What is globalisation bringing peasant farmers in Bolivia? Photo: COMPAS

Trade and hunger

The impact of trade liberalisation on small farmers

A recent publication by John Madeley collates information on the impact trade liberalisation has had so far on food security, poverty, ecological sustainability, gender etc. The survey covers 39 developing countries in Africa, Asia and Latin America. The case studies analyse impacts of the World Trade Organisation's (WTO) Agreement on Agriculture (AoA, signed in 1994), the World Bank/International Monetary Fund imposed structural adjustment programmes (SAPs, going on since 1980) and regional free trade agreements. Some of the key findings , mentioned in the overview, are summarised below.

Trade liberalisation

Under SAPs and AoA, developing countries have to make significant changes in their food and agricultural policies. They are obliged to open up their economies to cheap food imports and to drastically reduce support to their farmers. Most SAPs require more sweeping liberalisation measures than the AoA, and also demand related measures such as privatisation of state-run enterprises, the elimination of subsidies and price controls, and the abolition of marketing boards. By contrast, the AoA centres on trade liberalisation measures – it calls, for example, on member countries of the WTO to reduce tariffs on food imports by 24% over a ten-year period. The 48 least developed countries are excluded from this and other reduction commitments.

The AoA – a deal largely stitched up by the United States (US) and the European Union (EU) under pressure from business corporations – tightens the screw of structural adjustment.

The case studies show that this leads to:

Cheap imports

The majority of people in developing countries belong to farming families. Most farmers are small-scale, with at best a few hectares of land and sometimes much less. Competition from cheap imports, from the US and the EU but also from other developing countries, is putting small farmers out of business. Such imports are coming both through commercial channels and through dumping – food sold below the cost of production to dispose of surpluses. Ghana is just one of many countries in this survey which shows how food imports have demoralised small farmers. Having produced maize, rice, soybeans, rabbits, sheep and goats, the farmers cannot obtain economically viable prices for them, even in village markets. Their produce simply cannot compete with cheaper imports. Domestic food production is at risk as the agricultural sector is placed in jeopardy.

The studies show that liberalisation has led to an increase in the prices of farm inputs, causing huge problems for small farmers. The study of edible oils in India reveals the common problem of farmers paying more for their inputs but receiving less for their crop. In economic terms, trade liberalisation appears to have worsened the terms of trade between outputs and inputs. Consumers may appear to gain from cheap food imports. But they only do so if they have the money to buy, which many people in developing countries don't have. Cheap food imports damage the livelihoods of small farmers and also the countries' most basic economic sector – its food-producing sector. Also, if trade liberalisation gives more power to monopolies, then consumers eventually stand to pay higher prices.

More priority for export crops

Trade liberalisation, as many of the studies show, has resulted in more land and resources being devoted to export crops and less to domestic food production. In Benin, for example, government incentives have led to an increase in land under cotton: cotton exports have increased at the expense of food production and food security. The main study in Uganda points to evidence that the emphasis on exports, both traditional and non-traditional cash crops, has caused a decline in the production of food consumed locally, both in quantity and in variety. This has consequently undermined the food security of households.

Although governments are generally placing more priority on the export crop sector, farmers are not necessarily receiving better prices for these crops. World market prices for many of them are declining – as is shown in the studies on Kenya, Sierra Leone and Uganda. As private traders, and not governmental bodies, are mostly buying these crops, the prices offered to the farmers are related, in some degree, to the world prices. But the power of the traders may mean that the price offered to farmers is far below the world price.

Transnational corporations (TNCs)

Trade liberalisation is proving very beneficial for large entities such as TNCs – this is clearly seen in the studies on India, Philippines, Uruguay and Cambodia. But it is not just proving beneficial to them, it also appears to be helping them at the expense of the poor. The study on cotton in India shows how trade liberalisation is aiding TNCs at the expense of India's farmers. The FAO study included in the survey notes that this process is leading to the concentration of land ownership *"in a wide cross-section of countries"* and to the marginalisation of small producers, adding to unemployment and poverty.

In Mexico, the winners from trade liberalisation are concentrated in the country's fruit and vegetable growing areas where production is predominantly on large-scale, irrigated farms. There is a *"dramatic increase in investment in these areas, with large farms or firms leasing land"*. This finding is consistent with global patterns. The Cambodia study estimates that 10-15% of the country's farmers has become landless since the adoption of a liberal market economy in 1989. More land is being concentrated in the hands of a few.

Women

The studies on Kenya, Ghana, Uganda, Zimbabwe, Mexico, Jamaica and the Philippines all show how trade liberalisation is impacting heavily on women and accentuating gender inequality. In Kenya, as a result of the liberalisation of agricultural trade, many women cannot afford adequate chemicals and fertilisers, and farm output has declined. In Uganda, liberalisation may mean that the local parastatal depot is closed down, and producers have to go out of the village to sell their produce. If not, they are forced to sell their produce at lower prices to village traders who benefit from it.

Women, who produce 60 - 70% of food in most African countries, have been affected disproportionately by the elimination of subsidies, the drying up of credit and the surge of food imports as a result of trade liberalisation. Prices of farm inputs have risen and incomes of farming families have come under serious pressure. As a result, many have been forced to cut back on the quality and frequency of meals.

In Mexico, research has shown how male labour migration increases the workload on women and children, who are often withdrawn from school. It is estimated that women now comprise about one third of all the day labourers working in the Mexican countryside. "*To the extent that liberalisation accelerates these trends, it will exacerbate problems of inequality and rural poverty*", notes the study.

Studies on Kenya, Uganda and Zimbabwe show that trade liberalisation has had some positive effects – in Kenya, for example, it has enabled rural women to engage in micro and small enterprises. But the studies indicate that the negative effects far outweigh the positive.

Unemployment

There are no universal figures on people who have lost their jobs as a result of trade liberalisation over the last 20 years. In Mexico, between 700,000 and 800,000 livelihoods will be lost as maize prices fall, representing 15% of the economically active population in agriculture. In India, the jobs of 3 million edible oil processors were lost. In Sri Lanka there was "*a clear drop in rural employment*", says the FAO study, with 300,000 jobs lost following the decline in onion and potato production. It would therefore not be unreasonable to estimate a figure of at least 30 million jobs lost in developing countries because of trade liberalisation and related factors. When trade barriers are lowered, many small farmers leave their land and head for the cities and towns in hope of employment.

Environment

The cultivation of cash crops for export imposes considerable environmental costs. In the Philippines, for example, the extensive use of agrochemicals in export crop production has increased soil degradation and the loss of biodiversity. Liberalisation encourages producers to abandon traditional and ecologically sound agricultural practices in favour of export monocropping. Also, the encouragement of agri-based export cropping in special development zones creates massive colonisation of critical watersheds and the depletion of water resources in irrigated areas, previously planted to food crops. Trade liberalisation can lead to a more extractive and non-sustainable type of agriculture.

Government services

Under SAPs, liberalisation goes hand in hand with a reduction in government support to farmers, such as investment in agricultural research and extension, controlled pricing and marketing, and subsidies on inputs. Governments withdraw and leave their people to the free play of economic forces. Those with adequate resources may survive but the poor are left stranded. The Philippines is a typical case, where insufficient state support for services such as irrigation, post-harvest facilities and farm-to-market roads has meant that small-scale farmers are unable to improve productivity levels or get their products to market at prices that cover costs.

What price will we get for our groundnuts? Farmers in northern Ghana. Photo: Bertus Haverkort

Food self-sufficiency and sovereignty

The negative impact of trade liberalisation on food self-sufficiency, let alone food sovereignty, comes across in many of the studies. The effects of trade liberalisation on India's edible oils sector are startling. Tariff reductions, allowing for massive imports, turned India from being self-sufficient in edible oils to being the world's largest importer in a mere five years. In a number of countries, the liberalisation of markets has increased participation of private firms and individuals in the trade of food commodities, unlike in the past when public institutions dominated the trade. While, in theory, these activities could generate more employment opportunities, this does not seem to be happening.

Conclusion

As the author of the Thailand study says, *"Many of us have been saying for a long time that unchecked, liberalised global trade is a disaster waiting to happen. No one listened. Now it has happened"*. Small farmers are bearing the brunt of this *"disaster"*. But consumers too are vulnerable.

In free trade theory, production will allocate to where costs are low and consumers – poor as well as rich – will benefit from low prices. Much of the trade liberalisation of the last two decades has been based on the hope that agricultural production in developing countries will switch to high value crops for export, which would enable the import of cheap food to achieve food security. Reality is more complicated, however. The FAO study found that in countries like Ethiopia, Sierra Leone and Bangladesh, trade liberalisation did not bring the hoped-for benefits from exports.

Prices are far too low to make marketing of my wheat an attractive option. Photo: Fritz Berger

Agriculture is the main source of livelihood for hundreds of millions of people in developing countries. If small farmers are out-competed without an alternative source of livelihood, the availability of cheap imported food is not of much benefit to them. According to the studies, governments seem to be misled or pressurised to put too much faith in trade liberalisation, or to do it too quickly, without adequate preparation. Trade-based food security for the poor is – at least for the time being – more a mirage than a fact.

Trade liberalisation is only one factor exacerbating problems for the poor in many countries. The studies often reveal the interaction of factors that affect food security, such as privatisation, domestic economic and financial policies and the incidence of HIV/AIDS. As the study on Thailand points out *"the mess isn't simple"*; devastating weather patterns, massive unemployment, the need to earn foreign exchange *"to bail out an unbelievably irresponsible private sector"* are all factors.

Yet, liberalisation is a policy choice, and is not inevitable. This survey suggests that a fundamental review of the dominating policy paradigm is needed, and that, at the very least, WTO rules need changing so that developing countries can provide domestic support and other regulations to protect the livelihoods of smallholders and promote food security.

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Causes of rural poverty

Farzana Panhwar

The Sindhi farmers in Lower Punjab, **Pakistan**, are being systematically kept in poverty due to the low prices they get for their products. This is caused by the policy of the Government to keep the prices of wheat and other agricultural commodities low so that commerce and industry can get cheap labour and high profits.

Presently, the price farmers get for their wheat is about half the world market price and half of what they received in 1950, taking into account the depreciation of the Pakistan rupee. When farmers use the optimal levels of inputs (costing approx. Rs 10,000 per acre) they can produce about 1,400 kg wheat per acre. If farmers get a price comparable to imported wheat they can afford to pay for the inputs and get an additional Rs 3,600 per acre. For a family with 5 acres of irrigated land this is an acceptable level of income for 6 months of family work.

Since farmers do not receive sufficient returns, they reduce on inputs by:

- Replacing deep ploughing and seed bed preparation by one harrowing only
- Replacing tractors by borrowed bullocks and own labour for drilling of seed
- Using poor quality seed produced by the farmer
- Using less fertiliser than the optimum
- Replacing most herbicides by manual weeding
- Using family labour for casual work and harvesting
- Avoiding periodic and precision land levelling
- Avoiding maintenance of water courses

This reduces yields to about 600 – 800 kg per acre most of which is for domestic use, seed for the next year and payment for borrowed inputs. Thus family labour is bartered for wheat needed for food with no accrued profits. Transition from subsistence to commercial farming is very difficult, as the costs of additional inputs are not compensated for by the additional returns from additional yields. As wheat production is insufficient to feed the population due to low yields, wheat is imported at about double the price paid to farmers and provided to the urban population at a subsidised price. Rural poverty, unemployment and insecurity, created artificially by forcing farmers to sell their products at low prices, is leading to unprecedented migration from rural to urban areas. These people, who end up living in ever-growing urban slums, face serious hardships and suffering.

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