



CGPRT

Flash



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Short Article

Why We Should Turn to the Development of Secondary Crop Agriculture for Effective Poverty Alleviation in Developing Countries

When a person has not the sufficient basic means to support his life, that person is recognized as being in poverty. A long time ago, Malthus convincingly argued that chronic shortages of supply of the very basic means for life support, namely food, could lead to human catastrophe. From this perspective, poverty could be viewed as human misery that we have to overcome in order to avoid human catastrophe. The occurrence of such a human catastrophe in our modern age really hurts our civilization since we are concerned with the promotion of the right to life as a basic right for everyone.

Among models of development, the two-sectors model of structural transformation developed by Arthur Lewis (Lewis, 1954) was the most widely adopted in developing countries because it demonstrated not only the possibility of transforming their stagnant agriculture-based economy to a rapidly growing industry-based economy, but also this process could be carried out with self-funding, primarily through expropriation of surpluses of cheap labor from their agricultural-rural sector. Observation of the economic performance of many countries in the Asian region, before the onset of the recent Asian financial crisis in 1997, indicated remarkable results in terms of high economic and food production growth, but disappointing results in terms of poverty alleviation whereby until towards the end of the 1990s; about 824 million poor people living on farming marginal land with secondary crops like cassava, maize and legumes (Rosegrant and Hazell, 2000). This fact of economic growth without poverty alleviation is really unacceptable. Poor people's inability to obtain sufficient basic means to support their life has clearly nothing to do with what Malthus might have argued as a consequence of shortages in the supply of basic means for human life support. Indeed, food self-sufficiency programs have made food become surplus in many developing countries and food is more than abundant worldwide. However, hundreds of millions of poor people still face great difficulty in accessing this basic means of life support. This tragedy of food surplus has led Sen (1986) to argue that food entitlement is a much more important issue for developing countries, than food self-sufficiency.

Sen has correctly touched the most fundamental drawback of the development process in developing countries. The Lewis development strategy does not tackle the distribution of access to benefits of development. It does, however, promote inequality of access by the fact that its implementation is accompanied with bias public policies that give favoritism to politically powerful classes in both the urban sector (Lipton, 1985) and the rural sector (Griffin, 1971). This favoritism is for the purpose of ensuring a flow of rural-agricultural surpluses for industrialization as the Lewis model has commanded.

Clearly, any development strategy guided by the Lewis model cannot achieve the Millennium Development Goal of reducing the population of poor people by 50 per cent in 2015. However, such a rapid rate of poverty reduction is desirable not only from the perspective of protecting the right of life for everyone, but also from the perspective of protecting the environment as the basis for sustainable development in these countries. Exploitation of marginal land for living has caused serious environmental problems.

Experiences from the implementation of industrialization development strategies guided by the Lewis model discussed above suggest that poverty alleviation can only be effective if its strategy directly touches the living conditions of the poor people. In particular, any attempt to halve rural poverty in developing countries should focus on the development of secondary crop agriculture on marginal lands. This requires a comprehensive program that includes the development of rural infrastructures such as road networks, and market places, the promotion of industries based on secondary crops, provision of scheme credits suitable for poor secondary crop farmers, provision of an extension services network for poor secondary crop farmers, and the establishment of organizations suitable for poor secondary farmers. This will, of course, require a significant quantity of resources. But, such a substantial expenditure is really worthwhile. Poverty is a burden for the economy. Overcoming it not only will save the cost of this burden for future generations, but it will open the way for sustainable economic growth ■

Written by Parulian Hutagaol, Associate Project Leader, AGRIDIV Project, UNESCAP-CAPSA, Bogor, Indonesia.

(References available upon request)

Flash **BREAKING**

Higher Protection Rate in Agricultural Sector

Based on the data available in MacMap, the database of the French Centre for Prospective Studies and International Information (CEPII), the average world protection rate in agriculture is 20 per cent against 4.6 per cent for industry and mining. Agricultural trade liberalization remains thus a stumbling block in world trade negotiations.

Bouët et alii, 2004. La libéralisation agricole: des effets ambigus sur les pays en développement, La Lettre du CEPII, No 236 July-August 2004.

The Debt of the Poor Increasing

The total debt of poor countries continues to rise, despite ever-increasing payments, while aid is falling. The developing world now spends \$ 13 on debt repayment for every \$ 1 it receives in grants. The debt has been claimed to be used in order to increase surplus production of a society; however, if the debt continues to grow the evolution of compound interest indicates that it is unsustainable.

Shah, Anup, 2004. The Scale of the Debt Crisis, <http://www.globalissues.org/TradeRelated/Debt/Scale.asp>, (01 May 2004).

The Gap is Widening

Despite a slowdown in world population growth, the 49 poorest countries in the world still have populations that are increasing at an average of 2.4 per cent a year nearly 10 times annual growth in industrial nations. Infant mortality in low-income countries is 13 times greater than in high-income countries. In the 49 least-developed countries in the world, women face the risk of death from pregnancy or childbirth that is more than 150 times greater than that for women in industrial nations.

Anonymous, 2004. The Rich-Poor Divide, <http://www.peopleandplanet.net/doc.php?id=1955>, (3 Aug 2004).

Promising Market for Cassava Starch, an Opportunity for the Poor?

Market analysts estimate that total use of starch will hit 70 million tons by 2010 on annual (global) growth of 2.2 per cent. Faced with rising costs for starch ingredients sourced from stock-squeezed wheat and corn the global food industry is on the look out for better value alternatives. A recent report on the modified starch market suggests that the tropical starch commodity cassava will become more dominant. Cassava currently contributes 7.5 per cent of the world's starch and this figure will rise, claims a report from market analysts SK Patil and Associates.

Food Navigator, 2004. Market Share for Cassava Sourced Starch Set to Rise, <http://www.nutraingredients.com/news/news-ng.asp?n=53565-market-share-for>, (16 July 2004).

More Transferred from the Poor to the Rich

Rich countries have given aid to poor countries; however, the facts show that more 'aid' comes from the poor to the rich. While aid amounts to around \$ 50 to 55 billion per year, poor countries pay some \$ 200 billion to the rich each year. Europe subsidizes its agriculture to the tune of some \$ 35-40 billion per year, even while it demands other nations to liberalize their markets to foreign competition. The U.S. also introduced a \$ 190 billion dollar subsidy to its farms through the U.S. Farm Bill, also criticized as a protectionist measure. While the amount of aid from some countries such as the U.S. might look very generous in sheer dollar terms, the World Bank also points out that two-thirds of US government aid goes to only two countries: Israel and Egypt. Much of the remaining third is used to promote US exports or to fight a war against drugs that could only be won by tackling drug abuse in the United States. Moreover, developing countries made the sixth consecutive and largest ever transfer of funds to rich countries in 2002, a sum totaling almost \$ 200 billion. Funds should be moving from developed countries to developing countries, but these numbers tell us the opposite is happening. Funds that should be promoting investment and growth in developing countries, or building schools and hospitals, or supporting other steps towards the Millennium Development Goals, are, instead, being transferred abroad ■

Based on Shah, Anup, 2004. More Money Is Transferred from Poor Countries to Rich, than from Rich to Poor, <http://www.globalissues.org/TradeRelated/Debt>, (11 July 2004).

Renewable Energy for the Future

By 2030, global energy consumption is projected to be two-thirds higher than it is today due to population growth, continued urbanization, and economic expansion. The largest share of this growth will almost certainly occur in the developing world, with most of the additional energy currently projected to come from fossil fuels. However, renewable energy technologies are now ready for use on a large scale and have the potential to meet world energy demands. By some estimates, new sources of renewable energy (which excludes large-scale hydropower and traditional biomass) already supply the equivalent of the residential electricity needs of more than 300 million people. Wind and solar power are the fastest-growing energy sources in the world, experiencing rates of growth and technology advancement comparable to the electronics industry. In 1993-2003, wind and solar power supply had increased by 29.7 and 21.6 per cent per annum respectively. This growth has been far over that of coal and oil that are 1.7 and 1.5 per cent per annum, respectively ■

Based on Hain, Peter, 2004. The Coming Energy Revolution, <http://www.peopleandplanet.net/doc.php?id=522§ion=7>.

Increasing Market Demand for Organic Products

In spite of some marketing problems in certain sectors, the organic market, especially in developed countries, is entering a boom phase. Respected organic market analyst Prof. Ulrich Hamm has forecasted annual growth rates of 20 - 40 per cent, and in some countries, even up to 50 per cent a year. In Asia, particularly Japan, the market for "green products", including organic food, was estimated at \$ 2-2.5 billion (US). The Japanese market for certified organic food has been around \$ 250 million (US) per year since 2000. Retail sales are estimated to reach the \$ 350-450 million (US) range in 2003 with the long term potential being much greater. Multi-national Corporations such as McDonalds, Nestle, and Unilever have entered the organic market. In Indonesia, McDonalds has started to use organic potato for its products while the number of so called "organic restaurants" in which soybean is one of the main ingredients, has increased significantly ■

Based on Geier, Bernward, 2004. An Overview and Facts on Worldwide Organic Agriculture, IFOAM, <http://www.ifoam.org/>.

Better Investment Climate to Reduce Poverty

Accelerating growth and reducing poverty require governments to ensure a healthy investment climate by limiting the policy uncertainties, added costs, and barriers to competition that confront firms of all types. This is based on the survey conducted by The World Development Report involving more than 6,500 businesses throughout East Asia, from farmers and micro-entrepreneurs to local manufacturing companies and multinationals. It was found that policy risks, macroeconomic instability, and corruption are key obstacles to conducting business in the region. Improving policy predictability alone can increase the likelihood of new investment by more than 30 per cent. Moreover, stronger competitive pressure can increase the probability of innovation by more than 50 per cent. Macroeconomic instability and corruption together with weak contract enforcement and onerous regulation costs more than 25 per cent of sales or more than three times what firms typically pay in taxes. For example, China's investment-climate reforms over the last two decades helped lift 400 million people out of poverty, and the manufacturing value added in China and South Korea alone is much larger than all global aid flows ■

Based on Neal, C. And Fossberg, M., 2004. East Asia and Pacific: Increasing Competition Reduces Poverty - World Development Report 2005, News, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0>, (28 September 2004).

Flash EVENTS



International Conference on Emerging Technologies in Agricultural & Food Engineering 2004

14 - 17 December, 2004

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Pacific Ethanol & Biodiesel Conference & Expo II

1 - 3 December, 2004

Sheraton Hotel,
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2nd International Conference on Innovations in Food Processing Technology and Engineering

11 - 13 January, 2005

Asian Institute of Technology, Bangkok, Thailand

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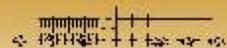
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Book Review

2004 World Trade Report

Exploring the Linkage Between the Domestic Policy Environment and International Trade

Bijit Bora, *et al.*, Annual Publication in The WTO Secretariat's New Series, WTO Secretariat, 2004

This 2004 World Trade Report is a timely report that explores the current world trade situations and policies related to domestic policies and international cooperation. The first section of the report discusses recent developments in the structure, value and volume of international trade in goods and services, and trade prospects for 2004. In 2003, world merchandise trade grew by 4.5 per cent in real terms, a rate faster than in the preceding year but well below the average rate in the second half of the 1990s. The most dynamic trading regions in 2003 were Asia and the transition economies, which experienced double-digit import and export expansion in their merchandise trade. Moreover, exports of processed agricultural products expanded significantly faster than those of semi-processed and unprocessed agricultural products. The report also includes analyses of non-reciprocal preferences, the international movement of persons supplying services, and geographical indications.

The second section of the report examines the subject of policy coherence, stressing the importance of complementary national policies to enable trade liberalization to create larger benefits for society. It focuses on four important areas of economic policymaking, namely i) the macroeconomy; ii) the state of infrastructure and infrastructural services, particularly in areas linked closely to trade performance (transport, telecommunications, financial services and business services); iii) market structure, with special emphasis on the level of competition and presence of externalities; and iv) the quality of institutions.

The last part of the second section of the report then explores the international dimensions of policy coherence, identifying the role of international cooperation in supporting coherent policy formulation at the national level, particularly in the field of trade policy. International cooperation can help national governments in several ways to secure greater benefits from coherent policy structures at home.

In the field of trade liberalization, joint action among governments to reduce trade barriers helps lessen the risk that some countries can obtain terms-of-trade advantages at the expense of others. This creates an incentive for a mutually advantageous market opening that might not otherwise occur. Cooperation is needed to deal with international spillovers in such areas as environment policy and the dissemination of knowledge.

When related with the issue of poverty reduction through development of secondary crops, this report provides some important frameworks or guidelines. Firstly, the target to reduce poverty through development of secondary crops has to be supported by a packet of coherent policies, namely trade policies, macroeconomy, infrastructure and services, market structure, and institutions. Secondly, international cooperation is also required to support the coherent policies, to gain higher benefits, and to tackle the spillover and externalities of the policies.

The third lesson from the report is that the key strategy to reduce poverty through secondary crops is by placing more effort to expand processed products. The report clearly shows much faster market growths of processed products, indicated by its increasing share in the total agricultural product market. In 1990/1991, the share of processed products was around 42.2 per cent increasing to 47.6 per cent in 2001/2002. Finally, the discussion of geographical indication (GI) can also be seen as a venue to increase the value of secondary crops. GI is a form of intellectual property right to the use of a region's name by producers from the area in order to ensure and protect their reputation or to safeguard the expectations of consumers who have come to associate certain qualities with a product's origin. The value of GI for consumers emanates from the reduction of uncertainty about the qualities of a product ■

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