



Promoting farm/non-farm linkages for rural development

CASE STUDIES FROM AFRICA AND LATIN AMERICA



Promoting farm/non-farm linkages for rural development

CASE STUDIES FROM AFRICA AND LATIN AMERICA

Edited by

Benjamin Davis

Agricultural Sector in Economic Development Service
FAO Economic and Social Department

Thomas Reardon

Department of Agricultural Economics
Michigan State University

Kostas G. Stamoulis

Agricultural Sector in Economic Development Service
FAO Economic and Social Department

Paul Winters

Mexico, Central America and Hispaniola Region
Inter-American Development Bank

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
ROME, 2002

The designations employed and the presentation of the material in this information product do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

ISBN 92-5-104868-1

All rights reserved. Reproduction and dissemination of material in this information product for educational or other non-commercial purposes are authorized without any prior written permission from the copyright holders provided the source is fully acknowledged. Reproduction of material in this information product for resale or other commercial purposes is prohibited without written permission of the copyright holders. Applications for such permission should be addressed to the Chief, Publishing Management Service, Information Division, FAO, Viale delle Terme di Caracalla, 00100 Rome, Italy or by e-mail to copyright@fao.org

©FAO 2002

Foreword

Empirical evidence highlights the importance of off-farm activities in the income-generating portfolios of rural households in developing countries. It is critical to determine how such activities can be promoted, given the importance of non-farm income as a mechanism whereby rural households can sustain and improve their livelihoods and as a possible path out of poverty. Particular attention needs to be paid to ways in which spin-off activities in the non-farm sector can be promoted through policy and programme action in the presence of agricultural growth. Spin-off activities can emerge from backward and forward production linkages with agriculture, expenditure linkages that come with rising agricultural income, or investment linkages as non-farm income alleviates cash constraints faced by households.

In this publication these dynamic linkages and spin-off activities are explored in a series of case studies in Africa and Latin America. The objectives are: (i) to characterize the spin-off activities in each study area and evaluate their importance to rural employment, incomes and growth; (ii) to describe, compare, analyze and synthesize experiences — successful and unsuccessful — of growth and promotion of linkages in high potential areas; and (iii) to devise policy and programme options that would interest policy-makers looking to achieve agricultural growth in high-potential areas and promote growth and employment opportunities in the off-farm sector in rural economies.

The case studies focus particularly on the institutional, organizational and technological aspects of spin-off activities. This includes the rules of the game such as contracts and standards governing economic relations, the players such as associations and intermediaries and the instruments that can be used to translate agricultural sector growth into activities up and down-stream. In order to give adequate consideration to the importance of these aspects under different settings, the case studies include low-income countries such as Ghana and Ethiopia as well as middle-income countries such as Peru and Mexico. The challenges in the low-income countries include limited local demand and limited investment funds for spin-off activities. In middle-income countries, the challenge is for spin-off activities to stay local, because there are often incentives for farmers to buy inputs from non-local sources and for processing to take place outside local areas.

The case studies indicate in general that the public sector and non-governmental organizations (NGOs) play an important facilitating role to private initiative in developing linkages between agro-industry and farmers. This role may include organizing farmers or assisting NGOs or private enterprises to take on responsibilities previously discharged by states, providing credit, facilitating access to inputs, providing information on technology and ensuring that contract requirements are met.

Since the present case studies were initiated, interest in overall rural development issues has greatly increased. Rural strategies by development institutions (including development banks) now give a prominent position to the role of agriculture in increasing rural incomes and rural employment through its impact on activities up and down-stream of agricultural production. In publishing this volume, it is our hope to contribute to this debate with more concrete examples and provide incentives for more such undertakings.

Rome, November 2002

Prabhu Pingali
Director, ESA

Contents

Foreword	iii
Acknowledgements	vi
CHAPTER 1	
PROMOTING FARM/NON-FARM LINKAGES IN DEVELOPING COUNTRIES	1
Benjamin Davis, Thomas Reardon, Kostas Stamoulis and Paul Winters	
CHAPTER 2	
FARM/NON-FARM LINKAGES AND AGRICULTURAL SUPPLY RESPONSE IN MEXICO: A VILLAGE-WIDE MODELLING PERSPECTIVE	11
J. Edward Taylor and Antonio Yunez-Naude	
CHAPTER 3	
THE RURAL NON-FARM ECONOMY AND FARM/NON-FARM LINKAGES IN QUERÉTARO, MEXICO	61
Fernando Rello and Marcel Morales	
CHAPTER 4	
PROMOTING STRATEGIC LINKAGES BETWEEN THE FARM/NON-FARM SECTORS: THE PERUVIAN CASE	97
Javier Escobal and Victor Agreda	
CHAPTER 5	
RURAL FARM/NON-FARM INCOME LINKAGES IN NORTHERN ETHIOPIA	121
Tassew Woldehanna	
CHAPTER 6	
PROMOTING FARM/NON-FARM LINKAGES: A CASE STUDY OF FRENCH BEAN PROCESSING IN KENYA	145
Lydia Neema Kimenye	
CHAPTER 7	
THE POTENTIAL FOR FARM/NON-FARM LINKAGES IN THE CASSAVA SUBSECTOR IN GHANA	171
Ramatu Al-Hassan and Irene Egyir	

Acknowledgements

The authors would like to thank Jacques Vercueil for his constant encouragement and most helpful comments and suggestions through a large part of the research. We would also like to thank Marina Pelaghias for putting together the printed version of this paper and Joanne Morgante for the cover design. The content is exclusively the responsibility of the authors and does not necessarily reflect the position of FAO or its governing bodies.

List of acronyms

ADLI	Agricultural development-led industrialization
ASIA	Asesoría y Servicios Integrados Agropecuarios
CGE	Computable general equilibrium
COSCA	Collaborative Study of Cassava in Africa
CSA	Central Statistics Authority
FIRA	Fideicomisos Instituidos en Relación con la Agricultura
FOB	Free on board
GAMS	General algebraic modelling system
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GLSS	Ghana Living Standards Surveys
GPRTU	Ghana Private Road Transport Union
GVO	Gross village output
GVP	Gross village product
HASIDA	Handicraft and Small Industrial Development Agency
HCDA	Horticultural Crops Development Authority
IFAD	International Fund for Agricultural Development
INEGI	Instituto Nacional de Estadística Geografía e Informática
I-O	Input-output
ITTB	Tigray Regional State Bureau of Industry, Trade and Transport
ITTU	Intermediate Technology Transfer Unit
LDC	Least developed country
LSMS	Living Standard Measurement Study

NGO	Non-governmental organization
PEAT	Programa de Asistencia Técnica para Apoyar la Producción de Granos Básicos
PROCREA	Credit for Administration Programme
REST	Relief Society of Tigray
RNFE	Rural non-farm economy
RTPD	Rural Technology Promotion Department
SAM	Social accounting matrix
TCG	Trade and Commodity Group
TDA	Tigray Development Agency
VCGE	Village computable general equilibrium