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Agricultural Policies for Poverty Reduction

Edited by Jonathan Brooks

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Given the strong consensus that has finally been achieved about the interconnectedness of commodity price trends and a broad range of welfare indices, both for nations and individuals, a book looking at the role of agricultural policies in poverty reduction could not have been more timely. Very few economic phenomena have affected all countries to the same extent that the recent increases in prices have done. It is therefore understandable that they would form the starting point of this robust but succinct analysis in which seven researchers and development practitioners have joined forces to elucidate this important subject. The focus on rural incomes continues to be justified on a number of grounds, including the fact that the first of the eight Millennium Development Goals specifically addresses the urgency for that. But it has not always been clear how the targets are to be achieved and by whom, and whether or not there is scope for flexible application of the strategies in response to local circumstances and conditions. This is what makes this book an essential, practice-oriented tool for policy makers who have to design and guide the implementation of interventions in settings where seemingly similar conditions and circumstances actually hide stark dissimilarities that are often ignored with disastrous results. The sooner it is realized at the policy making level that all sizes do not fit all, the earlier a solution can be found and more progress made towards achieving the global goal of poverty reduction.

The volume is introduced by an editorial piece in which the editor reviews the role of agricultural policies in raising rural incomes in a broad sense. It recognized and applauds the primacy of rural income improvements not only as a political goal but also an economic imperative in response to recent developments in world food markets. The alignment with the structural arguments in support of such strategies is also highlighted from a historical perspective. The double-barrelled effects of prices and their role in determining whether market participants are net sellers or buyers and how these responses are affected by the structure of incentives, including the subsidization of farmers by the industrialized Western Countries, receive a fair amount of attention in the book.

The main body of the book consists of five chapters that are well-linked by the thematic focus on prices, food security and poverty alleviation and organized to progress smoothly from theory to estimation techniques to policy implications and recommendations, with well-situated suggestions for future research. In Chapter 1, the theoretical basis for policy intervention to strengthen rural incomes is developed and situated within the

framework of the on-going structural transformation of smallholder agriculture in the developing world. How this emphasis fits the current national and regional priorities on the African continent and the global theme of poverty reduction within the framework of the Millennium Development Goals, is discussed and linked to a vast array of earlier empirical work on agricultural development in developing countries, with crucial references made to the induced innovation models, the Green Revolution, and more recent works on the role of institutions.

Chapter 2 isolates the commodity prices in developing countries and takes a critical look at their distributional impacts, emphasizing measurement and methodological issues and drawing examples from past and current trends to make projections for the future. The implications of the food price developments for rural welfare are given explicit attention and there is the strong suggestion that things are likely to get worse before they get better over the future years.

Chapter 3 continues on the methodological exposition and describes a new simulation model, the Development Policy Evaluation Model (DEVPEM) whose four key components cover such issues as the multiple roles of the households in production and consumption, market participation and associated costs and obstacles, market linkages, and resource constraints especially in relation to the fixity of the land asset. The main finding of the chapter is the conclusion that targeting of agricultural policy is a condition for ensuring that policies are sufficiently pro-poor, thus making a rare strong case for market intervention through input subsidies. Suggestions for improving the model, including the incorporation of liquidity and risks, are made.

Chapter 4 turns to the “how” of welfare improvement and poverty alleviation, describing a range of stabilization policies for both the short-term and long-term and how these are influenced by the nature of the governance regime in place. Methodological considerations are also taken up in this chapter. Policy recommendations are also made around the actions to reduce price variability and instability and enhance more predictability of commodity prices. Future research agenda is also proposed to accommodate the dynamic nature of the commodity markets.

Chapter 5 singles out input subsidies for more scrutiny given its profile as “an operationally simple and politically attractive way of addressing multiple objectives”. The circumstances when input subsidies cannot be avoided are identified as when a country experiences “extensive and severe market failures” and where markets are vastly separated that their influences are rather localized. Experiences with input subsidies in Malawi, India and Sri Lanka, are used to illustrate how this policy operates and highlight its benefits as well as “disadvantages and dangers”. The chapter is quick to stress that there are more important economic and developmental outcomes to input subsidies when local demand is stimulated through the multiple pathways of raising incomes, expanding rural employment, lowering food costs and

expanding food consumption. The need for making complementary investments in infrastructure as public goods is recognized as one sure way the benefits of input subsidies can be optimized. How the time-boundedness of input subsidies can be guaranteed so as to avoid dependence and draining the funds for public goods is described and the international development system guidelines on this process are recognized.

Without question, this volume has benefited from excellent insights and experience from seasoned experts

covering diverse but immensely relevant contexts. It has also been well-written and the logical flow of the main themes allows for easy comprehension by audience as widely dispersed as beginning and advanced students, policy makers and practitioners and experts. It is clearly recommended as an indispensable component of course in agricultural development and public policy focusing on the developing world and countries in transition.

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