Agriculture and Poverty

Myths and Realities

Myth: A country must produce its own food in order to feed itself in times of difficulty.

Reality: Markets and the freedom to trade are the best ways to improve "food security" and consumer choice. It is cheaper and better to grow bananas in Belize than in London, and trade means that resources are used more efficiently in each place. Some countries, such as Hong Kong, are very inefficient agricultural producers and are better off using labour, capital, and knowledge to manufacture other goods and import food. Consumers benefit from the lower prices associated with rational trade.

According to *The World Food Economy,* "many of the poorest countries in the Sub-Saharan region actually have relatively high indices of food self-sufficiency… however, this is no mark of success."[1] Per-capita food consumption remains worryingly low, and not enough wealth is generated to afford imported food. Meanwhile, free global trade in food would increase food security and decrease the cost of food.[2]

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Myth: Wealthy countries should eliminate subsidies and trade barriers, but developing countries should not.

Reality: Agricultural subsidies distort trade, to the disadvantage of the poorest. Subsidies also encourage overuse of land and agricultural inputs, causing problems such as water pollution, soil erosion and loss of wild habitats. As subsidised farmers in wealthy countries overproduce commodities and dump the surplus on world markets, prices are driven down, to the ultimate detriment of farmers in poor countries.

In developing countries, trade distortions also benefit special interest groups, at the expense of poor farmers and consumers. Government regulation, taxes on crop exports, marketing boards, price controls and lack of infrastructure (physical, legal or financial) – all of these damage agriculture and overall economic growth. Removing trade barriers between developing countries is crucial as 70% of tariffs paid by developing countries are to other developing countries.[3] It is estimated that duties on farm imports generally exceed 60% in the Caribbean, Sub-Saharan Africa and North Africa; while in South Asia, the average agricultural tariff exceeds 110%.[4]

Myth: Free trade in agriculture causes poverty.

Reality: Farmers are not poor because of free trade. To the contrary, poverty can mostly be attributed to corruption and damaging government policies that thwart economic development. The solution to low living standards among farmers is to eliminate the link between political power and economic power – particularly where it concerns politically powerful farmers and businesses in Europe and the US, who benefit from subsidies, tariffs, and quotas.

The World Bank estimates that global free trade would add $287 billion to world income each year, half of that accruing in poor countries.[5] Around 63% of global welfare gains come from agriculture – and within that, 93% of all gains within agriculture occur with increased market access (removal of import tariffs and quotas). On the other hand, only 5% of gains within agriculture would come from removing domestic subsidies and support in the US and the EU.[6]

As Luther Tweeten, professor of Agricultural Economics at Ohio State University, argues: “The case for agricultural trade reform is clear.”

By eliminating unfair competition, poor farmers would not be displaced but would have ready access to markets and would be able to exploit the fact that they can produce food more cheaply than richer countries. This ‘comparative advantage’ would lead to a virtuous cycle of development – by generating income for themselves and their families, they would be more likely to escape subsistence farming and poverty.

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Myth: Modern agricultural technologies (pesticides, fertilizers, machinery, energy, biotechnology) are not “appropriate technologies” for poor farmers.

Reality: If poor farmers could trade with wealthy countries and if agricultural subsidies were eliminated, they would get better prices for their goods on the world market. This would allow these farmers to pay for inputs which improve their productivity and reduce the manual nature of their work. Denying people the choice to use these technologies, and romanticizing subsistence agriculture, will not lead to sustainable agriculture.

Many governments – by imposing restrictions on private sector participation and punitive tariffs on fertilizers, pesticides and chemical inputs - continue to hamper the ability of poor farmers to choose modern technologies. Farmers should be allowed to reject or use these technologies as they wish, but it is unacceptable that governments or NGOs make this choice for them.

As Douglas Southgate, co-author of the SDN’s *Growing Green* notes:

"The reality is that the poor benefit more [from these technologies] than anyone else, mainly because agricultural development makes food cheaper."

Endnotes

[1] *The World Food Economy* by Douglas Southgate, Douglas H. Graham and Luther Tweeten. Oxford: Blackwell Publishing, 2007. pp. 346
[2] "Economic Growth and the State of Humanity" by Indur M. Goklany. Political Economy Research Centre, 2001. http://www.perc.org/pdf/ps21.pdf.
[3] "The Benefits of Trade for Developing Countries" from the *Office of the United States Trade Representative*. Trade Facts, June 2006. http://usmission.ch/Press2006/0701TradeFacts.pdf
[4] *World Food Economy, ibid*. pp. 139
[5] "Market and Welfare Implications of Doha Reform Scenarios." by Kym Anderson, Will Martin, and Dominique van der Mensbrugghe. Ch. 12 in Kym Anderson and Will Martin, eds., *Agricultural Trade Reform and the Doha Development Agenda*. Report No. 34206. Washington, DC: World Bank, 2006. pp. 346, 351, 352
[6] "Agriculture, Trade Reform, and the Doha Agenda." by Kym Anderson and Will Martin. Chapter 1 in Kym Anderson and Will Martin, eds., *Agricultural Trade Reform and the Doha Development Agenda*. Washington, DC: The World Bank, 2006. pp. 12,13

Further Reading

Growing Green- The Challenge of Sustainable Agriculture Development in Sub-Saharan Africa by Douglas Southgate and Douglas Graham. London: International Policy Press, 2006.

Prescription for a Successful Economy: The Standard Economic Model by Luther Tweeten. Lincoln, NB: iUniverse, 2007.

The Improving State of the World- Why We're Living Longer, Healthier, More Comfortable Lives On a Cleaner Planet by Indur M. Goklany. US: Cato Institute, 2007.

The World Food Economy by Douglas Southgate, Douglas H. Graham and Luther Tweeten. Oxford: Blackwell Publishing, 2007.