

## The risks agriculture faces in developing countries

### *Synthesis of an online debate*

#### **A**

Two things distinguish food production from all other productive activities: first, every single person needs food each day and has a right to it; and second, it is hugely dependent on nature. These two unique aspects, one political, the other natural, make food production highly vulnerable and different from any other business. At the same time, cultural values are highly entrenched in food and agricultural systems worldwide.

#### **B**

Farmers everywhere face major risks; including extreme weather, long-term climate change, and price volatility in input and product markets. However, smallholder farmers in developing countries must in addition deal with adverse environments, both natural, in terms of soil quality, rainfall, etc. and human, in terms of infrastructure, financial systems, markets, knowledge and technology. Counter-intuitively, hunger is prevalent among many smallholder farmers in the developing world.

#### **C**

Participants in the online debate argued that our biggest challenge is to address the underlying causes of the agricultural system's inability to ensure sufficient food for all, and they identified as drivers of this problem our dependency on fossil fuels and unsupportive government policies.

#### **D**

On the question of mitigating the risks farmers face, most essayists called for greater state intervention. In his essay, Kanayo F. Nwanze, President of the International Fund for Agricultural Development, argued that governments can significantly reduce risks for farmers by providing basic services like roads to get produce more efficiently to markets, or water and food storage facilities to reduce losses. Sophia Murphy, senior advisor to the Institute for Agriculture and Trade Policy, suggested that the procurement and holding of stocks by governments can also help mitigate wild swings in food prices by alleviating uncertainties about market supply.

#### **E**

Shenggen Fan, Director General of the International Food Policy Research Institute, held up social safety nets and public welfare programmes in Ethiopia, Brazil and Mexico as valuable ways to address poverty among farming families and reduce their vulnerability to agriculture shocks. However, some commentators responded that cash transfers to poor families do not necessarily translate into increased food security, as these programmes do not always strengthen food production or raise incomes.

Regarding state subsidies for agriculture, Rokeya Kabir, Executive Director of Bangladesh Nari Progati Sangha, commented in her essay that these 'have not compensated for the stranglehold exercised by private traders. In fact, studies show that sixty percent of beneficiaries of subsidies are not poor, but rich landowners and non-farmer traders.

#### **F**

Nwanze, Murphy and Fan argued that private risk management tools, like private insurance, commodity futures markets, and rural finance can help small-scale producers mitigate risk and allow for investment in improvements. Kabir warned that financial support schemes often encourage the adoption of high-input agricultural practices, which in the medium term may raise production costs beyond the value of their harvests.

Murphy noted that when futures markets become excessively financialised they can contribute to short-term price volatility, which increases farmers' food insecurity. Many participants and commentators emphasised that greater transparency in markets is needed to mitigate the impact of volatility, and make evident whether adequate stocks and supplies are available. Others contended that agribusiness companies should be held responsible for paying for negative side effects.

## **G**

Many essayists mentioned climate change and its consequences for small-scale agriculture. Fan explained that in addition to reducing crop yields, climate change increases the magnitude and the frequency of extreme weather events, which increase smallholder vulnerability. The growing unpredictability of weather patterns increases farmers' difficulty in managing weather-related risks.

According to this author, one solution would be to develop crop varieties that are more resilient to new climate trends and extreme weather patterns. Accordingly, Pat Mooney, co-founder and executive director of the ETC Group, suggested that 'if we are to survive climate change, we must adopt policies that let peasants diversify the plant and animal species and varieties/breeds that make up our menus.

## **H**

Some participating authors and commentators argued in favour of community-based and autonomous risk management strategies through collective action groups, co-operatives or producers' groups. Such groups enhance market opportunities for small-scale producers, reduce marketing costs and synchronise buying and selling with seasonal price conditions.

According to Murphy, 'collective action offers an important way for farmers to strengthen their political and economic bargaining power, and to reduce their business risks. One commentator, Giel Ton, warned that collective action does not come as a free good. It takes time, effort and money to organise, build trust and to experiment. Others, like Marcel Vernooij and Marcel Beukeboom, suggested that in order to 'apply what we already know', all stakeholders, including business, government, scientists and civil society, must work together, starting at the beginning of the value chain.

## **I**

Some participants explained that market price volatility is often worsened by the presence of intermediary purchasers who, taking advantage of farmers' vulnerability, dictate prices. One commentator suggested farmers can gain greater control over prices and minimise price volatility by selling directly to consumers.

Similarly, Sonali Bisht, founder and advisor to the Institute of Himalayan Environmental Research and Education (INHERE), India, wrote that copportunity-supported agriculture, where consumers invest in local farmers by subscription and guarantee producers a fair price, is a risk-sharing model worth more attention. Direct food distribution systems not only encourage small-scale agriculture but also give consumers more control over the food they consume, she wrote.

### Questions 1-3

Reading Passage has nine paragraphs, **A-I**.

Which paragraph contains the following information?

Write the correct letter, **A-I**, in boxes **1-3** on your answer sheet.

- 1..... a reference to characteristics that only apply to food production
- 2..... a reference to challenges faced only by farmers in certain parts of the world
- 3..... a reference to difficulties in bringing about co-operation between farmers

### Questions 4-9

Look at the following statements (Questions **4-9**) and the list of people below.

Match each statement with the correct person, **A-G**.

Write the correct letter, **A-G**, in boxes **4-9** on your answer sheet.

**NB You may use any letter more than once.**

- 4..... Financial assistance from the government does not always go to the farmers who most need it.
- 5..... Farmers can benefit from collaborating as a group.
- 6..... Financial assistance from the government can improve the standard of living of farmers.
- 7..... Farmers may be helped if there is financial input by the same individuals who buy
- 8..... Governments can help to reduce variation in prices.
- 9..... Improvements to infrastructure can have a major impact on risk for farmers. from them

List of People	
<b>A</b>	Kanayo F. Nwanze
<b>B</b>	Sophia Murphy
<b>C</b>	Shenggen Fan
<b>D</b>	Rokeya Kabir
<b>E</b>	Pat Mooney
<b>F</b>	Giel Ton

### Questions 10-11

Choose **TWO** letters, **A-E**.

Write the correct letters in boxes **10-11** on your answer sheet.

Which **TWO** problems are mentioned which affect farmers with small farms in developing countries?

- A lack of demand for locally produced food
- B lack of irrigation programmes
- C being unable to get insurance
- D the effects of changing weather patterns
- E having to sell their goods to intermediary buyers

### Questions 12-13

Choose **TWO** letters, **A-E**.

Write the correct letters in boxes **12-13** on your answer sheet.

Which **TWO** actions are recommended for improving conditions for farmers?

- A reducing the size of food stocks
- B attempting to ensure that prices rise at certain times of the year
- C organising co-operation between a wide range of interested parties
- D encouraging consumers to take a financial stake in farming
- E making customers aware of the reasons for changing food prices

**Solution:**

- |      |                      |
|------|----------------------|
| 1. A | 8. B                 |
| 2. B | 9. A                 |
| 3. H | 10. D,E IN ANY ORDER |
| 4. D | 11. D,E IN ANY ORDER |
| 5. B | 12. C,D IN ANY ORDER |
| 6. C | 13. C,D IN ANY ORDER |
| 7. G |                      |