

Economic Perspectives on a Living Income

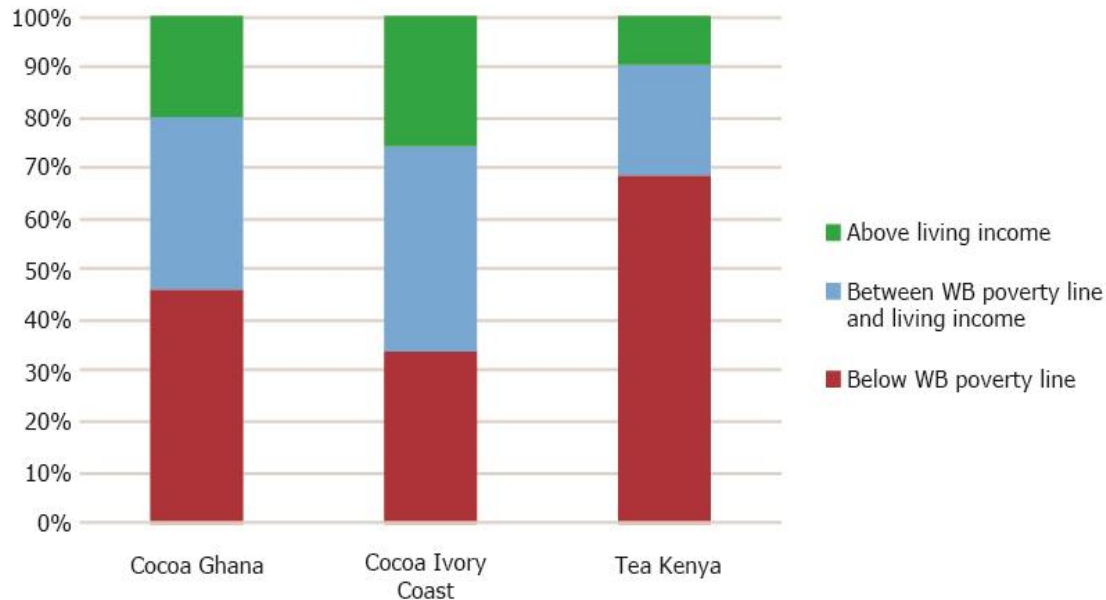
The need for multi-faceted strategies to achieve living incomes

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Despite interventions, many farmers remain poor



Many commodity farmers are still poor, **despite millions invested in interventions** in the past two decades.

This data is from farmers, about **half of whom** have been part in various interventions.

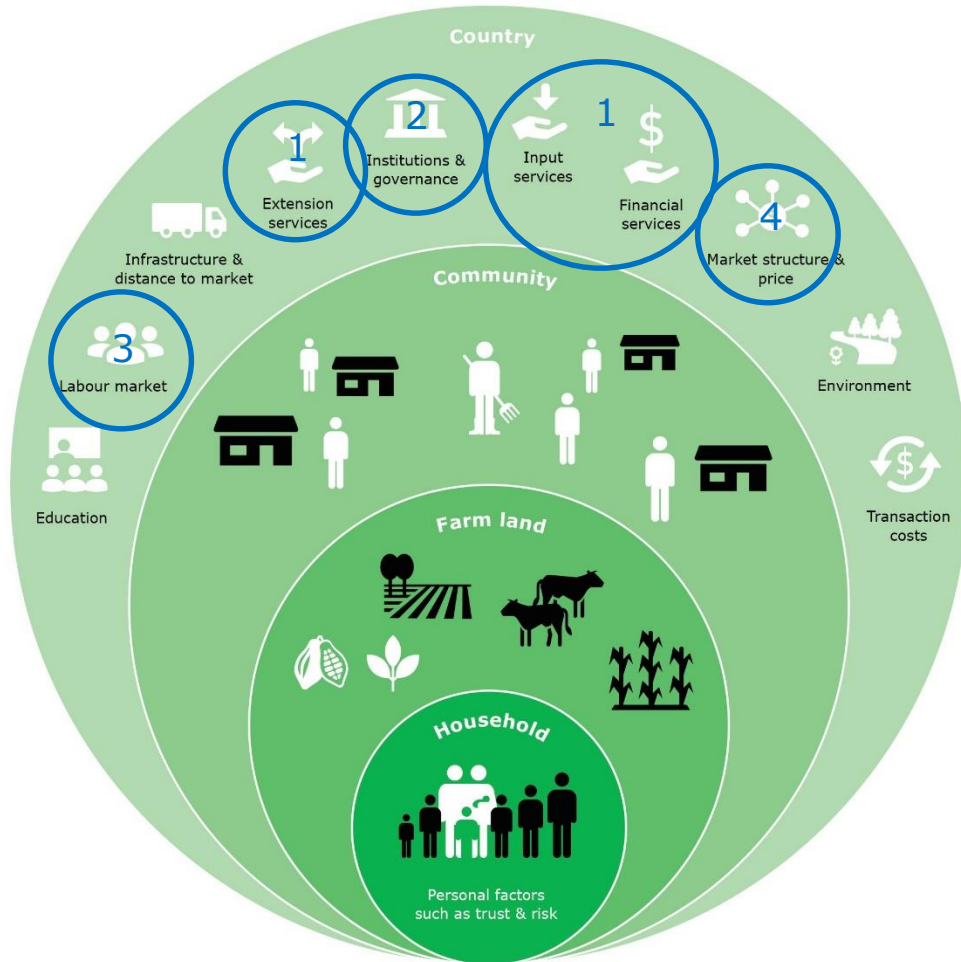
Household income increases of **max 30%** is found in studies. While much larger increases (**100-200% or even more**) are required for **all farmers** to minimally **earn a living income**.

Multi-faceted strategy needed to achieve LI

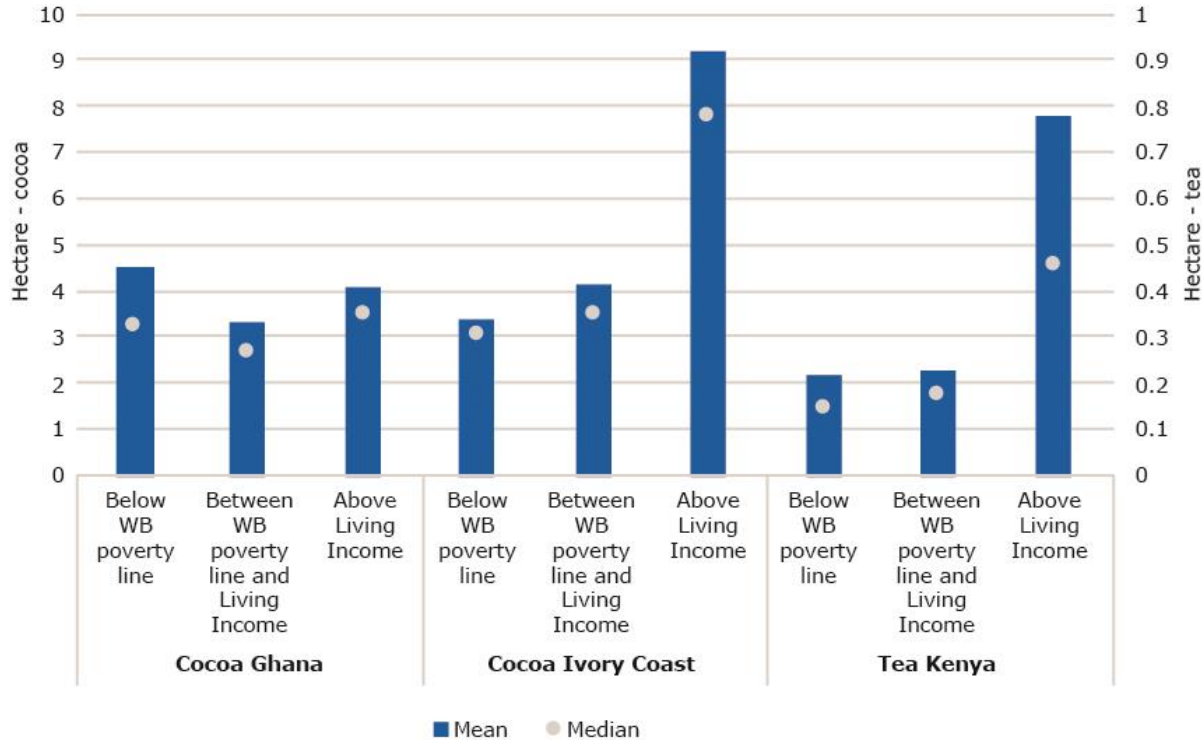
Contextual and personal factors to be addressed in policies and interventions to be able to increase incomes.

Structural change is essential for the majority of smallholder commodity farmers to earn a living income. Need for integrated landscape approach and planning, including all stakeholders.

- 1. Tailor farmer support services (segmentation)**
- 2. Address land fragmentation**
- 3. Off-farm employment opportunities**
- 4. Match supply and demand for stable and remunerative prices**



Three root causes: farm size, yield/ha, other income

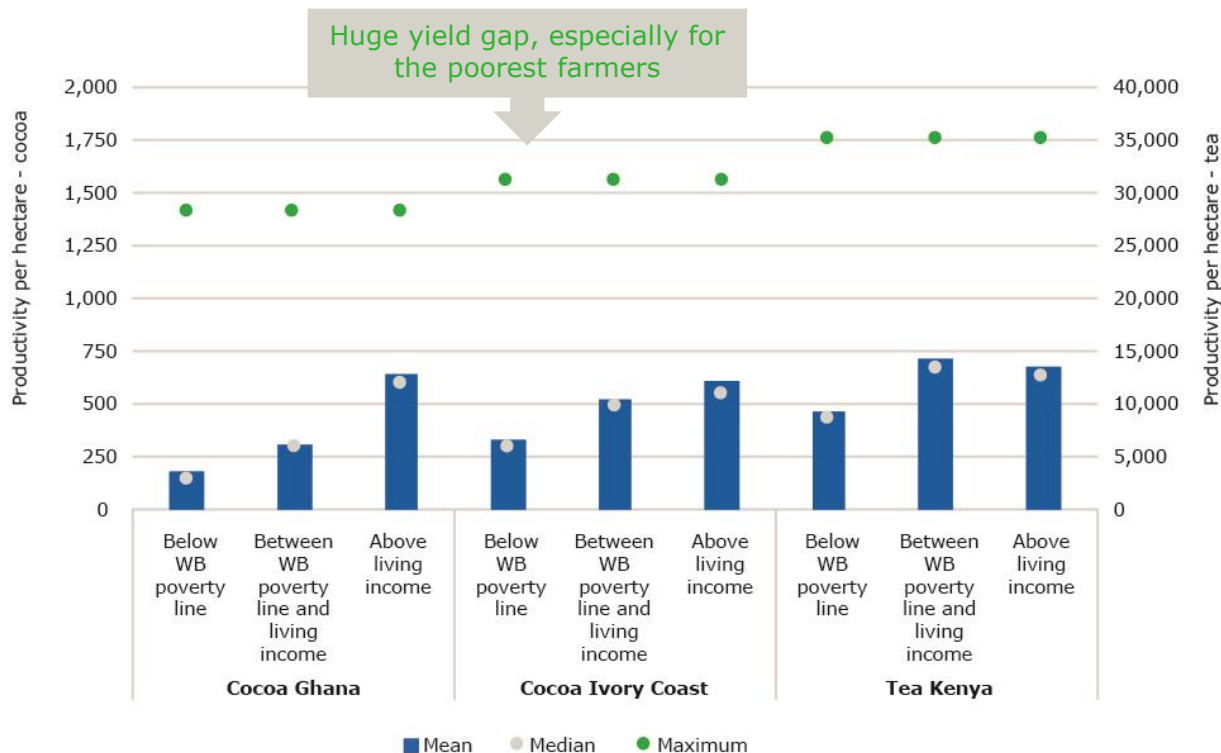


In Ivory Coast and Kenya, **the poorest farmers have the smallest farm sizes.**

In Ghana, other factors, such as **low yield per ha**, are more important drivers of poverty than farm size.

Farm size is a **structural factor underlying** poverty as it cannot change easily and farms are getting smaller.

Three root causes: farm size, yield/ha, other income

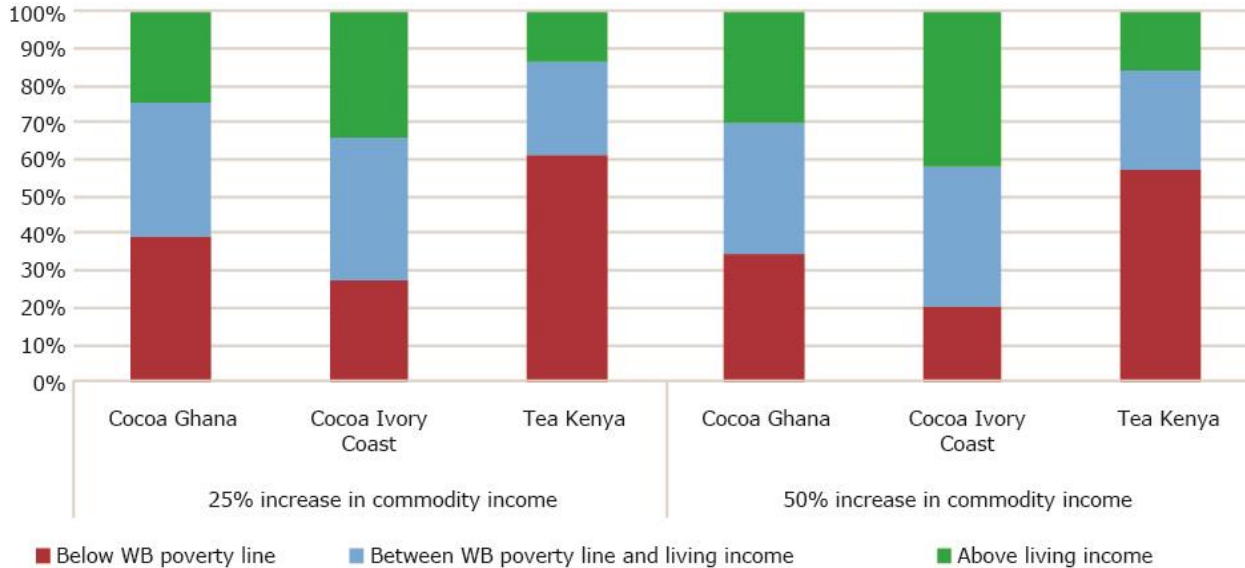


In Ghana and Ivory Coast, **low mean yields per hectare** are important drivers of poverty.

In Kenya, farmers with “relatively high” mean yield/ha **still earn below the living income line** because of small farm sizes.

Limited possibilities to earn much income from other sources than the commodity.

Price increase? No silver bullet for poverty alleviation



Even with huge **price increase** many farmers **earn less than a living income**.

The poorest farmers benefit least due to low volumes produced.

Because of **small farm sizes** and/or **low yield per hectare**.

Stable/remunerative prices are vital to kick-start farm productivity growth, to:

- 1: Raise farmer incomes and
- 2: Let agriculture play its role as an engine of economic development (alternative income sources).

Price policies: the dilemma

- **Stabilizing/supporting** agricultural prices is needed to **correct market failure**
 - Price volatility
 - Tendency towards oversupply.
- **But stabilizing/supporting prices → a number of problems**
 - If countries do so unilaterally, it could backfire when buyers move to other countries with lower prices, decreasing exports & incomes
 - Farmers react to higher prices by investing in production (leading to surpluses and downward pressure on prices)
 - Higher prices incentivize expansion into forested areas and/or intensification on existing land → loss of biodiversity.

What can be done about this?

- **Pricing policies require global supply management.**
- **Through global supply management, the supply of a commodity is controlled, to match demand, resulting in (more) stable and remunerative prices.**
- **Elements of supply management approach:**
 - Buffer stock
 - National quotas
 - Measures to limit production to national quotas
 - Measures to discourage free riding by countries
 - Area payments for biodiversity conservation could be included

Historical evidence

- **Historical evidence:** International commodity agreements for coffee, cocoa and sugar collapsed in the 1980s. Cause: opposition and dumping (sugar) by OECD countries.
 - Some say: proof that production controls cannot work...
- **We think it could work for cocoa:** few producing countries, main volume produced in West Africa, Ghana and Ivory Coast collaborate.
- **Examples:**
 - **Dairy:** EU 1984-2015. Quota system worked to create a stable EU internal market. The Canadian Dairy sector is another example
 - **The international Coffee Agreement:** 1962-1989: retained export quotas and successfully moderated the price fall until 1989.

Important factors to be addressed

- How to ensure farmers / community members are represented enough in the design of approaches and land use plans
 - For instance: not all farmers are member of an association
- Supply management could change volumes produced in certain areas or in a certain way, with possible implications for:
 - Private sector sourcing strategies and supply chain operations
 - The sourcing of raw materials with specific traits, such as quality or flavour

Thank you!

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