-wds.worldbank.org/> (April 2008).

Biofuel Policy, Poverty and Climate Change

A new Oxfam report details the potentially severe economic, social and environmental costs of biofuel policies. Biofuels are presented in rich countries as a solution to two crises: the climate crisis and the oil crisis. But they may not be a solution to either, and instead are contributing to a third: the current food crisis. Meanwhile the danger is that they allow rich-country governments to avoid difficult but urgent decisions about how to reduce consumption of oil, while offering new avenues to continue expensive support to agriculture at the cost of taxpayers. The most serious costs of these policies – deepening poverty and hunger, environmental degradation, and accelerating climate change – are being 'dumped' on developing countries. Biofuel production has potential negative impacts. The CO₂ emissions from land use change – expanding farmlands for biofuel feedstock – is likely to dwarf anticipated reduction in CO₂ emissions from biofuel use. Biofuels are an overly expensive way of achieving emissions reductions from transport. Massive and unrealistic amounts of agricultural production are required to meet just a fraction of the current global demand for oil. Food prices are being driven up as more and more food crops and agricultural land are diverted into fuel production. Thirty per cent of global food price increases are attributable to biofuels, suggesting biofuels have endangered the livelihoods of nearly 100 million people and dragged over 30 million into poverty. Oxfam calls on rich countries urgently to dismantle support and incentives for biofuels in order to avoid further deepening poverty and accelerating climate change. ■

Based on Oxfam, 2008. Another Inconvenient Truth: How Biofuel Policies are Deepening Poverty and Accelerating Climate Change. Oxfam Briefing Paper 114, <http://www.oxfam.org.uk/> (June 2008).

Flash EVENTS



International Training Course on Responding to Changing Climate: Knowledge-based Strategies in Managing Risks in Agricultural Production and Aquaculture

9 – 17 September 2008
SEARCA, Los Baños
Laguna, Philippines

Info:

http://www.searca.org/web/training/courses/2008/climate_change/index.html

Harlan II: An International Symposium Biodiversity in Agriculture: Domestication, Evolution and Sustainability

14 – 18 September 2008
University of California, Davis, USA

Info:

<http://harlanii.ucdavis.edu/index.htm>

Workshop on Learning Technology Standards for Agriculture and Rural Development (AgroLT 2008)

19 September 2008
Athens, Greece

Info:

<http://www.e-agriculture.org/index.php?id=100&L=0>

The Third Global Congress of Women in Politics and Governance: Focus on Gender and Climate Change

19 – 22 October 2008
Dusit Hotel, Makati City
Metro Manila, Philippines

Info:

<http://www.capwip.org/3rdglobalcongress.htm>

The 10th Asian Regional Maize Workshop

20 – 23 October 2008
Sahid Jaya Hotel, Makassar
South Sulawesi, Indonesia

Info:

<http://www.cimmyt.org/english/wps/events/2008/10armw.htm>

Book Review

Rural Development Outcomes and Drivers – An Overview and Some Lessons

Nimal A. Fernando, EARD Special Studies, Asian Development Bank, 2008. ISBN 978-971-561-629-4.

"A rising tide does not lift all boats". This maxim sagaciously ends Nimal A. Fernando's recently published book, *Rural Development Outcomes and Drivers – An Overview and Some Lessons*. Fernando uses this wise saying to press home the point that overall economic growth, while important, does not guarantee 'inclusive rural development'.

Recent growth in Asia and the Pacific has been remarkable but rural development remains a persistent problem. The region has seen strong economic growth and a remarkable decrease in the incidence of poverty over the last couple of decades: farm incomes are better; employment in agriculture and rural non-farm enterprises has increased; and migration has enabled millions of rural people to escape poverty. However, this economic growth has brought only marginal benefits to the majority of rural people, and there are growing urban-rural disparities in income and non-income dimensions of poverty. Overall economic growth and development (and rural economic growth) has not been inclusive.

The purpose of the book is to distinguish between the concepts of rural development and inclusive rural development, and to provide suggestions for policymakers in Asia to achieve inclusive rural development objectives. Chapter by chapter the book addresses a series of fundamental questions about rural development: what does rural development mean and how has it evolved over time?; what have been its outcomes, what specific policies and measures have been adopted and what appears to have worked and what has not?; what are the key drivers?; and what lessons can be learned from the experience in terms of policies and approaches for inclusive development?

So what is 'inclusive rural development'? Fernando points out that the meaning of rural development has changed over time from a focus on agricultural development and agricultural production, to a focus on improving the economic and social life of the rural poor, and it has now moved beyond the improvement of growth, income and output to quality of life factors. The concept of *inclusive* rural development goes further, focusing on improving the quality of life of *all* members of rural society. It has three dimensions, economic, social and political. The book clearly illustrates the interrelatedness of these dimensions.

The book looks at the international experience relating to rural development outcomes, comparing and contrasting four sets of countries – the OECD, India and China, East Asian Middle-income countries, and developing countries. It recommends the following

seven factors as major drivers of inclusive rural development: (a) high overall economic growth (but it is clear that this alone is not sufficient); (b) effective land reform, (c) rural infrastructure, (d) effective institutions; (e) rural financial services; (f) a dynamic agricultural sector; (g) rural non-farm enterprises; and (h) subsidies, including social safety nets. Each of these drivers is addressed in some detail with reference to specific examples from a wide variety of countries of the region. Examples include policy approaches that have led to successful inclusive rural development, and those that haven't but nonetheless present valuable lessons.

From his observations, Fernando distils several broad lessons and suggestions. Sustained overall economic growth is not sufficient; rural economic growth, both agricultural and rural non-farm, is crucial. It is imperative to pay attention to the environmental consequences of growth, failure to do so will have a far-reaching adverse impact on quality of life and overall growth. Policies and programmes must focus on the root causes of underdevelopment such as land tenure security, high rate of population growth, inadequate physical and social infrastructure, and the lack of effective institutions in rural areas. The importance of community-based organizations (CBOs) and civil society, labour mobility, and attention to 'less-favoured areas' is also noted.

Importantly, the central message is one of inclusiveness. Fernando strongly makes the point that trickle down can't be relied on to combat poverty, and that the required approach involves attack on social and political fronts as well as economic. The section on lessons and suggestions could perhaps have expounded more on the political dimension of inclusive development – this being the sphere in which rural poor people are able to directly participate in decisions that affect their lives. But this is a minor point. The book presents its main messages in a way that is easy to follow and understand. It is well structured, thorough, yet compact and to the point. The writing is clear and concise. The text is complemented by useful figures. The discussion on key drivers draws on the experience of a wide range of countries to back up the points being made.

Fully digest this book before you put it on the shelf. ■

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