



AGRICULTURAL DEVELOPMENT

FACULTY OF ECONOMICS, THAMMASAT UNIVERSITY

EE463 Globalization and International Development

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Agriculture is a
DOMINANT sector in many of the
world's poor countries

Dwight Perkins

Why is agriculture important?

- Contributes to significant share of GDP
- High share of labor force
- Impacts food security
- Most live in rural areas, are poor and depend on agriculture for livelihood



Agriculture and economic growth

- Agriculture: crucial to economic growth (4.4% of global GDP)
- In developing countries agriculture may accounts for over 25% of GDP
- Growth in the agriculture sector is 2-4 times more effective in raising incomes among the poor



Agricultural growth reduces poverty

- Agriculture growth is 2-4 times more effective in raising incomes of the poor
- Enables subsistence farmers to increase their outputs
- Strengthens rural labor markets and generates non-farm work



Features of agricultural production



Seasonality

Timing of activities (planting) depend on the season



Sources of risk

Farmers are exposed to price fluctuations and changes in weather



Geography

Agriculture is distributed through widely dispersed areas



Technology

Productivity growth is driven by technological change

Labor participation and income share



Agricultural systems



Traditional systems

- **Shifting cultivation** slash and burn, opening up of forest land
- **Pastoral nomadism** constant movement of livestock
- **Subsistence production** farmers consume what they produce; no surplus to sell to market



Settled agri systems

- **Mixed farming** multiple crops and/or livestock to sell to the market
- **Commercial plantation farming** involves capital intensive large scale commercial farming

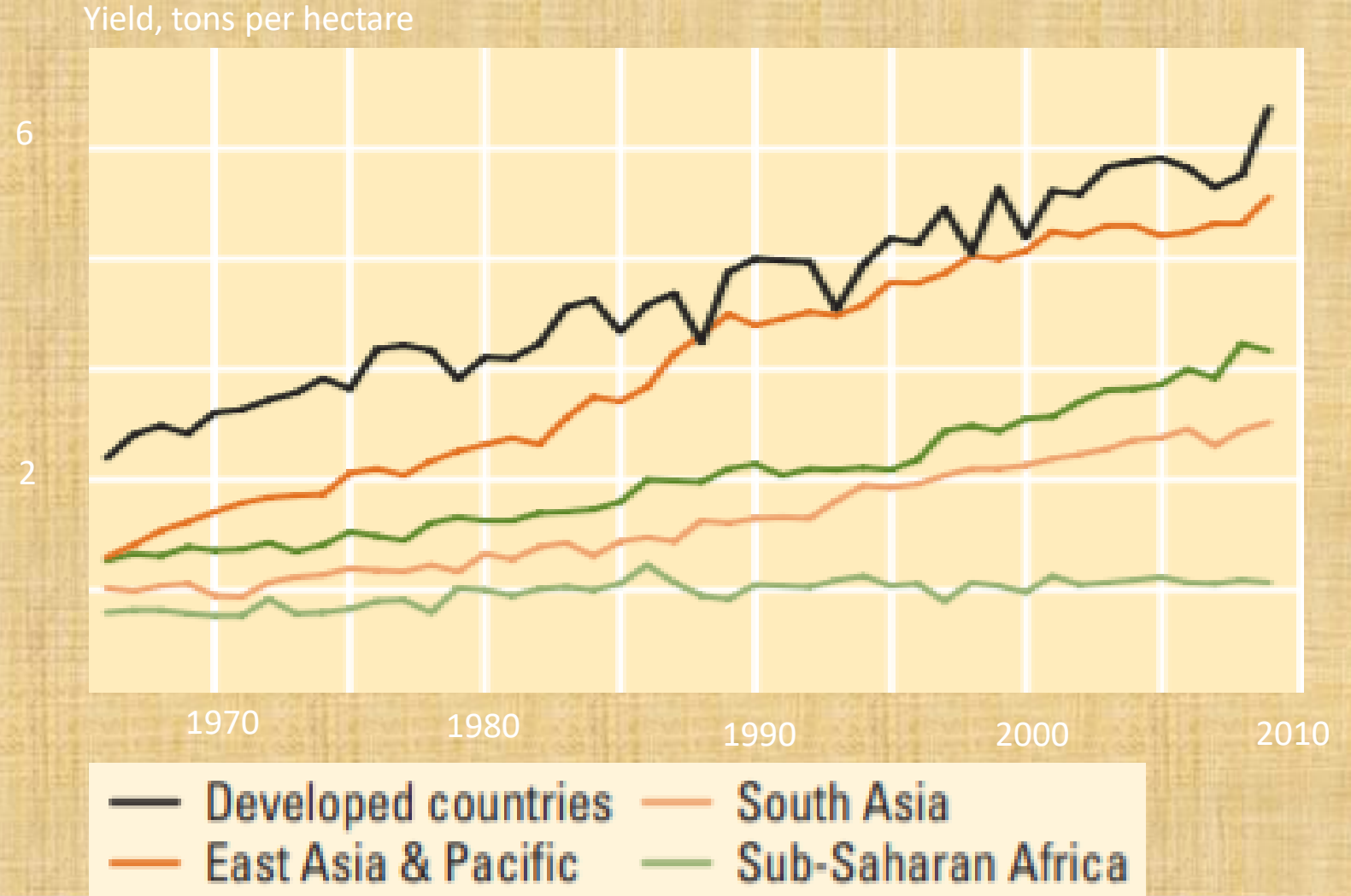


Trends and issues in the agriculture sector



Increasing production and productivity

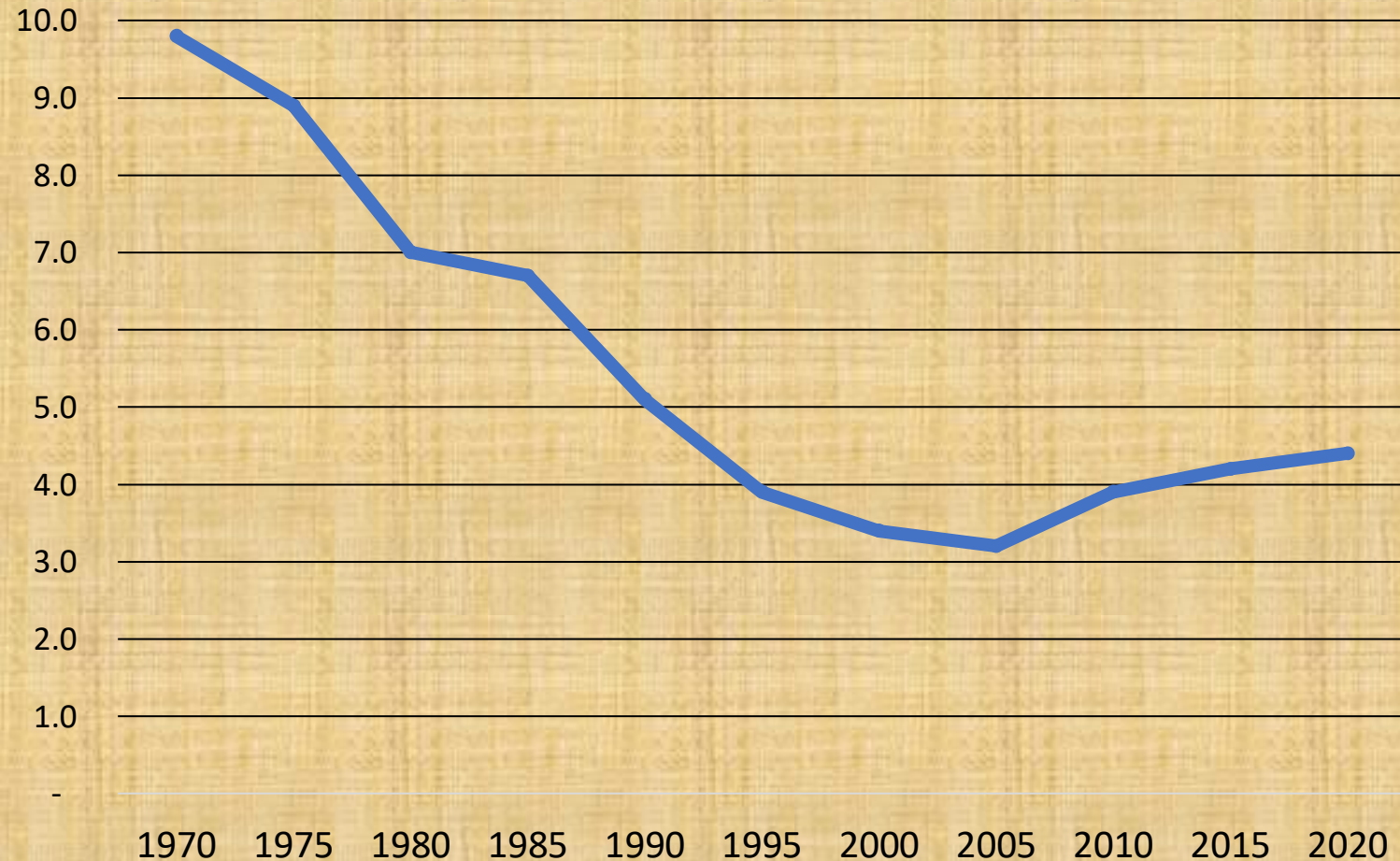
- Increasing world agricultural production
- Variations in yield across regions



Declining agriculture share of GDP worldwide

1970: 9.8%

2020: 4.4%



Food wastage

- 700 million (9%) of the world population is poor
- However, one third of food produced globally is wasted
- Addressing food loss and waste is critical to improving food and nutrition security



Rising food prices

Multiple shocks are impacting food systems, resulting in higher food prices; these include:

- COVID-19 related disruptions
- Extreme weather and climate change
- Pests and diseases
- War and conflicts



Poverty and hunger

- Poverty: not having income to meet basic needs including food, clothing and shelter.
- Hunger: lack of physical or financial capability to eat sufficient food to meet basic nutritional needs for a sustained period



Agriculture labor surplus

Low productivity labor, diminishing returns to land



Labor shifts to industrial sector, no reduction in agricultural output



Continues until agriculture output decreases



Constraints to agriculture development

Economic

- Inefficient farm markets
- Poor quality infrastructure
- Low agriculture prices
- Uncertain land tenure

Technical

- Absence of agriculture inputs
- Poor land/soil quality
- Lack of technological know how



Policies to create incentives for production

- **Regulate farm markets:** provide a mix of incentives and penalties
- **Invest in rural infrastructure:** build irrigation systems, rural roads, and health and educational facilities
- **Food pricing:** set fair prices for farmers and consumers
- **Regulate land tenure:** provide legal rights to ownership or use of land



Policies to enhance productivity

- **Subsidize agriculture inputs**
provide fertilizers, quality seeds, equipment
- **Institutional support for agriculture** provide microfinance credits and social protection
- **Introduce technology and know how:** disseminate good agricultural practices and provide extension services



Summary: agriculture in developing countries

- Agriculture sector has a significant share of GDP and employment
- A large share of sector's output is consumed by producers
- People are disproportionately concentrated in rural areas, are poor and depend on agriculture
- Agricultural growth is therefore more effective in reducing poverty compared to industrial growth



Summary: importance of agriculture

- Agriculture is important to ensure food security
- Agricultural productivity growth facilitates the release of labor from agriculture and create non-farm employment
- Agricultural systems: shifting cultivation, pastoral nomadism, subsistence farming; mixed farming and commercial plantation farming



THANK **Y**OU!