

DFID – E-Forum New Directions for Agriculture in Reducing Poverty

ECONOMIC OPORTUNITY:

Moderator Team: Colin Poulton

Synthesis of key outputs

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Objective and Key Questions

The consultation aims to seek views, opinions and examples of innovative and established practice in order to inform future DFID policy and investment. Your moderator will lead the debate with the short introductory paper below, provide regular summaries and guide the dialogue.

Key Questions Asked:

How can DFID help to support access to productive assets, and secondly, make agricultural markets work for the poor?

Theme Outline – prepared by Colin Poulton, 30 March 2004

With equitable access to productive assets and to well functioning markets, it has traditionally been believed that smallholder agricultural and livestock producers in low income countries can expand their production in a competitive manner based on their flexible, low cost and well motivated family labour supply. In turn, this will have significant benefits for economic growth (rural and urban) and for poverty reduction, with rural households that do not benefit directly from increased agricultural production and incomes nevertheless benefiting from consumption multipliers and additional rural employment opportunities. Here we ask what needs to be done to create equitable access to productive assets and to make markets work for the poor, but we also ask whether these are sufficient conditions for smallholder agricultural growth to occur. We note that the goal is not simply increased smallholder agricultural production. Rather, it is intensified production, generating rising returns to labour and land, that will make a lasting impact on rural poverty.

Improvements in access to land and water have made important contributions to agricultural growth and poverty reduction in the past, particularly in Asia. However, in neither case is further progress straightforward.

The problem of **inequality in land holdings** has long been recognised in Asia and Latin America and in settler economies in Africa, but is also now being recognised in communal areas in Africa. More successful reforms of private land ownership in the 20th century were generally associated with radical political change – not something easily built into development strategies – and sit uneasily with market led approaches to economic development. Meanwhile, 'market friendly' land redistribution has only had mixed success, as have titling programmes. Encouraging land rental markets may be a cheaper and politically easier way of expanding access to land for poor households. In addition, preserving access to **common property resources** is vital both for poor livestock keepers and for households (again, often including the poorest) that derive an important part of their livelihoods from so-called "environmental services".

A much higher proportion of cultivable land is irrigated in Asia than in Africa. However, increasing the area of **land under irrigation** faces both technical and

institutional difficulties in both continents. Many existing irrigated areas face threats from increasing salinity, ground water depletion, and poor management of water and infrastructure. Whilst proposals to invest in new, large scale irrigation projects have to show how they will deal with similar challenges, many areas simply do not have suitable sources of water to support large scale irrigation schemes anyway. In such areas farmer led investments in small scale irrigation can be very successful, but are difficult to extend at the rate necessary to make a dramatic impact on agricultural production and rural poverty. **Improved rainwater harvesting** and control offer possibilities for sustainable increases in production even in semi-arid areas.

Expanding **access to finance** (seasonal and longer-term) was an important factor in the spread of Green Revolution technologies in Asia. However, there are few successful models of large-scale credit provision to smallholder agricultural producers where output markets are highly competitive. The importance of savings services is now axiomatic in microfinance circles, but it is far from clear that promotion of savings alone will enable the majority of small producers to intensify their agricultural production.

Markets can benefit the poor by facilitating access to human, financial social, physical and natural assets; by improving the returns on their assets, and by meeting consumption needs. In the following paragraphs we focus on the latter two of these. Liberalisation is often now thought to be a necessary, if not sufficient, condition for a well-functioning markets. However, it is worth noting that there are very few examples of a transformation of smallholder agriculture occurring under a liberalised market regime. Conversely, raised production levels and marketed surpluses create attractive conditions for private sector participation in markets.

In Africa useful progress with rural poverty reduction has been observed in countries (e.g. Uganda) where **cash crop production** has increased significantly post-liberalisation. Even in cash crop sectors, however, challenges remain, including how to: maintain produce quality, provide inputs to producers on credit (and recover that credit!); control price volatility, and invest in research and extension. Meanwhile, **food crop production** has just about kept pace with growing (and increasingly urbanised) populations, despite an end to the costly fiscal support previously provided to parastatal agencies. Net food consuming households – the majority, even in most rural areas, and including most of the poorest - have benefited from lower food prices. However, prices are often more volatile than they were prior to liberalisation and private investment in grain storage remains limited. Regional specialisation in production is often quite evident, with significant surpluses of grains and other staples concentrated in a few districts or regions. Yet, many poorer households in other regions fail to achieve a sufficient degree of basic self-provisioning to even consider investing in higher value crops that would generate more attractive returns to their meagre land and labour resources.

In Green Revolution Asia, the subsidies that usefully encouraged adoption of new technology in the past are now just a fiscal burden and market liberalisation is, therefore, appropriate. As in Africa, the challenge remains of how to enhance productivity in remoter and **lower potential areas**. In remote areas, fewer traders operate and an input-output price scissors may make production for anything but the local market unattractive. In parts of Asia, the scope for accumulation by poor households can be further restricted by **unequal market** (e.g. tied credit) and social (e.g. share tenancy) relationships. In many countries of Africa, restrictions on cross-border trade dramatically restrict legal

opportunities for households in “remote” areas. Meanwhile, areas of low agro-ecological potential may nevertheless support significant and growing populations. With limited production of tradable products to drive consumption multipliers, non-farm opportunities (other than migration) may also be limited. As populations expand, production intensification may be needed simply to prevent degradation of the natural resource base from undermining basic food security.

Private sector response to **input market liberalisation** in Africa has, if anything, been weaker than that to output market liberalisation. Beyond a few high potential areas and cropping systems, there are question marks over the strength of effective demand for inputs after the withdrawal of subsidies and with the collapse of input credit. On the supply side, limited finance constrains business expansion. Few private players are willing to invest in promoting adoption of new seeds, fertilisers and chemicals, given the public good nature of this task. Rates of fertiliser use in Sub-Saharan Africa have scarcely changed over the past decade, remaining well below levels observed in South Asia and well below the level required to maintain the already seriously depleted fertility of Africa’s soils.

What are the **over-arching priorities for improving the functioning of agricultural markets**? Some would say removing enduring state interference in market functioning that discourages major private investment. There is widespread agreement that, in both Africa and lower potential areas of Asia, improved transport infrastructure would be of great benefit. Improving traders’ access to finance is also an issue, especially where private trading has not historically been strong. In areas of low population density and/or low (current) agricultural productivity, non-market coordination of investment may also be needed to kick-start agricultural markets. This rests on two propositions:

- equitable access to productive assets and to remunerative output marketing opportunities may not be sufficient to encourage a significant intensification of production by smallholder producers. To be able to respond, smallholders need access to a range of support services, including technical advice, input supply (embodying access to improved technologies) and finance. Some of these should be privately provided, but others may be partially or exclusively provided by public service providers;
- the returns to private investment in any one of these services will be dependent on the existence of the other, complementary services. Hence, unless all services are planned together, levels of private investment will remain small – insufficient to generate the higher marketed surpluses that will in turn encourage more competition in output markets.

Farmer groups and associations do not feature strongly in Green Revolution narratives, yet in areas of low population density and/or low (current) agricultural productivity can play a central role in improving smallholders’ access both to markets (input and output) and services. As such, strong groups and associations may be one of the keys to overcoming the coordination challenges outlined above.

Much has been made recently of the **rapid rise of supermarkets** in many parts of the world. Their requirement for predictable quantities of assured, high quality foods threatens the competitive position of smallholder farming systems based primarily on low labour cost. Whether – and how quickly – the rise of supermarket systems will threaten the viability of smallholder farming systems in South Asia and Africa remains to be seen. However, if smallholders are to respond to supermarket-driven changes in market systems, they will require more effective

support services than they receive today. The challenge of intensification and the challenge of supermarkets call for similar policy and investment responses.

Finally, for intensified smallholder agricultural and livestock production to stimulate broader rural (and urban) economic growth and poverty reduction, other markets must also function well. Efficient **rural labour markets** are critical (but remain a seriously under-researched area), whilst support to rural non-farm activities can multiply the benefits of growth in tradable goods production.

Questions to consider:

1. What are the policy and investment options and priorities for improving access to land and water resources for poor households?
2. Is agricultural supply capacity just about access to assets and better transport and communications infrastructure? If not, how should policy seek to achieve coordination across relevant support services, and between these and output market opportunities?
3. Is there any progress in developing replicable models for financing smallholder agricultural production? If so, what role, if any, is there for public policy in promoting these?
4. Does the key challenge for making rural markets work for the poor lie in ongoing liberalisation or in improved governance within the agricultural sector, permitting a more constructive role for the state in responding to market failures and creating the conditions for increased private sector investment?
5. What role can farmer groups and associations play in improving smallholders' access to markets and to support services? How can public investment support their development without distorting incentives to group formation and membership?
6. How large a threat does the rise of supermarket systems pose to smallholder farming systems in Asia and Africa? How can smallholders best be equipped to respond to more demanding volume and quality requirements even in domestic markets?
7. What can be done to support agricultural intensification in remote and/or low potential areas? Should policy focus on these areas or develop under-exploited potential in higher potential areas first?
8. How can better integration of crop agriculture and livestock be achieved?

Welcome to the Agriculture Forum debate on Economic Opportunity, from Colin Poulton – 30 March 2004

Welcome to DFID's e-consultation on "New Directions for Agriculture in Reducing Poverty" and, in particular, to Theme 2 on "Economic Opportunity". Over the coming month, we look forward to lively debate as to what DFID can most usefully do to support access to productive assets for the poor and to make agricultural markets work better for them. We also hope that, by the end, the process will have generated some clear ideas to inform future DFID policy in these areas.

I have suggested some "questions to consider" in my introductory remarks as moderator. We welcome initial contributions on these or any other issues relevant to our theme. What is or isn't working in areas where you have experience?

I will attempt to summarise where we have got to periodically (at least every week) and provide some suggestions as to where the discussion might go next.

I look forward to plenty of stimulating contributions!

Message from Colin Poulton, 23 April 2004

Thanks to Alastair, Andrew and Vinay for getting our discussions going! Whilst you are tracking the Economic Opportunity theme, you may also wish to view some of the contributions to the Growth and Poverty theme (for example, those from Christie Peacock and Dick Tinsley), which are relevant to our discussions. These can be viewed at <http://dfid-agriculture-consultation.nri.org/theme1/theme1.htm> by clicking on Archive of Discussions - even if you have not registered for Growth and Poverty - and you can always respond to them within this theme if you wish.

I discern two main threads in our contributions so far: the (related) challenges of providing strong supporting services to small-scale farmers and of equipping them to supply increasingly demanding markets.

Both Alastair and Vinay highlight the importance of credit provision. Alastair provides an example of a successful credit scheme in Ethiopia (not focused particularly on seasonal finance, but meeting a range of needs of poor rural households). It would be good to hear of more successful examples and - a personal bias here - I would be particularly interested to hear of cases that deliver finance to seasonal agricultural production. Vinay's notes that in India significant funds are earmarked for banks to support small-scale agricultural production, but these rarely reach the intended beneficiaries. Do others have experience (either in India or elsewhere) of card or voucher systems that can enhance the links between formal financial systems and smallholder farmers? Andrew questions my note of scepticism over some tied credit in Asia; Vinay accepts the rationale for such lending, but suggests that farmers could be better served by "independent" credit provision, if it were available from formal financial systems.

Another service touched upon by both Vinay and Andrew is extension advice, noting both the weaknesses of much public extension activity and the importance of better advice if producers are to supply ever more demanding markets. The momentum to privatize extension provision for poor producers is questioned by Vinay (rightly in my view). Technical advice is needed to assist poor producers develop their production capabilities and this will over time raise their effective demand for privately-provided advice. However, many producers in low income countries are not yet at a stage where they can consider paying much for advice. Can anyone supply us with positive examples of public sector extension efforts assisting farmers to link up to changing markets? Or a counter view on the benefits of greater private involvement in extension provision?

As Andrew notes, "Improving the ability of farmers to market diversified production to better meet the needs of existing and new markets will ... take on increasing importance in the coming years". He notes the challenge posed by the rise of supermarkets, but also reminds us that "more traditional marketing systems will continue to play the dominant role for many decades to come". There is certainly plenty of debate on this point amongst marketing economists looking at Africa right now! Vinay's contribution sees the rise of supermarkets as offering as many opportunities and threats for small-scale producers. The opportunities come from expanding market channels that value quality, thereby providing incentives for producers to invest in higher value production (unlike traditional market systems that provide few incentives for quality, so encouraged little investment in it). Challenges come from the need: to aggregate smallholder supplies, so as to be able to supply new markets with the quantities that they wish to deal in; and to provide effective supporting services to enable small-scale producers to deliver the desired quality products (as discussed above). However, Vinay asks, might the demand signals from supermarkets may provide incentives for other firms to invest in supporting smallholder production and marketing the resulting produce? I hope our contributors so far feel that I have handled their contributions fairly and that others can provide us with further perspectives and examples on the points raised above. I would also like to flag the question of farmer organisations and the roles that they can play in linking farmers both to higher value markets and to the support services they need to respond to market opportunities. Comments on farmer organisations in the Growth and Poverty theme have so far been quite downbeat. Do others share this scepticism or would you like to offer some more optimistic perspectives?

I look forward to more contributions.

Best wishes.

Summary from Colin Poulton, 28 April 2004

Thanks to all of you for your contributions during the past few days. These have been on three main topics.

Firstly, Jim Miller sent in details of the successful SPFS programme in Nigeria that, in two years, has seen more than 30,000 farmers investing in a range of enterprises: poultry, rice, various crops, agro processing, livestock, artisanal fishing, aquaculture. Perhaps responding to my previous comments, Jim saw the availability of credit for carefully devised "modular packages" as key to the growth of the programme. Working with farmers in groups is also central to the programme's approach. Jim, it would be interesting to know what, if anything, the programme has had to do to assist farmers to link up with Nigeria's "huge consumer market" for the products in question.

We welcome other examples of successful programmes that have enabled farmers to respond to (new) market opportunities. I would like to put out a hypothesis for affirmation or refuting: that a key to success is not just establishing links to markets (e.g. through better market information, even facilitating linkages between producers and buyers), but simultaneously equipping producers to respond to these opportunities (e.g. through access to finance, technical advice, improved local availability of the relevant inputs).

Secondly, Andrew Dorward and Vinay Chand have initiated a discussion thread on achieving "critical mass" in marketed surplus, if private investment (in processing or in provision of support services) is to be forthcoming.

As with the comments on success stories above, this raises questions of whether simply creating an enabling environment and providing key public goods is sufficient to stimulate private investment and market-led agricultural development. We may stray into the ground of the Growth and Poverty theme here, but thoughts are welcome!

Whilst taking of the Growth and Poverty theme, in the past few days there have been lively debates there on both farmer organisation and extension - both of which are of interest to us. As noted last week, you can view these at <http://dfid-agriculture-consultation.nri.org/theme1/theme1.htm> by clicking on Archive of Discussions - even if you have not registered for Growth and Poverty - and you can always respond to them within this theme if you wish.

Thirdly, thanks to Andy Bullock, John Dixon and Ian Calder for kicking us off in our second main area of interest - access to assets - with discussion on water for smallholder agriculture. Andy has argued that neither aggregate water availability nor water rights are the problem for food production in most of Africa (and that agricultural and non-agricultural uses of water should not be viewed as being in conflict in most cases). Rather, the access issue centres on the "small-scale 'infrastructure' that brings the necessary control of water into crop production". John suggests that this should not just be considered a question of irrigation, but also techniques for water control in rainfed systems, such as rainwater harvesting, and suggests that there are lessons for Africa here from the Middle East and South Asia. Ian qualifies some of Andy's statements about water availability in the context of India, but supports the point that a mix of irrigation and improved use of water in rainfed systems will be needed if international targets on food security and nutrition are to be met.

Both for DFID's and my own benefit (!), perhaps I can ask what the evidence tells us about economic returns to (public) investment in these different technologies for improving water access and control (irrigation at different scales, rainwater harvesting and other similar techniques) in different areas.

Looking forward to further contributions.

Best wishes

Summary from Colin Poulton, 5 May 2004

Dear All,

Once again, thank you for all your contributions over the past week.

This week there have been two main areas of discussion - water and farmer organizations - plus recent contributions on price policy and contract farming. These are briefly reviewed below. I will then suggest how we may (continue to) move forward over the coming week.

Water

There have been three strands to this discussion. Firstly, contributions have asserted the benefits of improved water control in rainfed agricultural production systems for both food production and crop diversification. Examples of particular success stories would still be welcome here. However, it has also been observed that uptake of improved water control technologies has not (yet?) been very widespread (why is this?). Secondly, Andy Bullock has drawn attention to the importance of rehabilitating existing irrigation systems, with particular reference to Africa where "As much as 50% of the existing irrigated area in Africa requires rehabilitation and modernization." Focusing on rehabilitation of existing schemes, rather than creation of new ones, is justified by the fact that both dams for seasonal storage and the use rights for the water (at scheme level) are already in place. However, it has been suggested that it is important to find out why past experience with these schemes has not always lived up to expectations before investing in rehabilitation and modernization. Consulting the users is the best way to do this. Thirdly, the issue of wastewater recycling has been raised. This can bring benefits in terms of water availability, sludge for fertilizer and gas production (primarily for urban and peri-urban areas?).

Farmer Organisations

Here we have benefited from some transferred contributions from the Growth and Poverty theme, plus some direct contributions. As noted in previous summaries, there has been a lively debate on the benefit of farmer organizations and whether or not they deserve a central place in agricultural development strategies. Contributions have noted the valuable role that they can play in policy advocacy, as well as their "economic" roles (e.g. realizing scale economies, contributing to value addition), which have perhaps been the area of greatest controversy. The record of farmer organizations is clearly mixed. Some suggest that there has been more success than failure when they have been genuine "bottom up" organisations, but the record of "top down" organisations (political creations or subject to political control) is largely one of failure. A recent contribution by Andrew Palfreman to the Growth and Poverty theme suggests some technical criteria for when collective action will and will not be appropriate.

Critical comments on farmer organizations point to their costs of organization and administration - linked to collective decision making processes and hence the heightened need for transparency? - which are often greater than the profit margins of private traders. Hence, private suppliers are often more efficient providers of services to rural households (smallholder agricultural producers and pastoralists). Drawing on experience in East Africa and the Horn, Andy Catley has argued that private veterinary service provision (regulated and inspected by

government veterinarians) is far more efficient than service provision by farmer / pastoralist groups, whilst John Hambly has extolled the virtues of farmer joint ventures. A second criticism of farmer organizations has been their sustainability when initial donor funding (assuming that they are donor funded) ends.

More case studies of experience with farmer organizations are still very much welcomed. The most successful "model" that I am aware of is that developed by CLUSA in Mali and now replicated in Zambia and Mozambique (with CARE) and also being copied by other organizations in neighbouring countries. In contrast to the focus on "own account" service provision, in competition with the private sector, that has been questioned above, this focuses on equipping rural households to link up to agribusinesses and other service providers (e.g. credit providers, extension agencies). There is a strong emphasis on training (including both functional literacy and problem solving) for empowerment and a large number of groups and associations have been established in a relatively short time in all the countries named. Options for sustainability include the creation of a local NGO to provide ongoing support services (additional training, advice or legal support?) on a contract basis or building the capacity of apex organizations to provide such services - in addition to their advocacy roles, but perhaps instead of more traditional engagement in directly "productive" activities. Are others familiar with this model or with others that are demonstrating widespread replicability at reasonable cost?

Price Policy

Two contributions have highlighted the importance of providing attractive prices to smallholder producers; they have argued that farmers will find a way of investing if profitable opportunities exist. The implication is that governments are still inclined to suppress prices to provide cheap food to vocal urban interests, at the expense of less well connected and organized producers. This may well be true and perhaps provides one of the justifications for farmer organizations to engage in policy advocacy. However, as Michael Lipton notes in his contribution this week to the Growth and Poverty theme, there have been "big falls in price bias against agriculture in many developing countries" since the 1980s, yet there have also been falls in yield growth in the main food staples and in the rate and spread of dollar-poverty reduction. Michael highlights investment in water control, seed research and land reform as key complements to removing price bias. Are list members happy with this as a set of priorities for DFID to invest in?

Contract Farming

Contract farming has been highlighted as an "institutional arrangement" worthy of further attention and support. It has potential to assist in the promotion of agricultural diversification and, more specifically, to overcome some of the barriers to smallholder participation in increasingly competitive and demanding global commodity chains (one of the subjects of the Global Trade theme). Our contributions have highlighted some pre-conditions for contract farming to deliver successful outcomes, including suitable infrastructure, a critical mass of producers (taking us back to contributions last week) and a framework to protect the rights and bargaining position of poor producers. It has also been suggested that only producers who can achieve a certain level of self-sufficiency in staple food production can/should embark on contract farming. Whilst the commodities are high value, they are also often high risk (principally due to demanding quality requirements), so may not be high profit options for producers. We welcome list members' examples of smallholders successfully and sustainably increasing their

participation in global commodity chains through contract farming, plus case studies of schemes more oriented towards national and regional markets.

Before looking ahead, I should also flag the paper on "Agricultural Markets and the Rural Poor" that David Orden has posted to the site. David's message this week provides a summary of the paper. In addition to issues already touched upon, this highlights the potential contribution of rural capital-intensive infrastructure to enhance producers' access to national markets. It also distinguishes three categories of producers who face different constraints to market participation - a categorization that others might find helpful to their thinking. We continue to welcome papers that shed light on particular debates within the Economic Opportunity theme. If you send them to <address removed> <mailto:<address removed>>, stating that they are for the Economic Opportunity theme, I can approve them for posting, so that all can benefit.

Finally, therefore, suggestions for the week ahead. I hope that people still have contributions to make on the four areas summarized above and perhaps on others going back to the first weeks of the consultation or even to the initial moderator's introduction. To help list members track debates, perhaps we can use the four headings that I have used above when commenting on these established themes.

However, we are also well into the e-consultation now, so need to begin to move from debating what the issues are (i.e. what are the key constraints to access to markets and assets for rural producers?) onto what can realistically be done to remove these constraints and, in particular, onto what DFID can best contribute to this process. On the first of these, we particularly welcome success stories of enhanced access to markets and/or assets, preferably giving an indication of impacts and drawing out the keys to success and lessons for replication. On the question of priorities for DFID investment / activities, we need to think not just what needs doing, but also how DFID can maximise its contribution, given its expertise, international position and the means at its disposal.

As always, we look forward to your continuing contributions.

Best wishes

Summary from Colin Poulton, 11 May 2004

Dear All,

A busy week in the Economic Opportunity theme! Once again, thank you all for your contributions. We have just over two weeks to run, so I would particularly like to encourage those who have yet to share their experience and insights with the forum to consider doing so this week.

This week, we have received contributions on the following topics:

Water

The discussion of access to water has continued at a lively pace this week. We were told that successful uptake of small-scale water control and irrigation has been documented in a large number of countries in Asia, Africa and Latin America. Specifically, two contributors praised the approach of the NGO IDE, which combines: technology development (e.g. treadle pumps and mini-drip irrigation); encouraging competitive supply of the necessary equipment to smallholder producers, and assistance to those producers to access output markets (especially for horticultural products) that allow them to achieve a good return on their investments. Higher incomes as a result of the promotion of treadle pumps by the FAO's Special Programme for Food Security in Zambia were also noted. However, some contributors pointed out that treadle pumps make an additional demand on human labour and suggested that hydraulic ram or other powered pumps might be preferable in some situations. The potential of vetiver grass and leguminous cover crops for soil and water conservation was noted.

Constraints identified to more widespread uptake of small-scale water control and irrigation include: legal and institutional hurdles (often introduced by colonial authorities), post-independence governments preference for large-scale schemes and the small-scale, relatively simple technology (paradoxically?) reducing incentives for influential development practitioners to champion it. It was also suggested that, in Sub-Saharan Africa, 'paucity' of land tenure (meaning lack of formal title?) might discourage investments in micro-irrigation.

Whilst much of the focus this week has been on small-scale water control and irrigation, we were reminded of the need for large-scale, as well as small-scale, irrigation development. Also, given the competition for water, particularly in semi-arid areas, do we not need advances in 'farm-water science' to increase the productivity of water use?

The debate on waste water use also continued. This week's contributions discussed the pros and cons of reducing quality standards for agricultural use - the case 'for' being that these can be over-protective of human health and end up discouraging re-use; the case 'against' being that complementary opportunities (e.g. generating methane gas) may be lost if lower standards are required.

Access to Markets

This week has seen some interesting exchanges on the efficiency and effectiveness of existing informal agricultural market systems and suggestions as

to what may be required to develop stronger market systems (with particular reference to grains). The exchanges were kicked off by Vinay Chand's observation, drawing particularly on Asian experience, that farmers nearly always do have access to markets through collectors (assemblers); the issue is what share of the final retail price the farmer receives. A note of caution was injected against focusing too narrowly on the share of the retail price received by the farmer, as â even in competitive markets - this depends on a range of factors, such as distance, timing, product quality and degree of processing. Nevertheless, the issue of marketing margins is important. Subsequent contributions argued that, whilst informal market systems can be highly competitive and hence effective at transmitting demand/price changes to producers, the fragmented nature of the marketing system can contribute to high marketing margins. Two examples of this were given. Firstly, the large number of links in the chain means that numerous intermediaries all have to take their margin. Opinions were divided along similar lines to previous weeks as to whether farmer organisations should seek to engage in the aggregating/assembling function in place of collectors. Secondly, it was pointed out that, at each stage of the chain (including wholesaling) there are large number of small players, all of whom have to live off their trading margins from small consignments, hence necessitating high margins per unit.

Two interventions that could contribute to raising farm gate prices were also discussed this week. Firstly, a debate was initiated on (public) provision of market information and specifically on whether such activity should focus on providing real time (current) market price information. One contributor argued that such information is of little relevance to producers, who are often several steps removed from the market where information is actually collected and who anyway have little flexibility to respond to short-term price changes. Instead, longer-term price analysis and information on broader market demand movements are what producers need â there is a role for extension in communicating this. By contrast, another contributor pointed out 'collectors trade on information'; hence, appropriate current price information is needed by producers for bargaining purposes.

Secondly, several contributions highlighted the importance of improving transport systems, which can encompass port infrastructure, roads, tracks and efficient use of vehicles. Better transportation will assist not just agricultural marketing, but also a range of rural non-farm activities. It was pointed out that middlemen often obtain part of their profit from the supply of rural transport services, which could often do with being more competitive. The use of mobile phones (by better-off producers) for arranging transportation was noted. One contributor asked about the economics of domestic fuel production as a way of reducing costs.

Finally, citing experience from grain markets in Southern Africa, Jonathan Coulter considered what is required for more efficient private market systems to develop, including the participation of larger, 'formal sector' players. He noted that greater private investment (both national and international) in agricultural market development is discouraged by the habit that politicians and officials have of intervening in markets on an ad hoc basis, ostensibly to correct for market failure, but often for their own personal or political ends. Developing more efficient private market systems may require a 10+ year time horizon, during which time ad hoc public intervention is replaced by constructive efforts to put in place essential building blocks for private market activity, including reliable crop forecasts, improved transport infrastructure and, where possible, systems of warehouse receipts that can simultaneously tackle challenges of trade financing, product standardisation (grading), market information and contract enforcement.

He challenged DFID and other donors to commit to this sort of long-term agenda. Would others like to comment on this approach?

Contract Farming

We received one contribution on this subject this week, plus reference to a book on the subject from Andrew Shepherd. In response to last week's comments about the risks of growing high value crops, James Cock observed that contract farming serves to reduce the risks of growing such crops. In his experience, mutual trust and understanding, plus the commitment to an ongoing relationship, can be more important in making contract farming work than the existence of a formal contract. He observed that contract farming is becoming increasingly important and that it will become even more so as 'supermarketisation' increases.

Urban Agriculture

The debate on urban agriculture, which began within the Growth and Poverty theme, has migrated in search of Economic Opportunity this week! Henk de Zeeuw kicked us off with a call for DFID to give due attention to the promotion of appropriate technologies for small-scale urban horticulture, agro-forestry, livestock and aquaculture production, plus microenterprises involved in processing and marketing the resulting products, and to the collection, treatment and reuse of urban wastewater. Such activities would both contribute to poverty reduction and benefit the environment in urban areas. Subsequent contributors have highlighted the importance of legal issues (strengthening land rights and changing bye laws that restrict livestock ownership) to the development of urban agriculture. Debate has focused firstly on the priority to be given to urban agriculture when the majority of the poor in low income countries still live in rural areas. It has, however, been pointed out that the number of urban poor is rising rapidly in many countries. Secondly, there has been debate on the extent to which urban agriculture competes with rural production (further restricting the opportunities that poor rural producers have to generate income through sale of 'tradable' products). It has been suggested that, whilst road networks remain poor and cold chains non-existent, there will be less conflict when (peri-)urban producers focus on perishables such as milk, eggs, vegetables and meat, than when they grow cereals. However, it has also been pointed out that many poor urban dwellers (households with HIV were cited) engage in agriculture for survival reasons, hence subsistence-oriented production of cereals, rather than market-oriented production of higher value produce.

As well as considering priorities across urban and rural, participants might also reflect on the particular challenges facing support to agriculture in less favoured (as opposed to higher potential and/or more accessible) rural areas. Is it most cost effective to focus initial efforts on higher potential areas (as in much of Asia during the Green Revolution) or do poverty reduction ambitions require that we look directly to the areas with the most intractable poverty? If so, what can be done in less favoured areas? This debate is, of course, also relevant to our discussion of market access and market development above.

Political Dimension

There has been relatively little discussion of farmer organisations this week, but the topic of the political dimension to agricultural policy making has been raised within the forum by Brian Cooksey and we have been encouraged by the process moderator (message of May 11th) to consider aspects of this within our theme.

James Biscoe noted in his contribution to our urban agriculture discussion that, 'More people live in rural areas than urban, although being less densely settled and less near the seats of power they are often less noticed.' This is a major contributory factor to current poverty profiles. Similarly, price discrimination against rural producers in favour of urban consumers has been raised. How can we get the voice of the farmer better heard within the policy dialogue and decision taking process?

Two contributors have observed the problems when donor projects work through host governments or when donors support national policies that give undue powers to politicians and officials, rather than leaving the floor to the private sector. To what extent does this compromise the ability of donor-supported activity to enhance the access of the poor to markets and assets? If there are real difficulties, what might be done to overcome these?

In addition, Clive Robinson has reminded the forum of the gender dimension to the issues we are discussing. Relevant to our theme, he claims that, 'Enhancing women's access to and control over resources, assets and decision-making is crucial to improving the outcomes of agriculture.' Are there particular implications that list members would like to draw out for the discussions that we have so far had on water, land or farmers' organisations?

I am aware that these comments appear to be opening up new areas of debate at a fairly advanced stage of the consultation. I would, therefore, like to close by reminding us of the need to focus on 'how DFID might best deploy its efforts to unlock the potential of agriculture'. This encompasses not just what is most likely to work based on existing experience (further success stories in different areas are welcomed), but also where DFID in particular is best placed to make its contribution.

Looking forward to further contributions

Summary from Colin Poulton, 18 May 2004

Dear List Members,

A quieter week within Economic Opportunity this week, but still some stimulating contributions to report on. Contributions on issues that DFID should be interested in are summarised below under three headings: market information, credit and technology. We have also received some important contributions on 'how' DFID goes - or should go - about its business of addressing these. As the forum heads towards its conclusion, these are questions that deserve additional attention.

Market Information

Andrew Shepherd has in the past documented 'problems with donor-assisted, state-run market information services'. Since this work (still downloadable from the FAO website) was undertaken, advances in technology (mobile phones, the internet, FM radio) have created new possibilities for improving the efficiency and effectiveness of such services. Andrew also reports that market information now appears on TV in Bangladesh and India (by popular demand). However, critical practical questions concerning MISs remain to be answered, such as how the consistent, long-term collection of reliable information can be sustainably achieved. As the importance of market information is almost universally acknowledged, should this remain a priority area for DFID's attention?

Another contribution this week raises a particular point about international crop prices. James Biscoe suggests that, if world prices of crops were disseminated alongside locally realised prices, this could stimulate plenty of debate and reflection amongst producers and traders alike.

Credit

A couple of contributions this week have argued that credit is vital if agricultural producers are to obtain higher incomes from enhanced production activity. In one contribution, drawing on Asian experience, it is observed that producers already have access to informal credit, but the finance that they take ties them to particular market channels and compromises their ability to obtain higher returns from their agricultural production through pursuit of new marketing options. However, another notes the inherent incompatibilities between current micro-finance lending products and the resources and requirements of smallholder agricultural producers engaged in seasonal production (e.g. the dominant products currently offered are short-term loans requiring weekly or monthly repayments). Whilst DFID and other donors should continue to work with promising micro-finance and grassroots financial institutions, they are cautioned against supporting expensive buildings and vehicles etc that raise costs of operation and hence break-even interest rates.

Technology and Support Services

One strand of the credit debate has also been intertwined with discussions on labour saving technologies and supply of support services, with a strong gender dimension to these discussions. A general point made by Dick Tinsley and supported by Sophia Huyer is that there is potential for labour saving technologies to reduce drudgery and free up valuable time for poor households to use in other ways (possibly more productive ways, possibly just gaining additional but much needed rest). Specific examples of this have related to land preparation and to energy provision / saving for household chores often undertaken by

women (e.g. fuel efficient stoves, water pumps). There has been some discussion on the specific example of tractor services in many parts of Africa, the economics of tractor operation have been questioned, so suggestions have been made of alternative ways of raising the productivity of existing operations (e.g. through greater promotion of animal draft power or conservation tillage, which is currently exciting much interest in Zambia and Zimbabwe). However, the general point about labour saving technologies is supported, as is the related point that supply of such technologies, through equipment sale or rental, itself provides an opportunity for income generation for rural entrepreneurs.

One question that then arises is why there is not more such equipment sold and/or rented. Comparison between India and Africa suggests that the purchase price of equipment may often be a constraint in Africa (whereas 'Indians are very good at radical cost cutting' - the examples of treadle pump production and micro-drip irrigation technologies being cases in point here). When donors and others get involved in the promotion of new technologies, the importance of creating local supply capacity at the same time as promoting demand has also been highlighted. An East African example of this (not cited by list participants) is the manufacture of 'Mavuno' fertiliser in Kenya and its sale in tiny packs (as small as 1kg). The link between micro-finance and technology supply comes in here. Are local-level service suppliers prevented from entering the market (or expanding) by lack of access to finance? Alternatively, is the constraint really a lack of people with the appropriate business skills to make profitable use of finance?

A second question returns to discussions of farmer collective action from earlier weeks: are support services best provided by individual entrepreneurs (where decision making is most straightforward, but lack of collateral could be a problem in accessing sufficiently large quantities of finance) or through (user?) groups? Sophia Huyer highlights a gender dimension to this question, noting that women's self-help organisations can assist in technology access for production and marketing activities, as well as enabling women to articulate their particular concerns in society and to strengthen their bargaining position in a number of areas: 'most technologies are bound up in hardware and their products are goods to be sold or used. Questions of access and control are central in determining actual benefits to women.'

The theme of access to, and control, over productive assets is echoed by Ruchi Tripathi, who sets out Action Aid's position on rights to land, seed and protection of knowledge, plus other rights related to accessing markets and services on reasonable terms. (More detailed contributions on land and credit can be found under the Public Policy and Expenditure theme). A theme of these contributions is empowerment of poor groups, often through some form of collective action - an area for DFID involvement? Another contribution highlights the importance of women having secure rights to land. Where women are expected to bear the burden of providing food for their families, this can be critical to household food security and nutrition.

Finally, two contributions have reminded us that, in Africa, women are at least as heavily engaged in food crop trading as men. The term 'middlemen' is, therefore, often misleading. I shall try to remember to stick to 'market intermediaries' in future.

The Final Two Weeks

As the forum heads towards its conclusion, we need to be moving our contributions on, from issues that DFID should be interested in, to practical ideas

as to what DFID, as an international development agency, should actually do about these issues. Whilst many list members do not have detailed knowledge of how DFID operates or of its relative strengths and weaknesses compared to other donor agencies, we can frame contributions in the light of generic constraints that such agencies operate under and also of the general opportunities open to them. For example, DFID can potentially exert influence amongst all of the following: recipient (national) governments and other stakeholders in development processes in low income countries; international bodies (e.g. WTO, NEPAD, UN organisations, CGIAR, World Bank, EU development programme), and other UK government ministries (e.g. Ministry of Trade and Industry, DEFRA). On the other hand, the fact that within low income countries, DFID is an agency of an external government also imposes constraints. There are widely acknowledged difficulties in working through many existing host government agencies. However, it has limited capacity to manage field activities (assuming it wanted to) and a preference for disbursing funds in ways that keep the 'transaction costs' of fund disbursement to reasonable levels. The move towards direct budgetary support (discussed briefly within the Public Policy and Expenditure theme) is intended to enhance local ownership over development processes, but perhaps also reflects a view that DFID staff time is better employed in constructive engagement in these policy processes than in overseeing disbursement of, and accounting for, relatively small chunks of project money.

In the light of these types of considerations, should DFID's efforts to enhance access for the poor to assets and markets be focused on (for example):

- Working for better policies within low income countries (if so, what are priority areas for attention within the general area of access to markets and to assets?)
- Funding projects that explore innovative solutions to practical problems on the ground (if so, after five weeks of debate, what are the priority problems?)
- Strengthening civil society organisations that campaign for interests of particular poor groups and/or hold public sector agencies accountable for their performance and use of resources?

Are there other ways that DFID can engage with the political dimensions of agricultural policy making to enhance access for the poor to assets and markets?

Finally, Andy Bullock has drawn attention to internal DFID organisational issues with his contributions on the Public Service Agreement and its relative neglect of agriculture and, in particular, hunger. Are there other similar issues that list members see as critical to improving DFID performance in our areas of interest?

Looking forward to more stimulating and challenging contributions!

Best wishes

Summary from Colin Poulton, 29 May 2004

We've had a flurry of contributions to beat the close of the consultation. Thank you for your contributions this week and throughout the consultation period.

Putting Markets First

As we have drawn to a close this week, several contributors have fittingly emphasised the importance of making markets and market opportunities central to (agricultural) development planning and policy. The need for development approaches to be 'market-driven' was emphasised. Despite the fact that much lip-service is nowadays paid to this principle, there is still a 'strong tendency to production oriented measures and strategy and then looking around for a market'. One possible reason for this is that decision-makers within agriculture are more likely to have a production background than a marketing one. Where market research is undertaken, there tends to be too much wishful thinking, rather than realism, as reflected (for example) in a tendency to opt for supposed export market 'opportunities' at the expense of real opportunities within domestic markets. The cost of ignoring market factors is failed projects and aid recipient countries still have to pay for these even when they were poorly designed in the first place. One contributor suggested that what is needed is an injection of a private sector mindset into public agencies. 'Every project or DFID intervention should include markets and marketing as a central concern.'

Another contribution that argued that 'the focus [of agricultural development policy] should be on increasing agricultural production in line with market opportunity' developed this argument by explaining that interventions should look to increase the efficiency of all stages commodity chain. This includes attention to (for example) high transport costs and storage constraints - both major issues in Africa - and not just to production issues. Similar comments were made from a CIS / Central Asian perspective: the importance of facilitating trade development and taking a systems perspective (including looking to add value locally and promoting 'integrated clusters' of agri-food enterprises) were both highlighted. The medium-long term perspective of the previous contribution was endorsed by this contributor and by another who argued (with particular reference to Africa) that: 'it is sustained input over many years which is required to engender capacity to meet change and dynamism in the world with change and dynamism from Africa'.

Farmer Organisations and Linking Farmers to Markets

Farmer organisations were not the main focus of any contributions this week, but were mentioned in several cases. These generally (if not always) recognised the role that farmer associations have to play in development strategies, whilst also recognising that past experience with farmer organisations has been mixed and that 'capable or professional business leadership and real commitment from members' are critical to success. Reflecting the theme of value addition that has occurred several times this week (as something that both states and farmers should aspire to), one contributor argued that: 'the farmer should ideally own more of the value chain than his production if he is not to end up with a subsistence rate of return'. Farmer collective action is one way to achieve this.

As in previous weeks, however, there were also contributions extolling the virtues of private service providers (e.g. suppliers of inputs, informal credit, output traders, millers) and questioning whether farmer organisations could provide such services to their members as efficiently as these private suppliers. This week it was pointed out that private service providers are often ex-farmers and it was

suggested that they exist in a 'symbiotic association' with farmers in their community, rather than gaining through exploitative relationships. Helping them will, therefore, also help the farmers whom they serve.

Whilst the debate on farmer organisations and private service providers has at times been (unnecessarily) polarised during the consultation, some middle ground was established this week. Drawing particularly on Latin American experience, one contributor urged caution in promoting farmer collective active to replace private service providers (although there will be occasions when this is a good strategy) and suggested that a more common aim should be to increase the bargaining power and skills of (organised) farmers in dealing with such service providers.

The concept of 'symbiotic association' was also extended to clusters of private businesses by a couple of contributors. One pointed out that thinking this way helps to dismantle another unhelpful and artificial barrier between rural and urban areas and their development.

One of the messages that made reference to farmer organisations drew on CIAT's experience with rural business development in Latin America, Africa and most recently Asia. Pro-active rural business development is a necessary complement to creating an enabling environment for agricultural and enterprise development. CIAT's rural business development activities seek to 'strengthen the business and market orientation of small-scale farmer associations through business training and coaching', building the capacity of small-scale farmers to diversify their production activities both on- and off-farm (according to opportunity), whilst not neglecting food security concerns. The experience with rural business development has important implications for the orientation of extension activity. However, 'providing RBDS imply high transaction costs [rural households also need first to be persuaded of the benefits of such services] and thus market forces are not very eager to fill this vacuum'. Hence, some subsidy for such activities is probably necessary at least for an initial period.

By contrast, one sceptical view of market information was offered. This questioned the sustainability of many current data collection efforts and also questioned who the target audience is where new technologies (e.g. internet, SMS) are used to disseminate information. Extension agents may well benefit and be able to pass on what they have gained to farmers, but poor farmers will not access the information directly. Similarly, disseminating wholesale price information (as commonly happens) may be of more direct relevance to traders than to farmers, particularly if the latter are already tied to particular traders through credit links. According to this contribution, disseminating market intelligence about longer-term trends may be more valuable to producers. However, even this was considered an 'optimistic' view.

Finite limits to rural households' ability to supply labour in response to new opportunities

Access to Land and Water

We received one substantial contribution on land access and rights this week, with a particular focus on Africa. This emphasised that secure rights to land are important for many of Africa's poor, both to reduce their vulnerability (to various forms of asset loss / dispossession) and to give them a secure base on which to build (including assisting access to finance). The titling debate is moving on from the situation portrayed in my opening Moderator's comments. On the one hand, more efficient (decentralised) ways of recognising title are being developed in

response to justified (pro-poor) criticism of previous approaches. On the other, there is increasing recognition that, whilst traditional tenure regimes still function fine in many places, they are failing to cope with conflicts arising from high land pressure in peri-urban areas, southern Africa's communal lands, west Africa's cocoa belt (where there are large numbers of immigrants) and also with other sources of conflict over rights (e.g. threats to land used by pastoralists). Hence, a more active approach to land rights does have to be taken.

Land redistribution does also need to be tackled in some countries both to assist poverty reduction efforts and to reduce political tension. Purely market-based approaches are generally rejected by beneficiary representatives, so "a mixed approach involving both state and market" was encouraged. Before its recent reorganisations began, DFID had developed a reasonable understanding of these complex issues. They were, therefore, urged to resume their active role in international (as well as country-level) discussions on land policy in Africa, to channel the pressure for more ideologically-based land policy towards policies that will be genuinely good for the poor.

Reinforcing the message about asset distribution, we were referred to the findings of a cross-country study conducted by IWMI of irrigation and its relationship to poverty in Bangladesh, China, India, Indonesia, Pakistan and Vietnam. This study found that farm performance in terms of output per hectare was higher on the more equally distributed and also smaller land holdings on studied irrigation schemes in (South)East Asia than on the South Asian schemes. Water access was found to broadly follow access to land within the schemes. The report commends the "distribute first and grow" approach pursued in China and Vietnam as being more successful than the South Asian approach to try simply to "grow first" and address (re)distribution later.

State Capacity and Accountability

Two contributors this week urged DFID not to assume that the state could or should play too big a role in agricultural development, particularly in Africa. The 'limited resources and over-commitment' syndrome means that the public sector often ends up as a hindrance, not a help, to the development process.

At the same time, DFID was urged to ensure accountability for use of funds that it provides to other organisations. Providing funds either to Ministries of Agriculture or to multilateral development agencies without adequate safeguards is an inexcusable waste of scarce resources. One of the advantages of projectised aid is that greater accountability for use of funds can be built in than is the case with direct budget support.

Personal Summaries of the Theme Discussions

Four list members have posted to the Economic Opportunity theme helpful summaries of the main points that they think DFID should take away from the discussion within the e-consultation. Dick Tinsley (May 20th) reiterates calls for DFID to commission reviews of some unresolved questions (e.g. the cost of private service provision and the sustainability of farmer associations post-donor support), suggests priority areas for policy dialogue with national governments to create more opportunities for private service development and discusses the respective roles of different service providers in the provision of different support services to producers. James Biscoe (May 25th) focuses on ground that DFID should cover in its dialogue with national (aid recipient) governments and makes suggestions for long-term technical assistance that DFID could offer to build service provision capacity in the countries concerned. Andy Bullock (May 26th)

considers what is required to turn DFID's renewed commitment to agriculture into operational reality and then where else DFID should be focusing (e.g. CAADP, national poverty reduction strategy processes, EU, G8) to ensure that effective agricultural development policies are implemented. Vinay Chand (May 27th) emphasises that adding value within the agricultural value chain for the benefit of small farmers should be the goal and suggests priorities to ensure that as much support as possible for smallholder agriculture actually reaches the ultimate beneficiaries. Several of Vinay's specific points are covered elsewhere in this summary.

Moving Forward

Finally, whilst the process moderator (May 27th) has indicated how the contributions to the consultation will be synthesised and used, a contribution from Society for the Underprivileged in India has pointed out that relatively few grassroots NGOs, let alone individual beneficiaries of DFID activities, have participated in the e-forum. DFID are encouraged to find other ways to seek the views of grassroots NGOs as they continue to develop their agriculture policy.

Personally, I have very much enjoyed moderating the Economic Opportunity discussions. I apologise to those of you whose contributions or views I have misrepresented at any point. I hope that, on balance, my input has assisted rather than detracted from the debate within the theme.

Best wishes

Overall Summary prepared by Colin Poulton, 29 May 2004

A total of 140 contributions were posted to the theme by list members (i.e. excluding postings by the moderators or technical team). Many valuable contributions were received on a range of topics, the most frequently raised topics (by message header) being: water and agriculture (various) (20), farmer organisations (7), access to markets (7), urban agriculture (7) and contract farming (6). Whilst some of these topics were also addressed within other messages, the numbers in brackets illustrate the point that the discussion within the theme was both wide-ranging and at times quite diffuse. Several of the topics covered within this theme were also covered in equal or greater depth in other themes, e.g. urban agriculture and contract farming within Growth and Poverty.

The main messages arising from the Economic Theme are summarised as follows:

ACCESS TO ASSETS

1. Water and Agriculture

A lively discussion on water and agriculture took place particularly during the first half of the consultation. Agricultural and non-agricultural uses of water are increasingly viewed as being in conflict in many countries. However, with particular reference to Sub-Saharan Africa, it was argued that neither aggregate water availability nor water rights should be an obstacle to the achievement of household food security. Rather, it was argued that the water access issue for poor farmers in Africa centres on the "small-scale 'infrastructure' that brings the necessary control of water into crop production". Further contributions emphasised that this should not be considered solely a question of irrigation development, highlighting alternative techniques for water control in rainfed systems, such as rainwater harvesting. Successful uptake of small-scale water control and irrigation has been documented in a large number of countries in Asia, Africa and Latin America. Two contributors praised the approach taken in Asia by the NGO IDE, which combines: technology development (e.g. treadle pumps and mini-drip irrigation); encouraging competitive supply of the necessary equipment to smallholder producers, and assistance to those producers to access output markets (especially for horticultural products) that allow them to achieve a good return on their investments. However, it was also observed that uptake of improved water control technologies is nowhere near fast enough in many countries to enable smallholder agriculture to realise its poverty reducing potential. Constraints identified to more widespread uptake of small-scale water control and irrigation include: legal and institutional hurdles (often introduced by colonial authorities); post-independence governments' preference for large-scale schemes; the paradox that small-scale, relatively simple technologies may fail to attract influential development practitioners to champion them, and, in Sub-Saharan Africa, the weak incentives for water control investments provided by some current land tenure systems.

Given the relatively slow spread of small-scale water control technologies, cases were also made for complementary large-scale irrigation development and, with particular reference to Africa, the importance of rehabilitating existing irrigation systems. Also, given the competition for water, particularly in semi-arid areas, we need advances in "farm-water science" to increase the productivity of water use.

Arguments were also advanced for greater attention being paid to wastewater recycling (primarily for urban and peri-urban areas?).

2. Access to Land

This received much less attention within the theme discussions than might have been expected. One contribution, with a particular focus on Africa, emphasised that secure rights to land are important for many of Africa's poor, both to reduce their vulnerability (to various forms of asset loss / dispossession) and to give them a secure base on which to build (including assisting access to finance). It pointed out that the titling debate is moving on from the situation portrayed in the Moderator's opening comments. On the one hand, more efficient (decentralised) ways of recognising title are being developed in response to justified (pro-poor) criticism of previous approaches. On the other, there is increasing recognition that, whilst traditional tenure regimes still function well in many places, they are failing to cope with conflicts arising from high land pressure in peri-urban areas, southern Africa's communal lands, west Africa's cocoa belt (where there are large numbers of immigrants) and also with other sources of conflict over rights (e.g. threats to land used by pastoralists). Hence, a more active approach to land rights does have to be taken. A second (NGO) contribution reflected grassroots sentiment about "farmers' right to access and control the material and institutional resources that ensure they can produce, buy and exchange food". This includes not just land, but seed, indigenous knowledge etc. The point that, without security of land tenure, farmers are easily and legally displaced by industrial farming interests, was reinforced.

Land redistribution also needs to be tackled in some countries both to assist poverty reduction efforts and to reduce political tension. Purely market-based approaches are generally rejected by beneficiary representatives, so "a mixed approach involving both state and market" was encouraged. Before its recent reorganisations began, DFID had developed a reasonable understanding of these complex issues. They were, therefore, urged to resume their active role in international (as well as country-level) discussions on land policy in Africa, to channel the pressure for more ideologically-based land policy towards policies that will be genuinely good for the poor.

Reinforcing the message about asset distribution, list members were referred to the findings of a cross-country study conducted by IWMI of irrigation and its relationship to poverty in Bangladesh, China, India, Indonesia, Pakistan and Vietnam. This study found that farm performance in terms of output per hectare was higher on the more equally distributed (and also smaller) land holdings on studied irrigation schemes in (South)East Asia than on South Asian schemes. Water access was found to broadly follow access to land within the schemes. The report commends the "distribute first and grow" approach pursued in China and Vietnam as being more successful than the South Asian approach to try simply to "grow first" and address (re)distribution later.

ACCESS TO MARKETS

3. Market-Driven Development

Contributors to the theme emphasised the importance of making markets and market opportunities central to (agricultural) development planning and policy. Although much lip-service is nowadays paid to the principle that development approaches should be "market-driven", there is still a "strong tendency to production oriented measures and strategy and then looking around for a

market". One possible reason for this is that decision-makers within agriculture are more likely to have a production background than a marketing one. Where market research is undertaken, there tends to be too much wishful thinking, rather than realism, as reflected (for example) in a tendency to opt for supposed export market "opportunities" at the expense of real opportunities within domestic markets. The cost of ignoring market factors is failed projects and aid recipient countries still have to pay for these even when they were poorly designed in the first place. One contributor suggested that what is needed is an injection of a private sector mindset into public agencies. "Every project or DFID intervention should include markets and marketing as a central concern."

4. Improving the Efficiency of Existing Agricultural Market Systems

The efficiency and effectiveness of existing informal agricultural market systems – and the traders and other service providers within them – were debated. It was observed that, in Asia at least, farmers nearly always have some form of access to markets through collectors (assemblers); the issue is how large the marketing margins is. Whilst informal market systems can be highly competitive and hence effective at transmitting demand/price changes to producers, the fragmented nature of the marketing system can contribute to high marketing margins. Two examples of this were given. Firstly, the large number of links in the chain means that numerous intermediaries all have to take their margin. Secondly, at each stage of the chain (including wholesaling) there are a large number of small players, all of whom have to live off their trading margins from small consignments, hence necessitating high margins per unit.

Various interventions that could (inter alia) contribute to raising farm gate prices were discussed within the theme:

4.1 Market Information Provision

There was a debate the importance of publicly provided market information and, secondarily, on whether such activity should focus on providing current market price information to aid producers in their bargaining with traders (and traders in their arbitrage activities). One view was that most information provided by such systems is of little relevance to producers, who are often several steps removed from the market where information is actually collected and who anyway have little flexibility to respond to short-term price changes. By contrast, longer-term price analysis and information on broader market demand movements may be more useful and there is a role for extension in communicating this. Another contributor pointed out that "collectors trade on information"; hence, appropriate current price information is needed by producers for bargaining purposes. However, whilst advances in technology (mobile phones, the internet, FM radio) have created new possibilities for information dissemination, there are still doubts as to how many producers will be reached by these media. Meanwhile, other critical practical questions concerning public market information systems remain to be answered, such as how the consistent, long-term collection of reliable information can be sustainably achieved (without ongoing donor support).

4.2 Transport Systems

Several contributions highlighted the importance of improving transport systems, which can encompass port infrastructure, roads, tracks and efficient use of vehicles. Better transportation will assist not just agricultural marketing, but also

a range of rural non-farm activities. It was pointed out that market intermediaries often obtain part of their profit from the supply of rural transport services, which could often do with being more competitive.

4.3 Policy Commitment

Noting the importance of attractive crop prices to smallholder livelihoods and investment incentives, a few contributors noted that governments are still inclined to suppress prices to provide cheap food to vocal urban interests. This takes us into the political dimension of agricultural policy making (below).

Drawing on experience from grain markets in Southern Africa, the question was posed as to what is required for more efficient private market systems to develop, including the participation of larger, "formal sector" players. It was noted that greater private investment (both national and international) in agricultural market development is discouraged by the habit that politicians and officials have of intervening in markets on an *ad hoc* basis, ostensibly to correct for market failure, but often for their own personal or political ends. Developing more efficient private market systems may require a 10+ year time horizon, during which time *ad hoc* public intervention is replaced by constructive efforts to put in place essential building blocks for private market activity, including reliable crop forecasts, improved transport infrastructure and, where possible, systems of warehouse receipts that can simultaneously tackle challenges of trade financing, product standardisation (grading), market information and contract enforcement. A number of participants (reflecting experience across continents) echoed the call for DFID and other donors to commit to this sort of long-term market development agenda.

5. Pre-Harvest Services

One contributor commented that "The farmer is serviced by provision of inputs, planting material, credit, water and extension". There were debates about the relative importance of some of these services - especially credit and extension - and about how such services were best delivered to farmers. We deal with the former discussion here and the latter in the following section.

5.1 Credit

Several contributors emphasised the importance of credit to rural households in general and smallholder agricultural producers in particular. With respect to India, it was observed that significant funds are earmarked for banks to support small-scale agricultural production, but these rarely reach the intended beneficiaries. A couple of successful examples of (project-based) credit provision to smallholder households in Africa were noted. However, replicable models of sustainable seasonal credit provision are still needed. A lone voice questioned whether small seasonal loans can be provided sustainably at interest rates lower than those charged by informal lenders (commonly considered extortionate) and, therefore, whether, seeking new models of credit provision was really a priority.

5.2 Extension

Discussion of extension was transferred to Science and Technology part way through the consultation. Nevertheless, a number of contributors noted the importance of extension in helping to alert producers to market opportunities and to equip them to respond to these. This becomes more important as market

demands become more complex, for example with the rise of supermarkets (which was only briefly discussed within the theme during the first week): "Improving the ability of farmers to market diversified production to better meet the needs of existing and new markets will ... take on increasing importance in the coming years". Other discussions focused on methods of extension delivery and whether under-resourced states can really sustain the idealised model of extension contact with farmers on a one-to-one basis.

6. Farmer Organisations

There was a lively debate on the benefit of farmer organisations and whether or not they deserve a central place in agricultural development strategies. Whilst only a limited number of contributions dealt explicitly with the subject, many others made passing reference to farmer organisations, often as a component of an agricultural "success story". Thus, the balance of the contributions can be said to have been in favour of farmer organisation development.

Proponents noted the valuable role that farmer organisations can play in policy advocacy, as well as their "economic" roles (e.g. assisting access to both input and output markets, realizing scale economies, contributing to value addition), which were the area of greatest controversy. A gender dimension to the debate was also highlighted. Women's self-help organisations can assist in technology access for production and marketing activities, as well as enabling women to articulate their particular concerns in society and to strengthen their bargaining position in a number of areas: "most technologies are bound up in hardware and their products are goods to be sold or used. Questions of access and control are central in determining actual benefits to women."

The record of farmer organisations is clearly mixed. Some contributors suggested that there has been more success than failure when they have been genuine "bottom up" organisations, but the record of "top down" organisations (political creations or subject to political control) is largely one of failure. Reflecting on Latin American experience, another contributor observed that "capable or professional business leadership and real commitment from members" are critical to success.

Critical contributions on farmer organisations pointed to their costs of organisation and administration - linked to collective decision making processes and hence the heightened need for transparency? - which are often greater than the profit margins of private traders. Hence, private suppliers are often more efficient providers of services to rural households, such as smallholder agricultural producers and pastoralists. One contributor, therefore, urged caution in promoting farmer collective active to replace private service providers (although there will be occasions when this is a good strategy), but suggested that a more common aim should be to increase the bargaining power and skills of (organised) farmers in dealing with such service providers.

The same contributor set out CIAT's experience with rural business development in Latin America, Africa and most recently Asia. CIAT's rural business development activities seek to "strengthen the business and market orientation of small-scale farmer associations through business training and coaching", building the capacity of small-scale farmers to diversify their production activities both on- and off-farm (according to opportunity), whilst not neglecting food security concerns. The experience with rural business development has important implications for the orientation of extension activity. This contributor also believed that pro-active rural business development is a necessary complement to creating

an enabling environment for agricultural and enterprise development. However, "providing RBDS imply high transaction costs [rural households also need first to be persuaded of the benefits of such services] and thus market forces are not very eager to fill this vacuum". Hence, some subsidy for such activities is probably necessary at least for an initial period.

7. Contract Farming

Whilst not discussed in huge detail within the Economic Opportunity theme, contract farming was highlighted as an "institutional arrangement" worthy of further attention and support. It has potential to assist in the promotion of agricultural diversification and, more specifically, to overcome some of the barriers to smallholder participation in increasingly competitive and demanding global commodity chains. Contributions within the Economic Opportunity theme highlighted some pre-conditions for contract farming to deliver successful outcomes, including suitable infrastructure, a critical mass of producers ready to contract and a framework to protect the rights and bargaining position of poor producers. It was also suggested that only producers who can achieve a certain level of self-sufficiency in staple food production can/should embark on contract farming.

8. Urban Agriculture

DFID's interest in understanding the relationships between urban and rural areas was commended. There was also a call from some contributors for DFID to give due attention to the promotion of appropriate technologies for small-scale urban horticulture, agro-forestry, livestock and aquaculture production, plus microenterprises involved in processing and marketing the resulting products, and to the collection, treatment and reuse of urban wastewater. Such activities would both contribute to poverty reduction and benefit the environment in urban areas. Others highlighted the importance of legal issues (strengthening land rights and changing bye laws that restrict livestock ownership) to the development of urban agriculture. Debate then focused firstly on the priority to be given to urban agriculture when the majority of the poor in low income countries still live in rural areas. It was, however, pointed out that the number of urban poor is rising rapidly in many countries. Secondly, there was debate on the extent to which urban agriculture competes with rural production (further restricting the opportunities that poor rural producers have to generate income through sale of "tradable" products). It was suggested that, whilst road networks remain poor and cold chains non-existent, there will be less conflict when (peri-)urban producers focus on perishables such as milk, eggs, vegetables and meat, than when they grow cereals. However, it was also pointed out that many poor urban dwellers (households with HIV were cited) engage in agriculture for survival reasons, hence subsistence-oriented production of cereals, rather than market-oriented production of higher value produce.

9. Political Dimension

Price discrimination against rural producers in favour of urban consumers has already been mentioned. There is a political dimension to this. "More people live in rural areas than urban, although *being less densely settled and less near the seats of power they are often less noticed.*" This is a major contributory factor to current poverty profiles. However, whilst the issue of how to make the voice of

the farmer heard within the policy dialogue and decision taking process was raised within the theme, it was not further debated.

Two contributors did, however, observe the problems when donor projects work through host governments or when donors support national policies that give undue powers to politicians and officials, rather than leaving the floor to the private sector. Also, DFID was urged to ensure accountability for use of funds that it provides to other organisations. Providing funds either to Ministries of Agriculture or to multilateral development agencies without adequate safeguards is an inexcusable waste of scarce resources. One of the advantages of projectised aid is that greater accountability for use of funds can be built in than is the case with direct budget support.

SUMMING UP

Four list members posted their own personal summaries of the main points that DFID should take away from the discussion within the Economic Opportunity theme. These are contributions from Dick Tinsley (May 20th), James Biscoe (May 25th), Andy Bullock (May 26th) and Vinay Chand (May 27th).

From the above summary, the key points highlighted by the moderator are as follows:

- Investment to “bring the necessary control of water into [smallholder] crop production” is a priority for food security and smallholder agricultural growth. A combination of approaches will be needed, depending on the area: micro-irrigation; techniques such as rainwater harvesting for water control in rainfed systems; rehabilitation of existing irrigation systems and, in some places, new large-scale irrigation development. Given the competition for water, particularly in semi-arid areas, advances in “farm-water science” are also needed to increase the productivity of water use. The potential for wastewater recycling in urban areas could also be explored.
- secure rights to land are important for many poor households, in Africa and elsewhere. Land redistribution also needs to be tackled in some countries both to assist poverty reduction efforts and to reduce political tension. DFID are urged to resume their active role in international (as well as country-level) discussions on land policy in Africa, to contribute towards policies that will be genuinely good for the poor.
- In order that development approaches are genuinely “market-driven”, “Every project or DFID intervention should include markets and marketing as a central concern.”
- Investment in improved transport systems - encompassing port infrastructure, roads, tracks and efficient use of vehicles – is another priority, to assist not just agricultural marketing, but also a range of rural non-farm activities.
- Given the constraints, both political and technical, on private sector development in agricultural markets, DFID and other donors should be willing to commit to a long-term market development agenda within individual countries.
- replicable models of sustainable seasonal credit provision are still needed.
- The development of independent farmer organisations should be promoted both for the role they can play in policy advocacy and for their “economic” roles. Care should be taken in promoting such organisations that mistakes of past promotional efforts are avoided and that adequate attention is given to leadership development and accountability. The relationships with

private market agents (negotiate or compete) should be carefully considered according to local market circumstances.

- It cannot be automatically assumed that smallholder farmers will establish secure and/or remunerative links to liberalised markets. Additional interventions to help them establish such linkages may include: promotion of contract farming, rural business development services and market-oriented extension advice.
- DFID should give due attention to agricultural production, processing and marketing activity in urban, as well as rural, areas
- DFID is urged to ensure accountability for use of funds that it provides to other organisations, both national governments and multilateral development agencies.