PERFORMANCE OF THE NON-VIABLE FARM SECTOR IN RURAL ECONOMIES OF AGRO-BASED DEVELOPING COUNTRIES

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In most agro-based developing countries it is evident that much of the farming is dominated by non-viable land holdings. For example, in India, 93 per cent of farm households hold fewer than four hectares of land. It is clearly important, therefore, that agricultural development policy should be directly concerned with the performance of weaker farming sectors. Policies and planning for the economic empowerment of the smallholding farming class is essential for agricultural change. Economic empowerment might possibly be achieved through the following approaches: (a) assured markets to provide remunerative prices for farm products, (b) assured supply of inputs at affordable prices, and (c) continuous upgrading of low-cost pre- and post-harvest technology.

Sustained returns from farm production enable smallholders to adopt improved technology to produce more. This, in turn, would stimulate rural industries, rural employment and overall rural development. Problems of rural health, education and poverty can be solved through the improved rural economy. The issues were discussed in six papers and by the participants.

In the first session, Ismail Sharif (USA) opened by reviewing the salient features of agriculture in developing countries and of its importance in economic growth. The scope of discussion extended to cover globalization and structural adjustment. He underlined the need to expand low-cost production techniques through land reforms, irrigation and drainage projects, and supply of proper and timely inputs supported by an efficient market network.

Philippe Burny (Belgium) described the growth path of the rice economy in South Vietnam. Five years of growth occurred in research in rice production, processing, marketing and exports in several different agroecological regions of the Mekong Delta. The impact of economic reforms in Vietnam in 1986 aimed at utilization of resources, with low-cost technology within the reach of smallholding rice farmers enabling the Mekong Delta region to use cheap manpower to raise production. This contributed to food security and assured rice exports.

In the second session, E.C. Teixeira (Brazil), in his presentation on income transfer from commercial and family farms, explained how the tax structure in the agriculture sector created an adverse growth environment in Brazil. The performance of family and commercial farms was compared in the context of subsidies provided to them and taxes paid. Until the 1980s, family farms growing rice and beans were not well treated, while family dairy farmers were on average taxed more heavily than commercial dairies during the 25 years in the study. During the late 1980s, their situation worsened. Subsidized credit helped commercial farmers more than the family farms. As a result, productivity and economic activity, particularly in the rice belt, were reduced. Secondly, the overvalued rate of exchange depressed rice, bean and milk prices, favouring imports over domestic produce. As domestic prices decreased to meet foreign competition, incomes decreased. The adverse influence of the exchange rate distorted agricultural production, mainly in the weaker sectors of farming.

Tom Fenyes (South Africa) examined the distortions in agricultural development stemming from government policies. Extra protection was given to export-oriented industries in the Northern Province of South Africa, a semi-arid agro-based region. The paper advocated the adoption of free markets for all commodities in place of the present controlled marketing system. Further, the trade-offs between domestic production incentives and food affordability could be relieved by various measures to increase farm income. In the long run, this requires sustained support for input and credit delivery systems, agricultural research and extension to generate and disseminate new technology and efficient product distribution and processing systems among the smallholding non-viable farming communities.

In the third session, E.M. Koffi-Tessio (Togo) considered the role of rural finance in the process of development. He gave a critical account of various institutional sources of credit in Togo, suggesting that the rural credit system has not contributed significantly to the promotion of food crop production. This is mainly due to lack of organized markets, leading to failure of incentives to invest in food sectors. With assured market support, producers venture to take higher risks to invest in agriculture and produce more. Therefore policy makers should understand the strong linkage between rural credit and the related performance of the food sector.

J.C. Umeh (Nigeria) examined the path of agricultural growth during pre- and post-independence periods in Nigeria and the role of the non-viable farming sector. Sources of empowering the rural farming sector have been identified as (a) suitable technology support, (b) adequate infrastructure, (c) subsidy support and low taxation and (d) remunerative prices for farm produce. The author suggested that the dwindling agro-based economy can be revived to yield improved agricultural development and more efficiently produced food supplies.

B. Najafi (Iran) highlighted the problems of water supply and output fluctuations in wheat production faced by small farmers who constitute 65 per cent of Iran's farming community. The country is importing around 65 million tonnes of wheat every year and the prices of wheat fluctuate violently. There is a great shortage of bread for the people even if they are prepared to pay more. Agricultural policy makers are now giving importance to better incentives for farmers to produce more. Improved extension services, pre-and post-harvest technology support for quality output of wheat, better procurement operations and market networks are being made available.

After a thorough discussion, the group concluded that measures to improve agriculture among small farmers provide the best way to trigger economic activity in rural areas and form the basis for rural employment, growth in rural industries and eradication of rural poverty. For agriculture that means:

(1) there should be a strong policy support for higher production among the non-viable farming groups;
(2) efficient market networks to absorb the produce and provide remunerative prices should be developed;
(3) active extension services to educate small farmers about technology should be fostered.