



YOUR LOGO

Agricultural Development

Outline

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SECTOR OVERVIEW



The agriculture sector

- Two thirds of the world population are poor; most live in rural areas; their basic concern is survival
- For many developing countries, although employment in the agriculture is around 50%-70% of the total workforce, the share GDP (total income/economic output) is around 30%-40%
- This means the sector has low productivity



The agriculture sector

- Many rural farmers live on subsistence. It means they produce for their own consumption, no surpluses to sell to the market.
- Or they are laborers on other people's land. In either case, their productivity is low
- Productivity can be increased, but will require investments, i.e., improved technical know-how, access to capital and access to farm inputs and access to markets

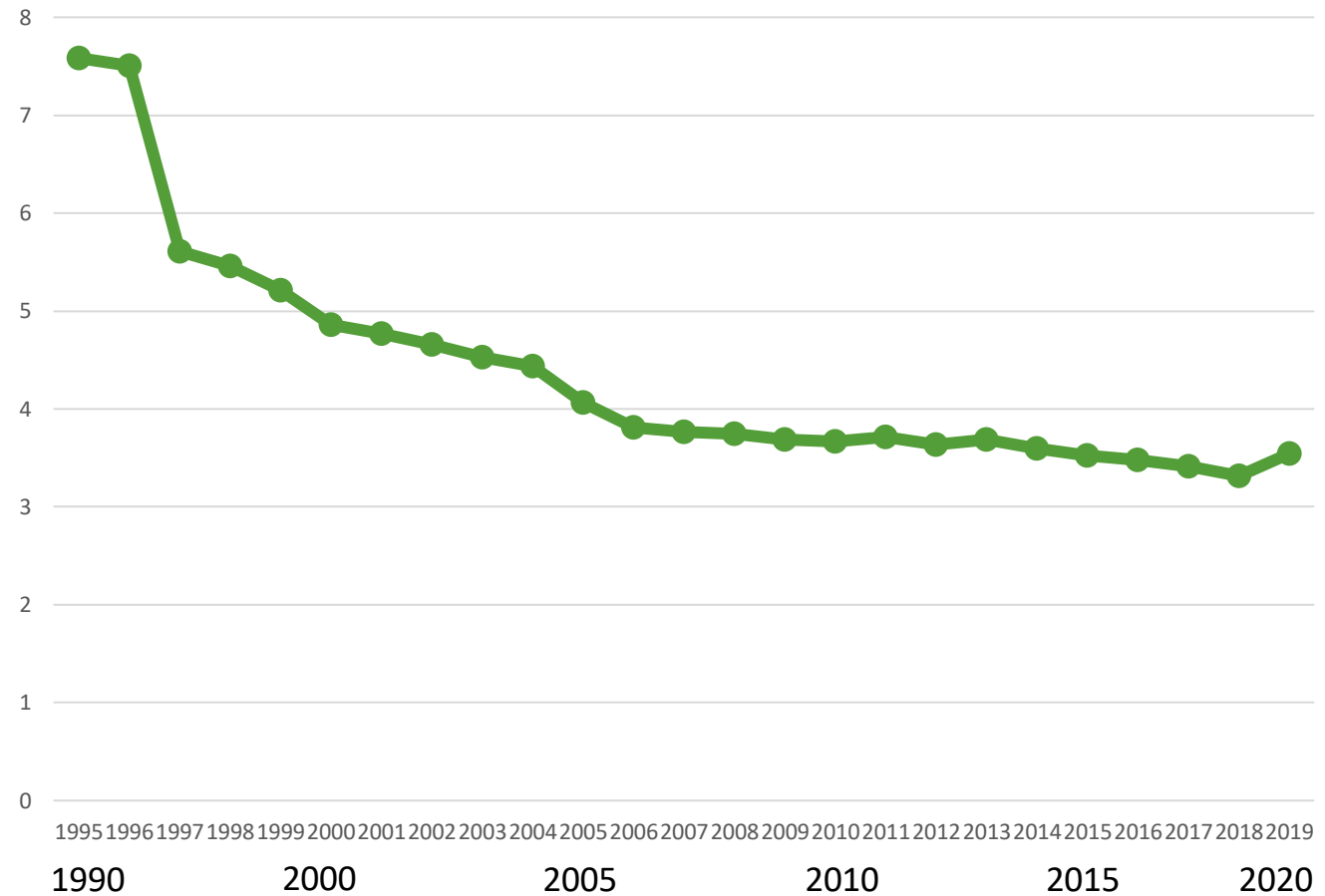


Share of key economic sectors

Country	Agriculture	Manufacturing	Services
United States	0.9	19.1	80.0
China	7.9	40.5	51.6
Japan	1.1	30.1	68.7
South Korea	2.2	39.3	58.3
Indonesia	13.7	41.0	45.4
Thailand	8.2	36.2	55.6
Vietnam	15.3	33.3	51.3

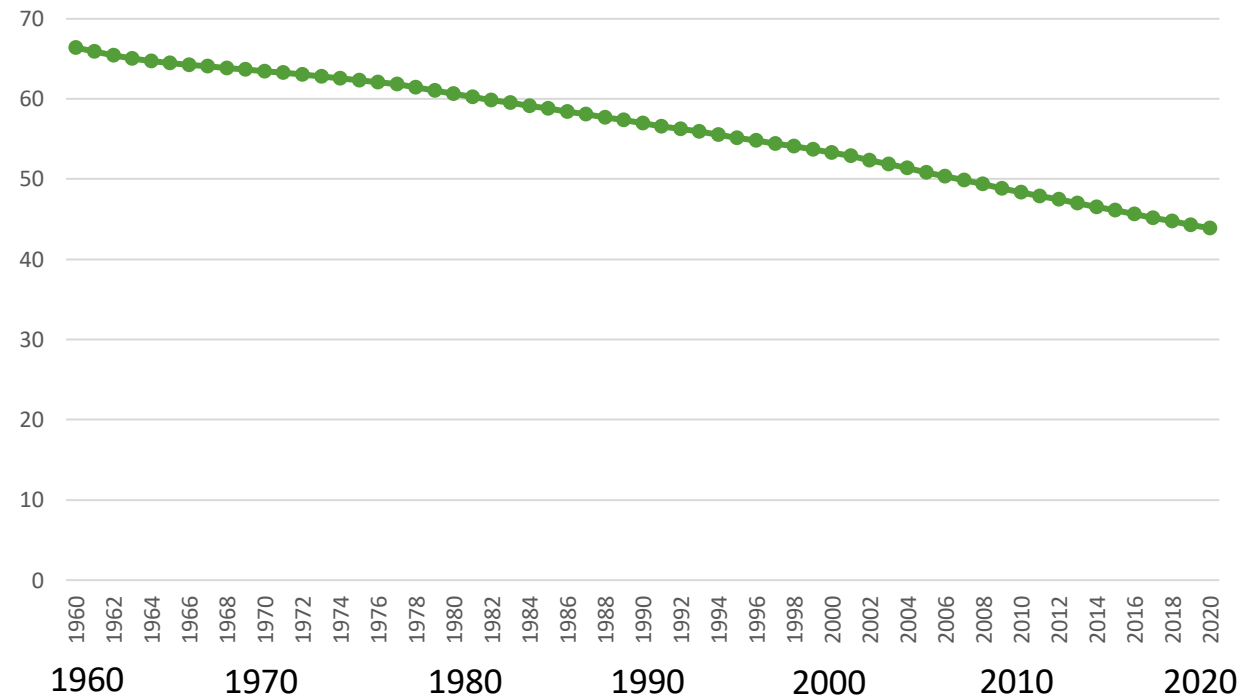
Declining agriculture share of GDP

- Share of agriculture sector to total GDP worldwide has declined for 7.5% in 1985 to less than 3.5% in 2020



Declining share of rural population

- Poverty is much associated with rural areas
- To address poverty, we must also address the issues of rural areas and agriculture
- Worldwide share of rural population to total population been declining





Health and hygiene



Shelter



26 August 2021

Transportation



LESS01 ECONOMIES OF CIVIL

Markets

- Poverty is often associated with rural areas
- If development is to take place and become self sustaining, it will need to address the issues of rural areas and agriculture



Slash and burn



Subsistence farming



26 August 2021

Non-farm employment



EE361 Exconomies of CLMV

Commercial farming

Farming methods and income generation

TRENDS IN PRODUCTIVITY



Agricultural production, 1970-2020

- Agricultural production has been able to keep up with population growth
- Due to a wide range of successful programs to reduce hunger and raise productivity over the past 5 decades
- However success has been uneven



Programs to improve productivity

Clockwise from top left:

- Extension services
- Mechanization
- Access to credit
- Infrastructure improvements



The Green Revolution

- The boost in grain production associated with the discovery of new hybrid seed varieties of rice, wheat, and corn, resulting in high farm yields
- The strategy to “feed the world” was pursued in the context of the Cold War; the West hoped that by having sufficient food, countries will not be swayed to follow the footsteps of socialism



The Green Revolution

- Increased food production from 1970-2010 enabled developing countries to increase the national outputs and significantly reduce poverty



ISSUES IN THE AGRICULTURE SECTOR



Issues in production

- Slash and burn had reached a limit where soil is not able to revitalize nutrients
- Subsistence farmers are unable to purchase seeds, fertilizer and limited in their agricultural know-how
- Food shortages due to flood, drought and other natural disasters
- In some countries the share of labor in the agriculture sector decreases even when GDP does not increase



Impacts from agricultural activities



Clockwise from top left

- Deforestation
- Drought
- Floods
- Environmental pollution

Global food crisis 2008

The global food shortage in 2008 highlights the continuing vulnerabilities in the agricultural sector:

- Diversion of food production to the production of biofuels
- Rising energy costs which affect agricultural input costs
- Increasing demand for meat particularly from China



Global food crisis 2008

- Variability in weather patterns because of climate change
- Unfavorable government policies such as interference in food prices
- Neglect of the agriculture sector in favor of the manufacturing and services sectors, which are urban-based





AGRICULTURE POLICIES

Government role in agriculture

- **Address externalities** through appropriate policies: positive externalities (e.g., windfall in crop harvest) could be addressed through subsidies (providing storage, maintaining fair prices); negative externalities (agricultural waste) could be addressed through taxes or penalties
- **Improve efficiency and reduce poverty**, particularly in rural areas by providing infrastructure (irrigation, rural roads), provide farmer access to credits and markets, and needed skills (agriculture extension activities)
- **Stabilize food prices** by guaranteeing farm gate prices for farmers and ensuring adequate supply for consumers

Agriculture and economic development

An agricultural-based strategy for economic development requires the following components:

- **Accelerate output growth** through technological, institutional and price incentive changes to raise farmer productivity
- **Increase domestic demand** for agricultural output derived from employment-oriented urban development strategy
- **Diversify nonagricultural labor intensive rural development activities** that directly and indirectly support and are supported by the farming community



CONCLUSION

Conclusion

- Half of the of the world's population live in rural areas and a majority are poor; therefore agriculture is often associated with poverty
- Agricultural productivity is low in most countries, as the share of employment exceeds agricultural share of GDP
- Global share of agricultural sector to GDP is declining; however agriculture has a strategic importance: food security, poverty alleviation, and generating income

Conclusion

- The past 50 years has witnessed productivity gains due to improved farming methods and technology
- The Green Revolution has benefitted the world population due to increases in food production, keeping up with population growth, agricultural know-how and alleviating hunger; however challenges remain as many remain poor

Conclusion

- The global food crisis has demonstrated the importance of food security
- Government plays an important role in addressing issues facing the agricultural sector, such as addressing negative externalities, improving efficiency and productivity, setting appropriate policies and introducing reforms, and stabilizing prices for agricultural products

THANK **Y**OU!

Merry Christmas!

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