

# TECHNOSERVE

PJ-AAZ-311

13.1

1987

R&D

## Findings '87

### FOOD CROPS VERSUS CASH CROPS: A SPURIOUS CONTROVERSY?

Scott Zesch

General Editor: Thomas W. Dichter

Thinking about  
International  
Development



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## TECHNOSERVE

Technoserve, a private, nonprofit organization, aims to improve the economic and social well-being of low-income people in developing countries through a process of enterprise development which increases productivity, jobs and income. We concentrate on agriculturally related enterprises of medium scale. These take various forms, but are generally community based.

We accomplish these goals through a systems approach to enterprise development which involves management, technical assistance and training.

Technoserve was founded in 1968. We work in Africa and Latin America. We currently have a staff of over 160 persons, made up primarily of highly-qualified citizens of the nine countries where we operate.

Technoserve is funded by religious organizations, individuals, foundations, corporations, host country institutions and the U.S. Agency for International Development.

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Technoserve's Replication and Dissemination Program combines research with an effort to document our experience and apply the results in a number of new settings.

The fundamental thrust for R & D activities remains strongly consistent with that of the history of Technoserve to date—continued self-examination and learning so that our work of improving the lives of low-income people can become more effective.

The papers in our FINDINGS series as well as the CASE HISTORIES series are meant to share our experience and stimulate debate and dialogue with others who are concerned with Third World problems.

# FOOD CROPS VERSUS CASH CROPS: A SPURIOUS CONTROVERSY?

## SUMMARY

Given the tremendous diversity among the developing regions of the world, the simplistic "food crops versus cash crops" dichotomy does not accurately describe the problems faced by Third World smallholders. One cannot assume that either increased food production or a reduction in cash crop cultivation would alleviate hunger and rural poverty. Instead, the more pressing issue is household income level. Regardless of which commodities they produce, smallholders can raise their incomes most significantly by participating in local producer organizations which integrate their activities into the mainstream economy. However, to successfully gain control over their situation, they must learn to make decisions according to the particular constraints they face (such as prices, markets and transportation).

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demands at the expense of food crops. . . . As long as the present emphasis on cash crop farming is not reversed, hunger and poverty will continue in Africa."

Last year a consortium of major American religious donors identified export crop production as a major land-use problem in Africa and concluded: "Priority attention should be given to those programs which focus on the production of food crops to meet local and regional needs and/or remove obstacles to that production. . . . A policy of meeting local and regional food needs first would serve the



interests of the poor. . . ."

Earlier this year a paper by a leading hunger activist group took a similar stance: "[I]t appears that World Bank projects are too heavily oriented toward export agriculture and not enough toward local food production by small-scale producers. . . . Critics say food is so important to everyone in the economy, especially the poorest, that food production, not export crops, should be encouraged."

We are suggesting in this paper that the "food versus cash crops"

controversy—and the terms of the debate themselves—constitute a basically false trail in the quest for answers to the hunger problem. When one views the situation from the middle distance (somewhere between on-the-ground field experience and macroeconomic development theory), the scene is dominated by the varied complexities and dynamics of smallholder agriculture in the Third World.

In reassessing this controversy, an important first step is to try to separate the issues of hunger and poverty from some of the ideological weight they have accumulated. In that leaner form, the issues may then be of more practical use to the poor of the developing world.

#### ROOTS OF THE CONTROVERSY

During the 1970s, a heated debate arose among Western development practitioners concerning the value of export crop production in developing countries. Among grassroots organizations, the main issue in contention was whether or not cash crops had the capacity to benefit the poor. While this controversy is no longer in the limelight, it has by no means disappeared. The concepts articulated ten to fifteen years ago continue to influence the policies of private donor agencies today (see, for example, World Hunger Education Service, 1986, p. 11).

Part of the argument against export crop promotion is cast in sociopolitical terms. Cash crop agriculture is seen historically as a primary tool of colonial exploitation. According to this view, revenues from coffee, tea and cocoa grown in the colonies and sold in

# FOOD CROPS VERSUS CASH CROPS: A SPURIOUS CONTROVERSY?

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## INTRODUCTION

Large segments of the public, as well as the entire development community, were galvanized by the African famines of the past decade to think again about hunger. Of course, in so doing, we have all commonsensibly thought of the problem first in terms of food.

In the course of educating the public in the last year and a half on the human causes of famine, broad terms such as "food crops" and "cash crops"—terms debated throughout the 1970s—have again surfaced in nearly all discussions of the hunger issue, including dialogues among donor agencies. "Food crops" presumably refers to the basic grains which make up the bulk of most human diets; moreover, it normally implies production for domestic rather than foreign consumption. "Cash crops" is more difficult to define. While a cash crop literally could be anything grown in a quantity beyond subsistence needs and traded for money, the term usually brings to mind the cultivation of marginally nutritious crops for export, such as coffee.

Both the general public and some development specialists have come to view these two terms as opposites and the types of crops to which they refer as adversaries. But is this the best way to get a handle on the hunger problem? Drawing bold lines between broad categories of farm produce—whether edibles and non-edibles, crops for export and crops for domestic consumption, or staples and luxuries—will not necessarily make the issues clearer. In fact, such sharp distinctions may ironically muddy the waters. As with many debates in development, a nascent "discipline" at best, the realities are such that the truths may lie somewhere in between the polarities.

Nonetheless, the assumptions that (1) all crops can be placed into one of two categories and that (2) the choice between these categories should be the focal point of Third World agricultural policy have surprisingly often gone unchallenged in development circles.

Consider, for example, this recent statement made by a U.S. committee on African development: "The handicap has been . . . over-emphasis on cash crop production in order to earn foreign exchange and to satisfy Western

**Drawing sharp lines between broad categories of farm produce will not necessarily make the issues surrounding the hunger problem clearer.**



JEAN YVES BARBEUF

**Some Westerners simplistically view export crop promotion as either good or bad, with little regard for the particular circumstances that individual smallholders in widely varying regions face.**

foreign markets accrued to Western investors and traders, while the laborers endured coercion and poverty. Critics of international trade as an engine of development see the present distribution of power as fundamentally unchanged: yesterday's European settlers and civil servants have been replaced by today's multinational corporations—which in turn are allied with powerful Third World elites. According to some political commentators, developing countries must break with the single-commodity export system of the past in order to defeat the lingering remnants of colonial oppression.

The argument has a less rhetorical economic side as well. Countries relying heavily on export earnings from a few agricultural products are vulnerable to sharp fluctuations in world market trends. In recent years, depressed agricultural prices, declining terms of trade, inelasticity of demand for developing country exports and import restrictions among the industrialized nations have contributed greatly to export crop pessimism. Furthermore, the argument goes, rural farmers and laborers receive little reward for their effort, since most cash crop earnings, if not siphoned off by foreign investors, are channeled into urban areas.

The conclusion reached by critics of the present system is that export crops should be produced only after the basic food needs of the entire population have been met. However, putting this principle into practice would require a major policy overhaul at the highest level, and those currently in power are presumably satisfied with the status quo. Therefore, the only solutions

to the problem as posed by these critics, while logical in the abstract, are highly impractical in real-life terms. They amount to saying that the rural poor must either bring about a radical shift in power in their favor or else hope for a miraculous change in attitude among the ruling elites. History suggests that neither event is likely to take place on a widespread basis.

Thus, the "food crops versus cash crops" controversy has polarized Western development theorists, often placing them in predictable ideological camps. Those to the left see cash crops as primary instruments of continuing Western exploitation. To them, a "cash crop" conjures up images of oppression and neocolonialism, while a "food crop" is identified with self-sufficiency and human dignity. Those to the right seldom look beyond the macroeconomic level, claiming that foreign exchange earnings gained through international trade are indispensable for developing economies. Put more bluntly, some Westerners simplistically view export crop promotion as either good or bad, with little regard for the particular circumstances that individual smallholders in widely varying regions face.

The heavy weight of such ideological baggage perhaps accounts for the persistence of a form of argument that seems to shove aside what we all intuitively know. The rhetoric describing the merits and shortcomings of agricultural exports in development is usually couched in general terms and applied across the board to all developing countries. But we know that there is tremendous diversity among the developing regions of

the world in terms of resource endowments and market access, as well as other factors. Similar differences exist among the various districts of a single country. The most advantageous economic activity for a community or even for a single farmer can best be determined through a fairly complex calculus which includes, *at the very least*, (1) the local level constraints and advantages people face and (2) local and regional market factors.

As one travels down the line to the grassroots level and meets real smallholders, ideological factors increasingly recede into the background. Most small-scale farmers in poor regions cannot afford to weigh the moral implications of producing tea as opposed to maize. An ivory-tower debate among Westerners and the educated elite of the Third World can be of little interest to people struggling to improve or merely maintain their minimal standard of living. Nor of course do these farmers have any particularly strong emotional tie to any sort of romantic or glorified view of themselves as self-sufficient *food* growers. They simply have to choose the alternative which offers them the best chance for making money. Their choices are not moral or political but economic ones—which leads us to today's prevailing theory of hunger.

#### INCOME: THE CRITICAL DETERMINANT

The "cash crops versus food crops" dichotomy clouds the most basic poverty issue—income levels. The rhetoric surrounding the type of crop produced obscures rather than elucidates the economic causes of

human suffering. If the Third World's poor had enough money, they would simply buy what they needed—including food—just as most Americans and Europeans do. Although in some drought-stricken regions food may not be available when needed, hunger is more often thought to be the result of economic poverty rather than food scarcity. A recent World Bank policy study argues that hunger can be alleviated in the long run only by raising real household income.<sup>1</sup> Whether or not this argument is accepted, one can hardly deny that the poor go hungry at present because they lack the resources needed to *either* buy *or* grow food.

The concept of linking hunger to income is deceptively simple; in practice, it calls for a hard look at *all* the complex causes of poverty, not just the easy targets. It may seem natural to identify fields of coffee and tea as the antagonists in the struggle against hunger, since they sometimes absorb land and labor resources which might otherwise be devoted to nutritious crops meeting local needs. No doubt one can find cases where over-allocation of national resources to export crop production has indeed threatened domestic food self-sufficiency. However, it is not very helpful to condemn agricultural export promotion per se unless one has evidence that cash crops are actually lowering the potential earning power of the poor.

People familiar with agricultural enterprises in developing countries realize that it is often impossible to categorize a project as a "food crop" or "cash crop" industry. For example, Coopechayote in Costa Rica is a cooperative which purchases, stores, packs and resells the

**It does little good to encourage Third World farmers to concentrate on food-stuffs if neither attractive producer prices nor adequate market demand exists.**

rural Panamanian cooperative marketing members' vegetables. Indeed, the locally-owned agricultural cooperative and the corporate conglomerate are both engaged in agribusiness to the extent that both make produce available to the consumer for a profit. Despite their obvious differences, both require good business management to operate successfully. And both are part of a larger market.

### Integrating Smallholders into the Marketplace

One way rural smallholders can try to increase their incomes is by integrating their activities, often highly localized, into the mainstream economy. El Castaño Cooperative, for example, began as an informal women's club. Virtually all the members were very small-scale producers with little education or commercial experience. Less than a third of them were involved in any kind of profitable activities outside their homes. The tomato processing plant has enabled the farmers to convert their produce into a rela-

tively non-perishable form which can be sold in markets outside the immediate vicinity. These women have been able to surpass the limits of subsistence farming only through an increased awareness of current producer incentives and marketing opportunities.

Similarly, the members of Coopechayote have sought innovative ways to increase their earnings from their small plots. The market for chayote is limited, governed by the acquired taste for the vegetable among certain Hispanic groups, primarily from Central America and the Caribbean. As a result, one of the most important services the cooperative can provide for the local farmers is seeking previously untapped markets. In 1985, with new outlets available, the average gross revenues per production unit from chayote cultivation increased by 2.3 times over that of the previous year, and membership in the cooperative increased by 62 percent over a three-year period.

### The Intricacies of Prices, Markets and Tradable Surpluses

Several Western development agencies have recently stressed the need to promote surplus agricultural production for domestic trade within countries where food shortages exist. The emphasis on a tradable surplus is undoubtedly a positive one. If smallholders are to escape the poverty trap, they need to move beyond the bounds of subsistence farming and into the larger world of commerce and sales for profit. Rural producer associations and more efficient production and marketing techniques are some of the keys which can facilitate this transition.



JEAN YVES RABEUP



**Many low-income farmers can improve their lot through surplus production of food or luxury crops (or both) if they take a realistic view of the particular constraints they face.**

members' chayote, a vine-grown vegetable similar to squash or pumpkin. Chayote is commonly classified as a food crop, but it is also sold for cash. Furthermore, it is sold in both local and foreign markets.

El Castaño, a rural tomato processing cooperative in El Salvador, is also hard to categorize. Tomatoes are generally thought of as luxuries, but if they can be produced and marketed at low costs, they can also help alleviate vitamin and mineral deficiencies in local diets. Although the members grow tomatoes as a cash crop, the products of El Castaño are not exported but are sold entirely on the domestic market.

One of the stated purposes of all enterprise development projects is income generation. Yet projects which consciously avoid any affiliation with products customarily designated as cash crops may miss opportunities for significantly increasing the incomes of a large number of farmers. If one believes that poverty can be alleviated primarily through higher family earnings, then it seems realistic to concentrate on the economic

aspects of income generation. And economic goals require more than rhetoric to be achieved.

Practitioners of rural enterprise development, concerned with the enhancement and distribution of economic benefits at the household level, need to take a pragmatic look at various ways of increasing the incomes (and, one hopes, the living standards) of as many poor people as possible. Their effectiveness depends largely on whether their method is guided by the factor endowments and policy environment in each case or whether it is driven by preconceived ideological biases. To seriously pursue income generation as an economic goal, they have to be prepared to try diverse approaches in widely differing areas rather than offer across-the-board solutions.

#### APPROACHING THE HUNGER PROBLEM AS AN AGRIBUSINESS PROBLEM

What follows is a view of the realities of smallholder agriculture which suggests that the seeds of an agribusiness approach to solving hunger are naturally present in traditional agriculture, but need assistance in order to evolve.

In short, rural smallholders in many developing regions have the capacity to engage in competitive agribusiness—a term whose meaning has become unnecessarily restricted. Contrary to popular usage, agribusiness (with a small "a") does not just apply to multinational corporations exporting cash crops. It refers to any entity engaged in the production, processing, storage and marketing of agricultural produce for commercial purposes—be it General Foods or a

However, it makes little sense to talk about surplus production without considering the fundamental roles of prices and markets. Producing a tradable surplus of food crops will not necessarily serve the interests of the poor in every case. Furthermore, it is unrealistic to assume that less acreage planted in cash crops would in itself mean more food for the hungry.

First, the infrastructure does not always exist for transporting surplus food at low costs to areas where shortages arise.

Second, farmers are constrained by current market trends and government pricing policies. One must expect them to respond rationally to economic incentives placed on various agricultural commodities. Production of surplus food crops will not benefit the producers if they cannot receive a decent price for their crops.

Third, the availability of surplus food does not help the hungry and landless if they do not have the resources to buy it (or if their government refuses to subsidize them). The production and distribution of food is determined not only by producer prices but also by the purchasing power of consumers.

Some people find it morally indefensible to encourage smallholders to grow export crops when other people within the country do not have enough to eat. However, it does little good to encourage Third World farmers to concentrate on foodstuffs if neither attractive producer prices nor adequate market demand exists. We have enough evidence by now to show that their traditional behavior is economically as rational as that of First World farmers—they won't

buy our advice for long if they find they cannot profit from the results.

Plans aimed at alleviating rural poverty through surplus production should take into account these fundamental constraints imposed by changing pricing policies and market opportunities. Smallholders can increase their incomes most significantly if they grow surpluses which are expected to generate the highest returns—which, according to their particular situation, may be maize or coffee, rice or cocoa, or some combination.

### Learning to Seek the Highest Paying Market

Furthermore, farmers want to (and have to learn how to) seek the highest-paying markets—which, again depending on the particular constraints they face, may be local, regional or foreign. For example, the 1984 domestic price for a box of chayote was U.S.\$0.50, as compared with U.S.\$1.40 on the export market. If Coopechayote were able to export all its produce, each member's annual revenue could increase by as much as 233 percent.

Marketplace variations and dynamics being what they are, it is certainly not written in stone that farmers in developing countries will always have to depend on luxury export crops for their highest cash earnings. Indeed, recent evidence suggests that certain basic food crops may offer the most promising opportunities for economic growth in some developing regions.<sup>2</sup>

The important point, however, is that farmers have to operate in environments influenced by changing prices, incentives and markets. Their production decisions to a

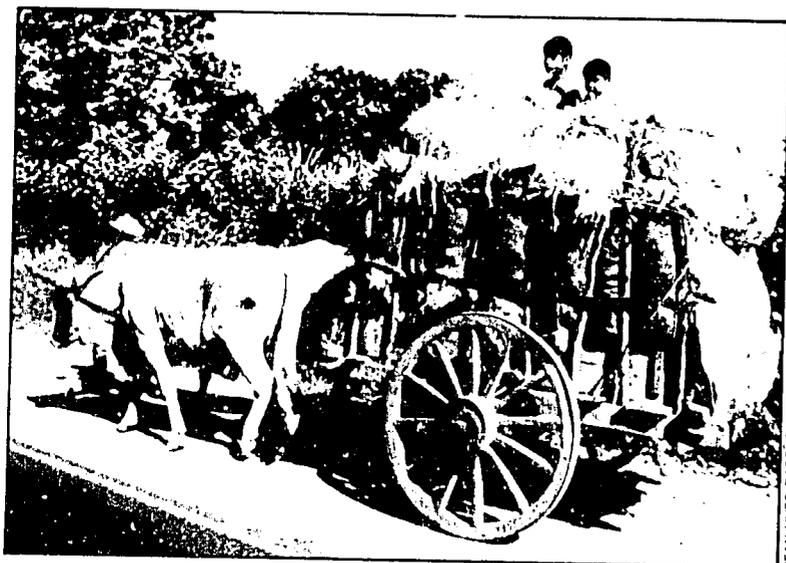
**While aid organizations often preach the virtues of food crop production to Third World farmers, government pricing policies are often sending them a different message.**

**Poor transportation and marketing systems can prevent farmers from getting surplus produce to market at competitive prices.**

large extent have always been determined by pragmatism. It is just that their purview of what is pragmatic has been rather narrow. As integration is aided by assistance organizations, that purview is expanded. Since they can then take into account more of the marketplace realities, their decisions have more real support and will be that much better.

**CASH AND FOOD CROPS:  
A COMPLEMENTARITY**

These kinds of real-world complexities lead to a view of the



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relationship between cash crops and food crops as complementary rather than competitive.\*

Of course, the two often do compete for many of the same resources, primarily agricultural land and labor. However, they can

also share much of the same infrastructure—roads and transport systems, marketing and storage facilities, irrigation schemes, agricultural institutions and extension services. Unfortunately, the possibilities for efficiently sharing resources are too seldom maximized, since some governments skew infrastructure development strongly in favor of export agriculture. Nonetheless, there may still be some external benefits which spill over into the food crop subsector.

For example, credit available for export crop production frees up a farmer's personal savings, which can then be used to upgrade food crop cultivation or for other productive purposes. Alternatively, the receipt of a sizable lump-sum payment from cash crop sales may enable smallholders without access to credit to undertake improvements they could not otherwise afford. Moreover, the implements and new technologies acquired for growing cash crops are sometimes adaptable to other crops.

Indeed, recent evidence suggests that most countries which have been doing well in export crop production have also been successful in expanding food production.<sup>3</sup> The linkage between food and cash crops is especially important when low world market prices for local food crops would not justify the cost of infrastructure development in a region if cash crops were not also being grown there.

At the farm level, the complementary nature of cash crops and

\*At this point, however, it becomes necessary to broaden the definition of "cash crops." Rather than using the term synonymously with "export" or "luxury" crops, we shall use it more objectively as interchangeable with "surplus crops." In other words, from here on it will refer to any excess food or luxury crops traded for money, especially those grown by smallholders in addition to food for household needs.



**Export cropping may or may not be the most advantageous option for farmers in any particular situation. One cannot reach any accurate conclusions without weighing the opportunity costs involved.**

food crops is more the result of their differences than their similarities. For instance, the labor requirements for some cash crops are less seasonal than for annual food crops and peak at different times, so that the demand for labor is spread more evenly throughout the year. Smallholders in many countries increase household income by cultivating surplus produce—food or luxury crops, for domestic or foreign consumption—in addition to foodstuffs for family and local needs. In doing so, they achieve crop diversification without sacrificing food self-sufficiency, thereby insuring themselves against falling prices or crop loss.

Development professionals disagree over the capacity of traditional export crops to increase wage employment in rural areas. Some claim that these crops are usually less labor-intensive than basic food crops, while others point out that many export crops require from 50 to 400 percent more labor.<sup>4</sup> The environmental impact of export crops is also contested: they have been cited alternately for accelerating desertification and arresting soil erosion. These conflicting facts and figures, used selectively by the experts, tend to corroborate our point—that there is substantial diversity among the crops themselves. They demonstrate the dangers of overgeneralization when analyzing this complex issue.

While the labor-intensiveness of different kinds of crops remains in dispute, it seems clear that local processing plants—designed for either luxury or food crops—can increase rural employment. Alanfam, a sugarcane processing plant in a rural area of Ghana,

created 900 new jobs at wage levels comparable to those paid in urban areas. El Castaño and Coopechayote created forty-two and twenty-two new jobs, respectively. Of course, some of these jobs were seasonal or part-time. Nonetheless, in countries where opportunities for wage employment are few, a well-managed rural enterprise can discourage rural-urban migration by making cash payments to local workers at regular intervals.

#### **THE EQUITY QUESTION: Who Benefits from Growing Cash Crops? No Easy Answer**

The debate on food versus cash crops has pivoted much on the issue of who gets the benefits of which kind of crop. This too, we think, leads down a false trail. When considering the potential for the adaptation of traditional agricultural practice to a more advanced, agribusiness-like system in the future, we see that the smallholder can in many cases gain the upper hand.

For example, in many developing countries, export crop production is not the exclusive domain of multinational corporations operating large plantations but rather is carried out mainly by small-scale farmers. Smallholders grow most of the coffee and cocoa in the Ivory Coast and the tea in Kenya. Kenya's tea program generates income for about seven percent of the population; most producers' fields average only one acre. Furthermore, the growers participate in decision-making through elected representatives and equity contributions.<sup>5</sup>

One of the biggest constraints to smallholder production of cash



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crops is the inadequacy of rural infrastructure. Poor transportation and marketing systems can be a major impediment preventing farmers from getting surplus produce to market at competitive prices. However, if certain crops can be processed locally and the concentrated finished or semi-finished product transported in bulk, surplus production may become economically viable.

The Ghanaian farmers in the area around Alanfam had initially encountered this problem. Sugarcane is well-suited to smallholder production, being relatively easy to grow and requiring less training and sophisticated technology than many other cash crops. Furthermore, the risks of sugarcane production are much lower than those involved in the cultivation of higher-valued vegetable crops common in Ghana. However, not until the local plant was built did the farmers have a reliable market for their sugarcane. By reducing transportation costs and adding value to their product locally, the farmers could compete with other producers in the market.

The women of El Castaño were in a similar situation. Because fruits and vegetables are highly perishable, previous attempts to get them to market had been extremely risky. Sometimes the producers had been forced to discard their crops because of high transport costs. Furthermore, the cyclical prices paid to farmers by intermediaries meant it was often not worthwhile to try to sell the produce. The processing plant made tomato production profitable by converting the produce into a form in which it could be stored and shipped.

In many countries, smallholders

have successfully integrated the cultivation of food crops for subsistence and local needs with the production of other crops for market. The Ghanaian farmers, for example, grew beans in between the rows of sugarcane as insurance against a bad harvest or poor prices.

The main danger in this scenario arises when the optimal balance between cash crops and food crops is upset. Smallholders who place all their eggs in one basket will find themselves at the mercy of world market fluctuations and government price manipulations.

Promoting crop diversification, however, amounts to no more than encouraging the farmers to adapt their traditional hedging behavior to a grander, more highly integrated scale. To facilitate diversification, a local processing and marketing enterprise may be able to accommodate more than one crop grown by its suppliers. In addition to chayote, Coopchayote also markets its members' ayote, their second principal cash crop. Forty-three percent of the members were participating in the crop diversification program in 1985. El Castaño is also equipped to handle fruits and vegetables other than tomatoes. Alternatively, if a processor's capacity is limited, it may enter into contracts restricting the amount of produce it will receive from members, thereby discouraging over-production of a single crop.

There is also some controversy over the proportion of the profits from agricultural exports actually accruing to the producers. On this point the record is decidedly mixed. In some countries (especially in Africa) the produce is



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**Through well-organized group effort, it is quite possible to forge the missing link between traditional farming and modern commerce.**

controlled by national marketing boards, which are prone to tax farmers heavily by paying them a price well below the world market price. Furthermore, as development economists point out, many Third World governments channel these excise tax revenues primarily into urban rather than rural public works.

The ultimate value of export crop production to individual farmers depends, of course, on how the returns from such production compare with those from other possible activities, such as growing food or luxury crops for domestic consumption. Despite the heavy taxes on export crops, food crop cultivation does not always yield higher returns. Export cropping may or may not be the most advantageous option for farmers in any particular situation; the main point is that one cannot reach any accurate conclusions without weighing the opportunity costs involved.

In countries where the public sector plays the dominant role in setting agricultural incentives, both farmers and the donor agencies assisting them have to take a

realistic view of the possibilities at hand. It does little good for grass-roots-oriented aid organizations to preach the virtues of food crop production to Third World farmers if their government's pricing policies are sending them a different message.

### **TURNING SMALLHOLDER ORGANIZATIONS INTO AGRIBUSINESS ENTITIES: Bridging the Gap between Tradition and the Modern Marketplace**

Individual farmers, it seems, have virtually no control over the factors which determine the profitability of their limited options. They obviously cannot change international consumption patterns or ease foreign import restrictions. Nor can they pressure their own government to raise producer prices or improve rural transportation. They are essentially price-takers, often acting without the benefit of adequate market information.

However, different organizational forms are available to the smallholder, through which some greater measure of control of the environment can be gained. But turning such organized entities (cooperatives, companies, associations) into successful businesses often requires outside assistance.

Rural producer associations, while they also have little control over the given constraints, can nonetheless play an important role in helping smallholders increase their incomes. Group effort will not necessarily influence national agricultural policies, but it can enable farmers in many cases to use the existing framework to their



advantage. Community organizations can help producers minimize their costs through economies of scale and can seek out new marketing opportunities, thereby reducing the role of the middleman.

These organizations, aside from offering financial benefits, can also provide a cost-effective means of transferring certain technical skills and information which individual farmers lack. Vegetable growers in the El Castaño region have learned about new varieties and have become familiar with industrial processing methods through their cooperative. In other instances smallholders may be experienced in the production but not the marketing of cash crops.

More important, the producer's association is one means through which the rural poor can gain a larger measure of control over their own future. The farmers of El Castaño previously were excluded from the system and perhaps were even intimidated by it. Now they are learning to use their newly-acquired skills to directly alleviate their poverty. Similarly, the members of Coopechayote, having become accustomed to seeking new markets, are less susceptible to cyclical prices and no longer have to rely so much on middlemen.

It is such organizations which enable smallholders to engage in competitive agribusiness in the world marketplace—a marketplace that they are increasingly part of anyway, but usually as unwitting victims.

The success of this scenario depends largely on convincing local farmers that participation in organizations operated as modern businesses can integrate them into the mainstream economy. It is the

task of rural community leaders to demonstrate that modern commercial practices and sophisticated marketing tactics are not just devices for the economic elite to use. They are also development tools which rural farmers participating in local organizations can learn to master, albeit with considerable difficulty.

Some Westerners are concerned that if smallholders participate in the system, rather than remain aloof from it, enclaves of relatively prosperous farmers will emerge in certain regions, thereby worsening the overall distribution of income. In a highly competitive world, no one can deny that the incomes of a successful group's members are likely to rise above those of farmers in less favored regions. This is partly the result of initial factor endowments (including level of experience), which can be manipulated to some extent but not entirely controlled.

Foreign private development organizations, faced with these regional inequalities, may have to accept their own limitations and concentrate on measuring fairness at the community level. Within a single community, the distribution of benefits from surplus production is determined largely by the number of producers involved in the group enterprise. From this perspective, the fairness of a project depends not so much on the type of crop produced as it does on the ability of those who wish to join the group to do so. Coopechayote is an example of a cooperative whose membership increased dramatically as more local farmers became convinced of the potential gains from participation.

Another fairness concern is the

potential emergence of rural elites within a community who will dominate the local economy. In any community, some farmers will invariably have more skill, resources and initiative than others. It is unfair to assume, however, that they will invariably exploit their neighbors. That might happen, but in many cases these more successful producers can act as a catalyst, laying the groundwork and setting an example which other farmers can strive to emulate. Those who do not understand commerce and markets may follow the lead of those who do, especially when farmers with different levels of experience and income are participating in the same community organization.

Through well-organized group effort, it is quite possible to forge the missing link between traditional farming and modern commerce. However, the obstacles impeding farmers' advancement vary by region; only at the local level can the appropriate role for the community organization be identified with particularity.

**THE TRADE-OFF:  
Seeing Hunger in a More Complex  
Way Means Accepting That  
Solutions Will Take More Time**

The transition from traditional subsistence farming to commercial production for regional and international markets took Europe and the West thousands of years over a slow and rocky road. We can learn from that and of course speed up the process. That is in fact what all deliberate development efforts are—attempts to engineer a speedier evolution than that which had heretofore occurred naturally

in history. But there will be trade-offs, and there will be many mistakes and human costs along the way.

Producer associations, for example, may bring about increased incomes, but they also entail greater complexity and higher risks. Analysis of the shifting commodities markets is tricky business. Not all of the produce will be suitable for export, so producers must be able to find alternative outlets.

Furthermore, the introduction of some cash crops requires more efficient production techniques and greater initial resources on the part of farmers. They may not receive returns on their investment for several years and must have enough diversified sources of income to survive during the interval.

Finally, in emphasizing the prospects for raising the incomes of rural farmers, this discussion has not dealt directly with the needs of other low-income groups—particularly the urban poor and the landless. In the absence of government policies favoring them, higher producer prices for food crops would most likely work to the detriment of low-income food purchasers, at least in the short run.

Therefore, it would be unrealistic to view producer organizations and surplus production by smallholders as a panacea for all Third World poverty problems, just as it is overly simplistic to assume that more emphasis on food crops would solve the hunger problem. Local farmers' organizations, for instance, have little control over national issues such as land distribution and public spending, and not all locales are linked with a transportation network sufficient to

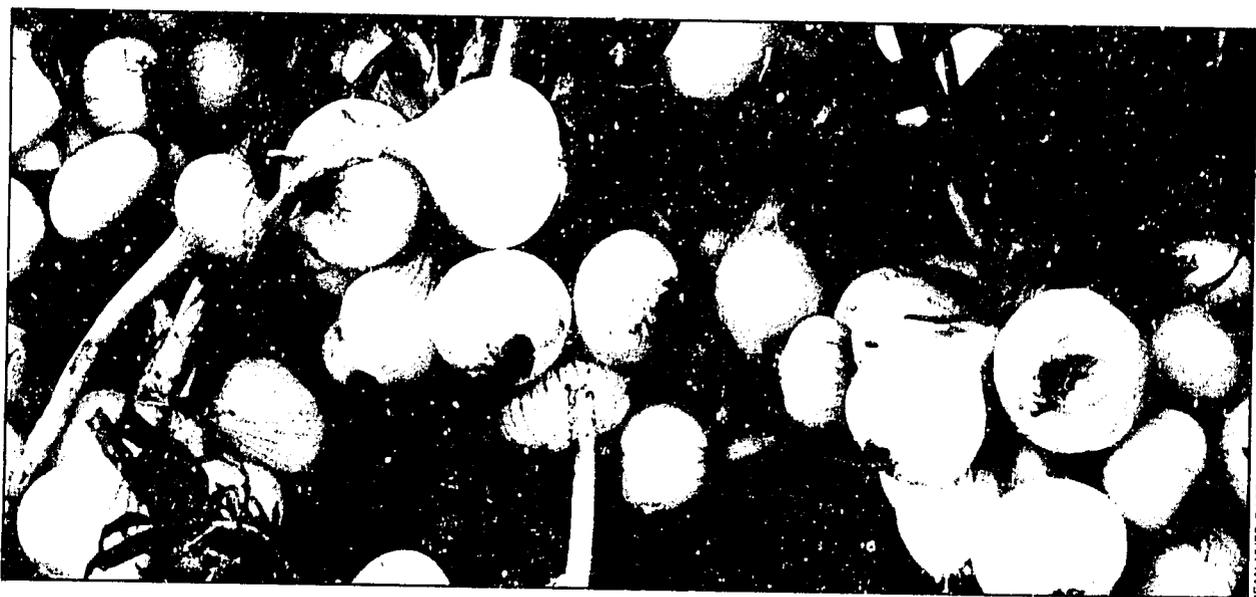
**An ivory-tower debate over "food crops versus cash crops" holds little interest to people struggling to improve or merely maintain their minimal standard of living.**

permit expanded marketing.

However, it is fair to say that many low-income farmers can improve their lot through surplus production of food or luxury crops (or both) if they take a realistic view of the particular constraints they face. And the leaders of local organizations in many cases can gradually acquire the market analysis techniques which enable all the members to exploit the commercial opportunities which had previously eluded them.

That is where the real trail towards ending hunger must go

—right past food and into the market itself, in which food is only one of a great many factors. Of course, that market cannot ever be entirely controlled; the twentieth century in the industrialized West and the so-called “centrally planned economies” of the East Bloc have taught us nothing if not that. But by moving up the evolutionary ladder to a higher level of informed integration into the marketplace as agribusiness men and women, the smallholder in the Third World can at least play the game on somewhat more equal terms.



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## ENDNOTES

1. World Bank, 1986, p. 6.
2. Hillman, 1981, p. 377.
3. IFAP, 1986, p. 10.
4. Lele, 1987, p. 17.
5. Kemoli, 1984, pp. 56-57.

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