

Comments to Dalila Cervantes' Paper

*”Smallholder adjustment: issues and
policy responses”*

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Global Forum on Agriculture
OECD

Paris, 20-21 November, 2008

Proposed Framework for more inclusive agr dev

- **Looks at smallholder policies in an economy wide context**
- **Identifies /specifies different development pathways**
- **Proposes “non-traditional” policy instruments**
 - Conditional cash transfers: a dozen countries
 - Regional policies: Peru, Paraguay (policy articulation; territorial approach)
 - Results-based policy design, implementation, M&E (Mexico)



Proposed Framework for more inclusive agr dev

- **Different types of agriculture-dependent households...**
 - **different potential pathways for development**
 - **differentiated / targeted policies**



Two comments

- Possible challenges when implementing the SF
- Is there a policy instrument missing, especially under the current high price volatility context?



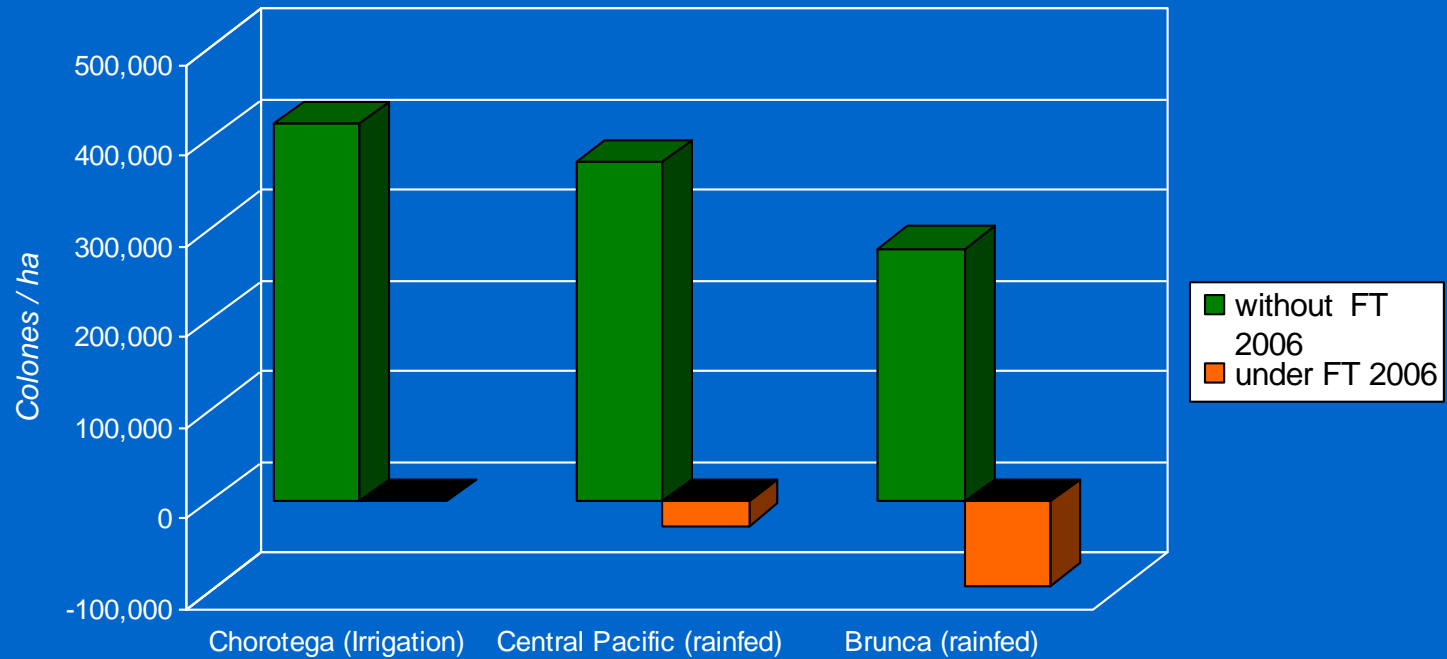
Possible challenges when implementing the Framework

- **Where does one fit?**
 - **competitiveness is dynamic**
 - **competitiveness \neq efficient / comp adv**
 - **difficulty in determining country's areas of comparative advantage**



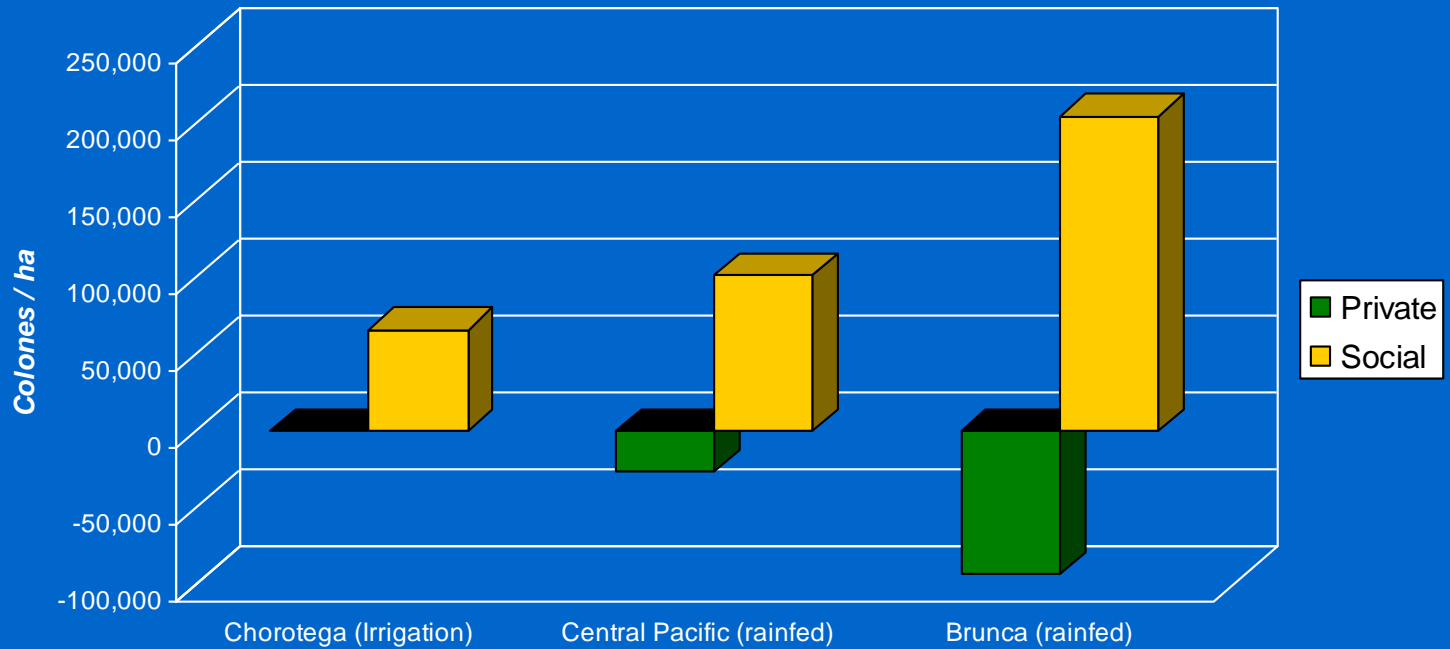
Competitiveness is dynamic...

Small Farm Private Profitability in Rice Production
Costa Rica 2006



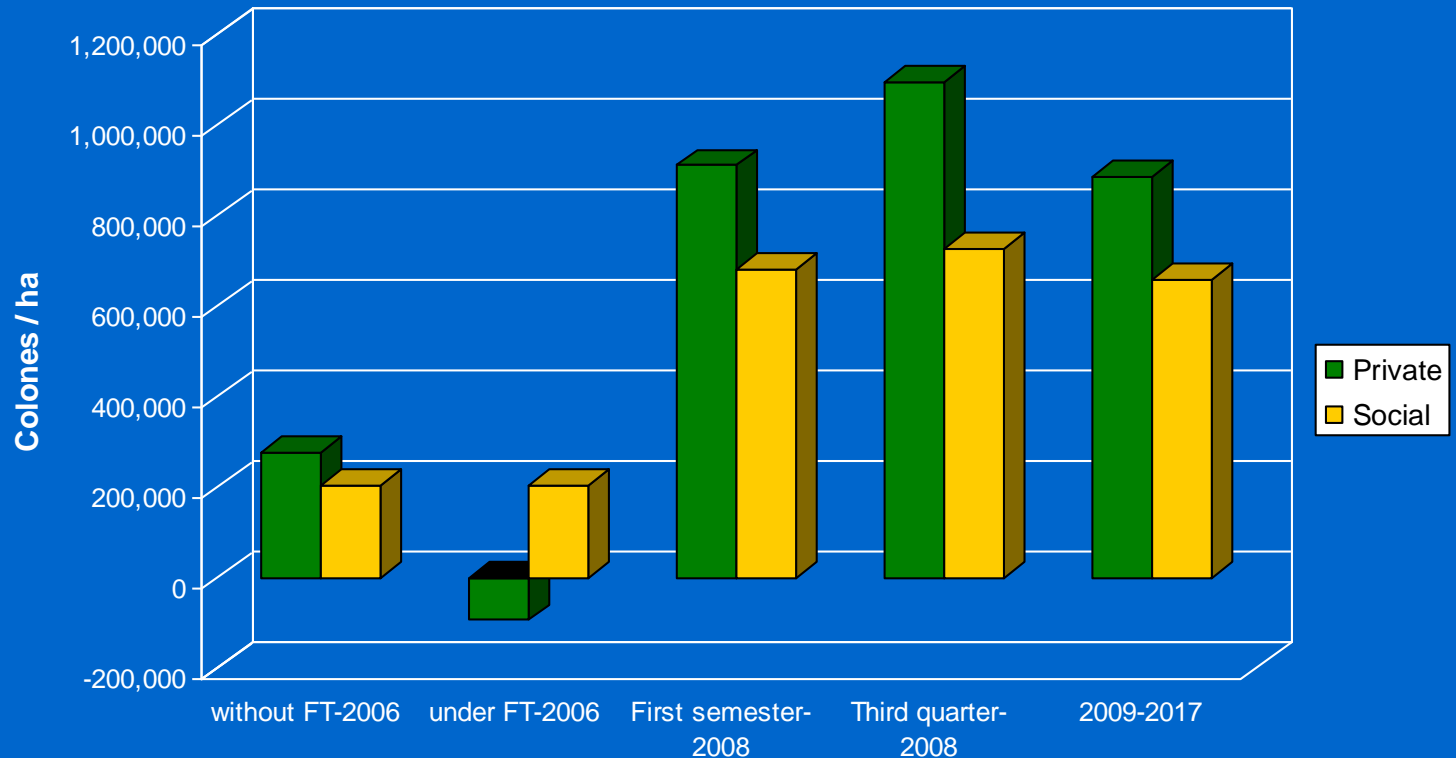
Competitiveness vs Comparative Advantage

Small Farm Private and Social Profitability in Rice Production Under Free Trade
Costa Rica 2006



New context changes competitiveness and comparative advantage status

Small Farm Private and Social Profitability in Rice Production
Costa Rica
(Brunca region, rainfed)
0% rice import tariff



...But higher price volatility is expected

Hypothetical Private and Social Profitability in Rice Production
Under Price Volatility
Costa Rica
(Brunca region, rainfed)



Therefore...

- **In which box of the strategic framework would this farmer (representing a system of production) fit?**
- **What policy instruments should be targeted towards him?**
- **His response to higher price volatility?**
- **Is one additional policy instrument needed in the SF? Income stabilization policies?**
 - **costs and benefits?**



Price volatility and Income Stab Pol

- Collier, Paul y Jan Dehn. 2001. Aid, Shocks, and Growth. Policy Research Working Paper 2688. WB.
- Dehn, Jan. 2000. The effects on growth of commodity price uncertainty and shocks. Policy Research Working Paper 2455. World Bank.
- Foster, William y Alberto Valdés. 2005.– Variable tariffs as Special Safeguards: The Merits of a Price Floor Mechanism for Developing Countries under Doha. WB
- Non-efficiency (income distribution) Policy Objectives



Strategic Framework

- **Very useful**
 - **How to overcome challenges that its implementation may pose? Sound situation analysis with long-term perspective**
 - **Is an income stabilization policy instrument missing?**

