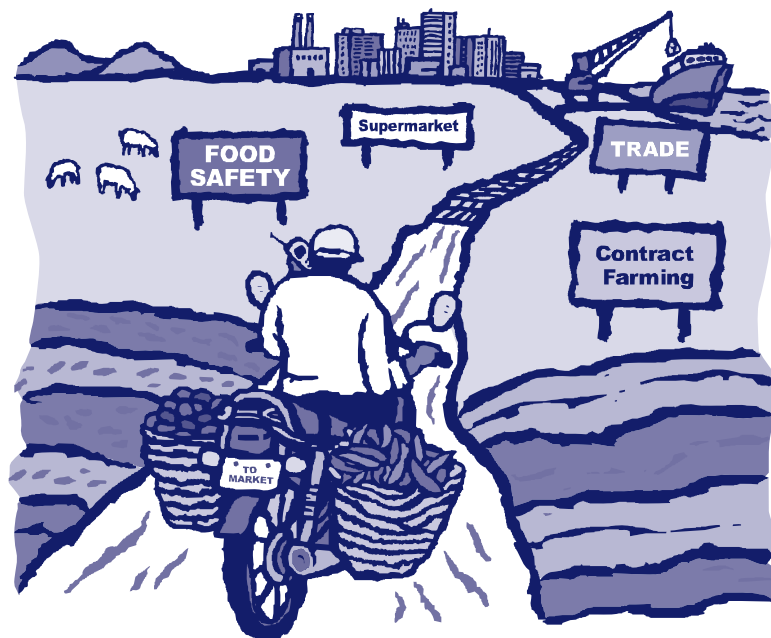




Markets, Trade, and Institutions

Liberalized and open agricultural markets can encourage agriculture-led economic growth in developing countries through higher levels of input use, increased production, expanding exports, and higher incomes. But countries moving toward a market-oriented economy may be hampered by ineffective policies, weak institutions, and inadequate infrastructure. Under such conditions, liberalization can harm the poor through changes in products, income distribution, and labor use.

The Markets, Trade, and Institutions Division (MTID) analyzes these economic transformations and identifies government policies that improve institutions in order to promote market efficiency, reduce transaction costs for producers and consumers, and help smallholder farmers achieve better access to markets.



RESEARCH AREAS

Globalization and Markets

Do developing countries and the poor benefit from further trade liberalization under the World Trade Organization (WTO)? How have the different strands of globalization affected poverty and food security in developing countries? What policies should governments promote to improve the access of small farmers and traders to domestic, regional, and global markets?



Agriculture has a predominant role in developing countries. Any strategy for slashing poverty and hunger must center on rapid growth in the agricultural sector. However, increased agricultural productivity could also depress commodity prices and farm incomes. Poorly functioning markets, weak domestic consumer demand, and lack of export possibilities are major constraints on agricultural growth prospects. Trade negotiations have long been accompanied by heated debates about the costs and benefits of global trade liberalization. The central question of such debates has been whether freer trade promotes development and reduces poverty or whether it penalizes the poor through stagnation and worsening world and national income distribution. Our research

helps policymakers and stakeholders in developing countries address the implications of trade liberalization and globalization. We also strengthen the analytical capacities of developing countries and hence their position at the negotiating table. We inform governments and the public in industrialized countries about the impacts of their actions on developing countries and the poor. Our research focuses on: (1) global agricultural trade negotiations, (2) linkages between domestic policies and globalization, (3) the impact of developed-country policies on developing-country food security, and (4) pro-poor policies along the entire food chain from production to retail. Economywide trade and investment analysis is combined with trade policy research focused on developing countries' strategic decision problems.

Participation in High-Value Agricultural Markets

How can smallholder farmers engage in high-value crop and animal production in ways that enhance incomes and protect both human health and the environment?

Smallholder farmers can increase their incomes through greater sales of high-value commodities. Livestock, dairy products, fish, fruits, and vegetables are of high value, typically perishable, and increasingly sold through specialized markets. This part of world agriculture is growing rapidly and is becoming increasingly capital intensive and vertically integrated. This growth is mainly driven by rising incomes, falling trade barriers, and greater openness toward foreign direct investment.

Our research focuses on: (1) opportunities for sustained commercialization of high-value agricultural commodities; (2) reducing policy and transaction-cost barriers for smallholders, the rural poor, and women in high-value commodity export markets; and (3) encouraging smallholders in high-value markets to promote environmental sustainability and lower health risks.

Institutions and Infrastructure for Market Development

What policies foster institutions and improve infrastructure in order to enhance agricultural markets?

Smallholder cultivation is the hallmark of agriculture in much of Sub-Saharan Africa, Latin America, and South Asia, where the intensity and density of poverty remain high. Most smallholders practice either subsistence farming or operate in local markets due to lack of access to more lucrative markets at provincial, national, or global levels. Smallholders are trapped in poverty as incentives remain weak, investments remain low, and their level of technology adoption and productivity is at a minimum.

There are two approaches to break this deadlock: (1) improving the physical infrastructure such as roads, electricity, potable water and drainage, water for irrigation, and telecommunications; (2) strengthening institutional arrangements that reduce risks and transaction costs, such as land titling, credit markets, contract farming, market information systems, commercial rules and laws, commodity exchanges, and producer and trader associations.

Our research focuses on: (1) strengthening institutions and infrastructure to make rural areas more competitive in production and marketing, (2) assessing the poverty-reducing impact of complementary investments in rural institutions, markets, and infrastructure, and (3) strengthening policy research within countries on the role that marketing policies, institutions, and investments play in raising the incomes of small-farm and other poor households.

We also examine policies that provide appropriate price incentives, encourage market development, and optimize investments in institutions and infrastructure.

Food and Water Safety

What policies and institutions best address the food and water safety concerns of the poor?

Safe food and water directly affect the well-being of the poor, both as consumers and as agricultural producers. Unsafe water is a major cause of preventable death and disease, contributing to an estimated 2.2 million deaths each year from diarrheal diseases alone, mostly in children. Recent incidences of avian influenza, salmonella, and associated illnesses have resulted in growing political pressure to reduce food hazards in commodities. This has led to the establishment of food-safety standards and regulations for products along the supply chain whether they are destined for national or export markets.

Food safety and food security are intrinsically linked with water quality. Food production entails the use of water for activities ranging from irrigation to postharvest processing. Water serves as a vehicle for spreading potential contaminants, including pathogens from organic manure, fertilizers and pesticides from intensive agricultural production, and effluents such as salts and heavy metals from industrial wastes. Fresh produce is particularly prone to contamination from water pollution, both during irrigation and postharvest processing. Of major concern are waterborne pathogens such as bacteria, viruses, and parasites.

Our research focuses on: (1) evaluating the cost to smallholders of complying with increased food-safety requirements, (2) understanding the role of public-private partnerships and cooperatives in ensuring the delivery of food that meets increased

food-safety requirements, (3) providing cost-effective control strategies and decision tools with which policymakers can minimize food safety and disease risks, (4) assessing the relationship between water quality and food security and the role water quality plays in enhancing food security, reducing poverty, and improving rural livelihoods, and (5) evaluating technical barriers to trade.



For additional information:

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