

**Value Chain Analysis for Development: providing evidence for better policies
and operations in agricultural value chains**
Brussels 18-19 January 2023

PATHWAYS FOR REDUCING THE SMALLHOLDER LIVING INCOME GAP IN AGRICULTURAL VALUE CHAINS

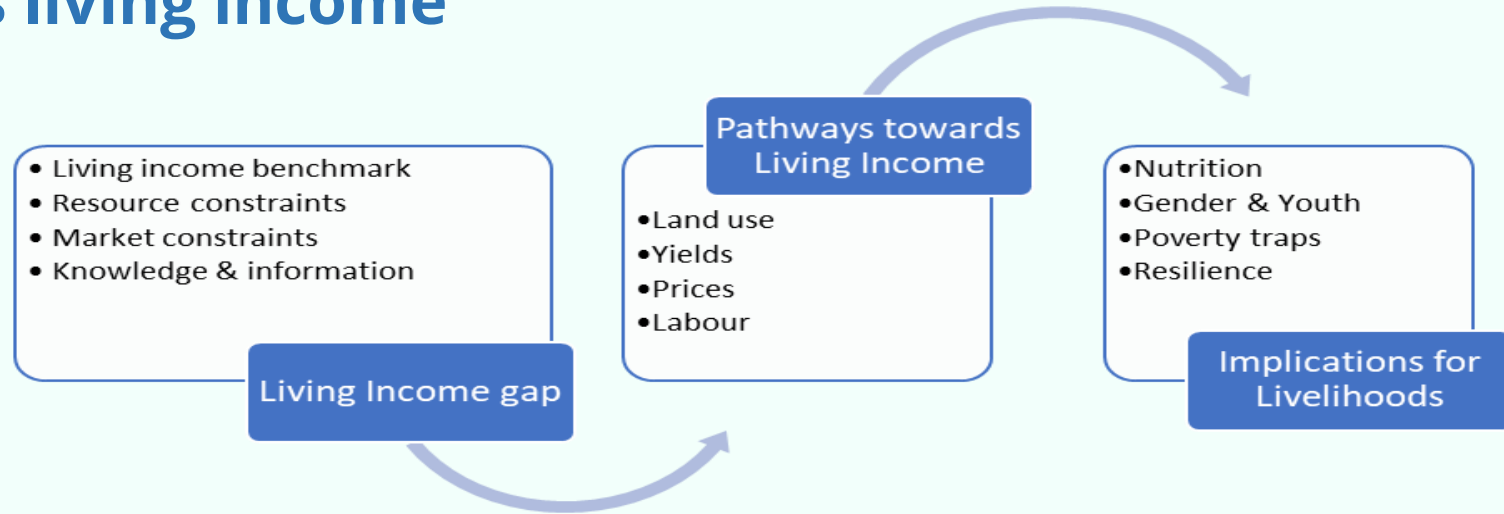


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Question and issues



Pathways towards living income



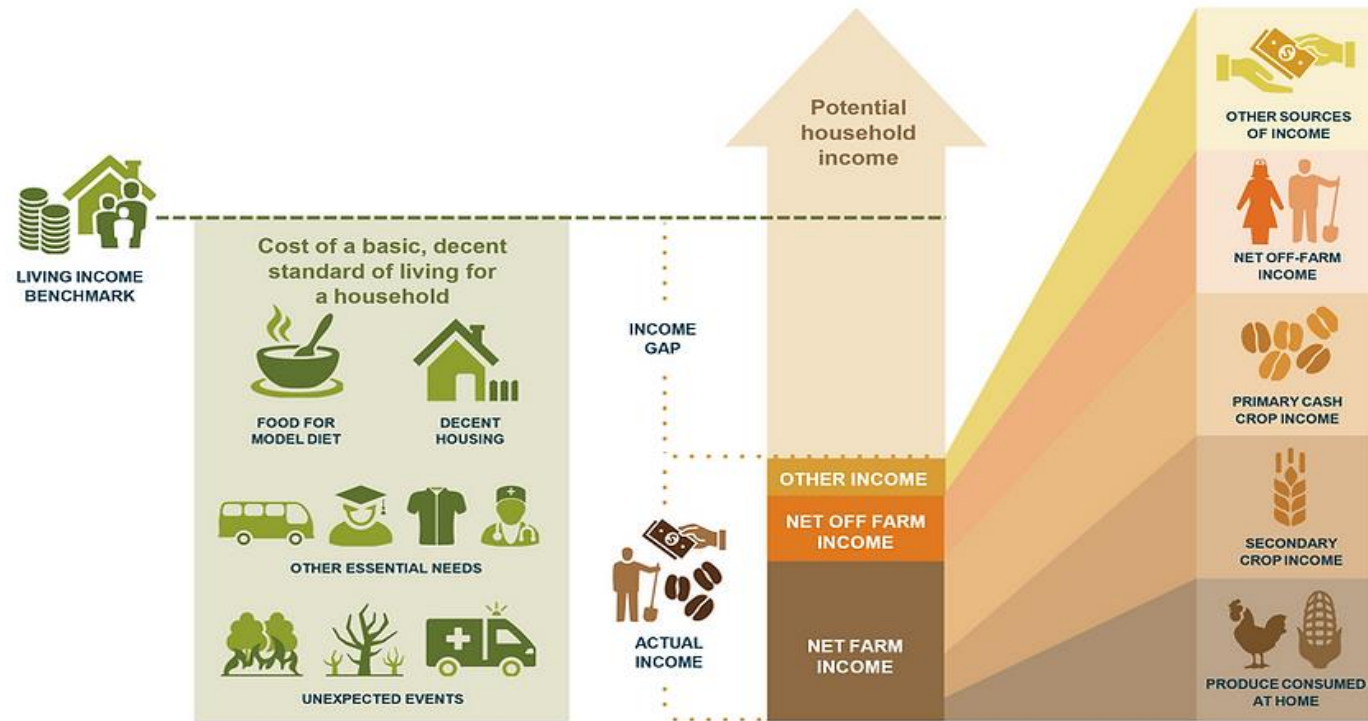
Key research questions:

- How far do current production and trade conditions enable smallholder farmers to earn a living income?
- What are the different strategic opportunities for reducing the living income gap?

Living income - the concept



The Living Income Story



Living Income includes

- Food
- Housing
- Essential needs (health, education, energy)
- Communication
- Childcare
- Unforeseen events

For more information and to join the community
visit: www.living-income.com
Contact: livingincome@isealalliance.org

Supported by the



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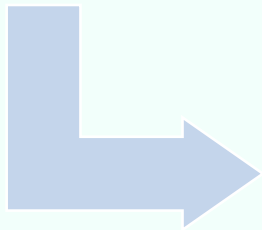


Model approach



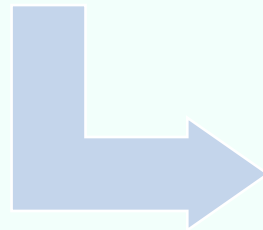
Net crop
income

Plot Area * Yield (= total volume) * Price -/- Costs
Assumptions made for income from non-focus crop sources to
estimate Net total household income



Living
income
gap

Living income benchmark -/- Net Income



Marginal
factor
returns

Living income gap / factor
rewards
(for land, yield, price, labour)

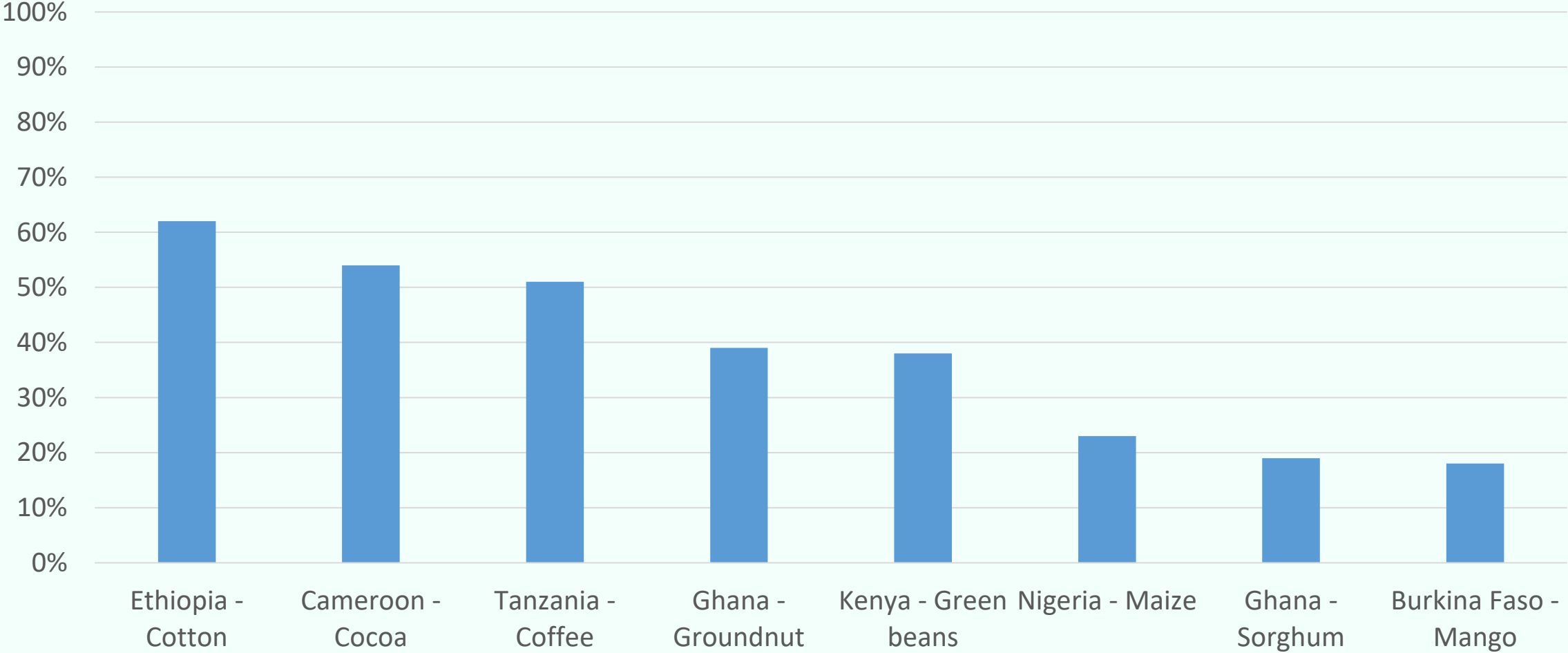
Assumptions [to enable aggregation from plot level to farm-household level analysis]:

- Land share devoted to the commercial crop varies between 25 and 60% (depending on specific local conditions)
- Net crop income contribution to total household income varies between 30 to 80%

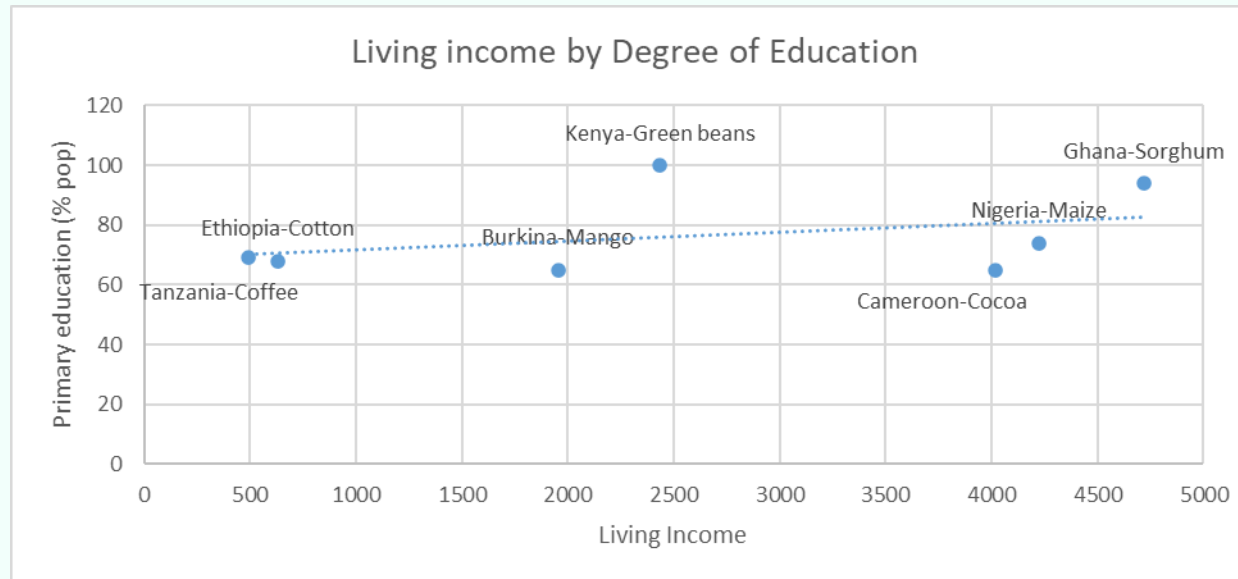
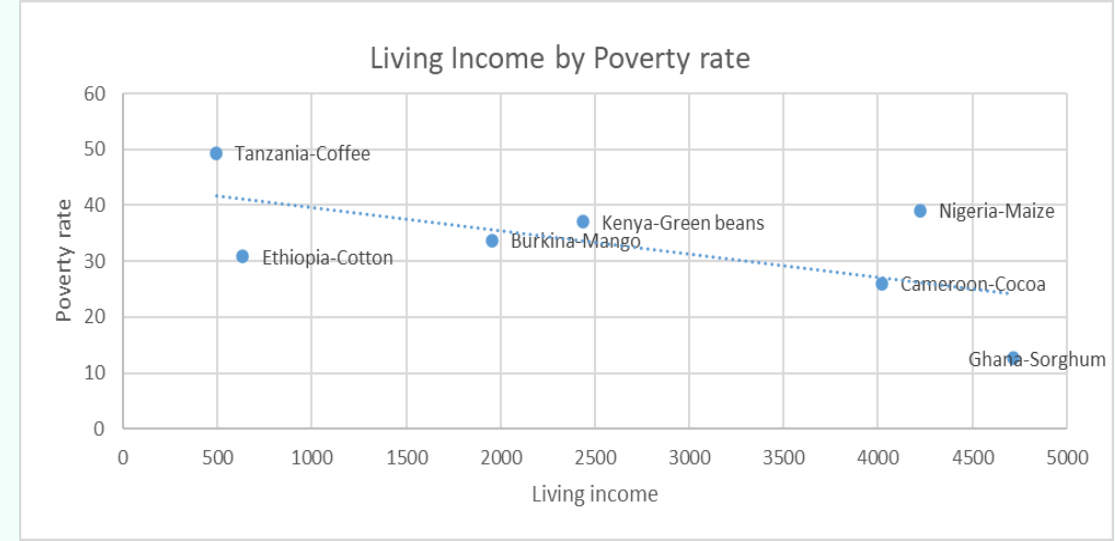
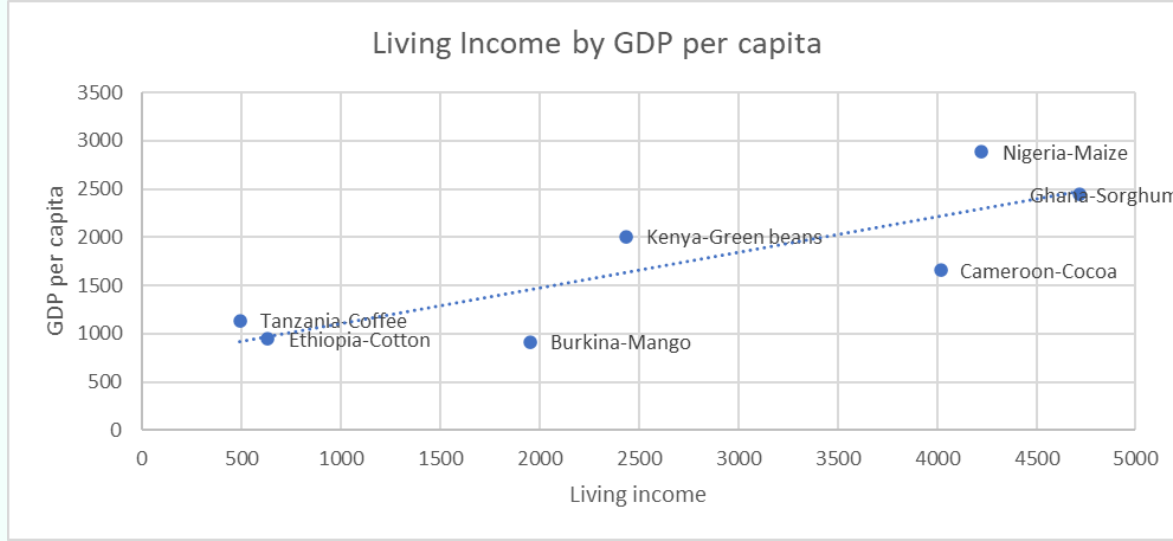
Average living income gap (proportion)



% of living income benchmark earned on average



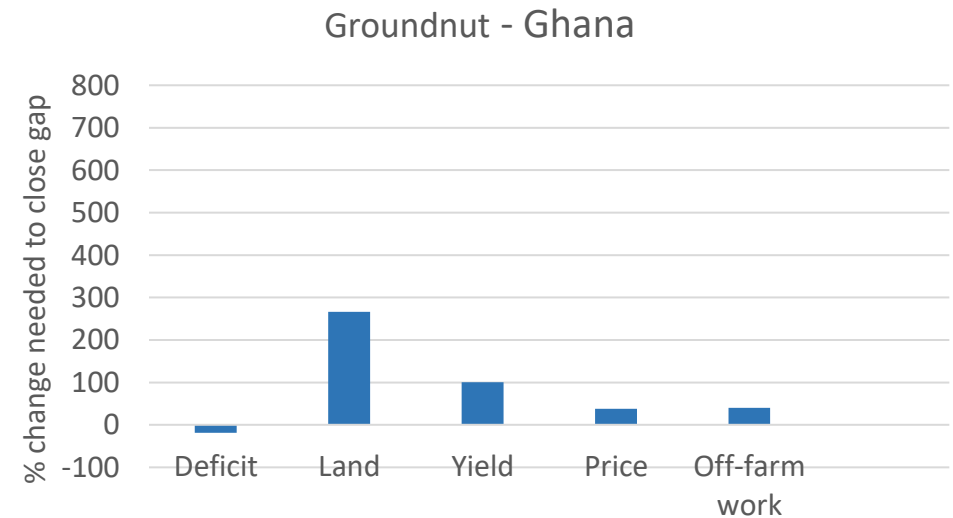
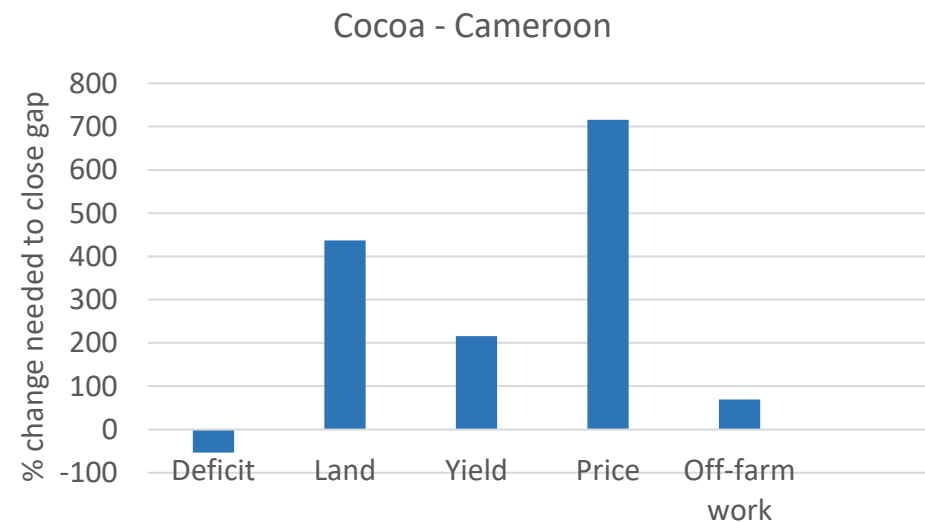
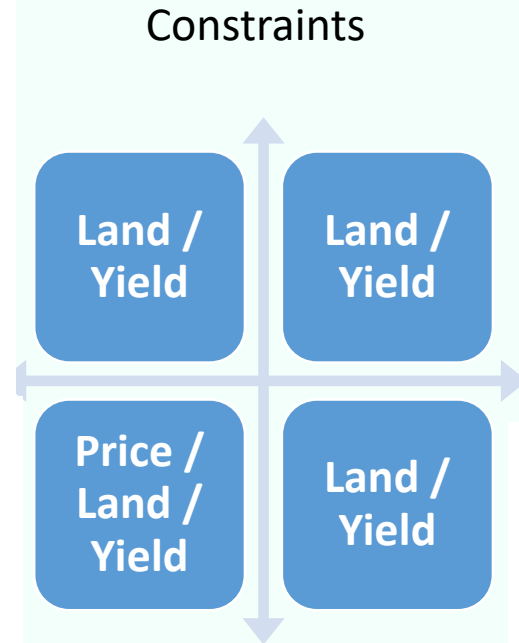
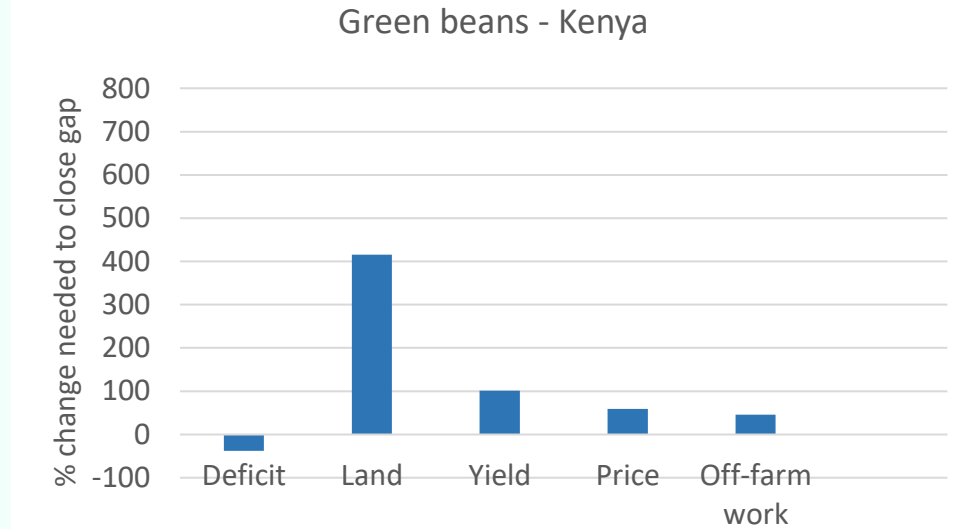
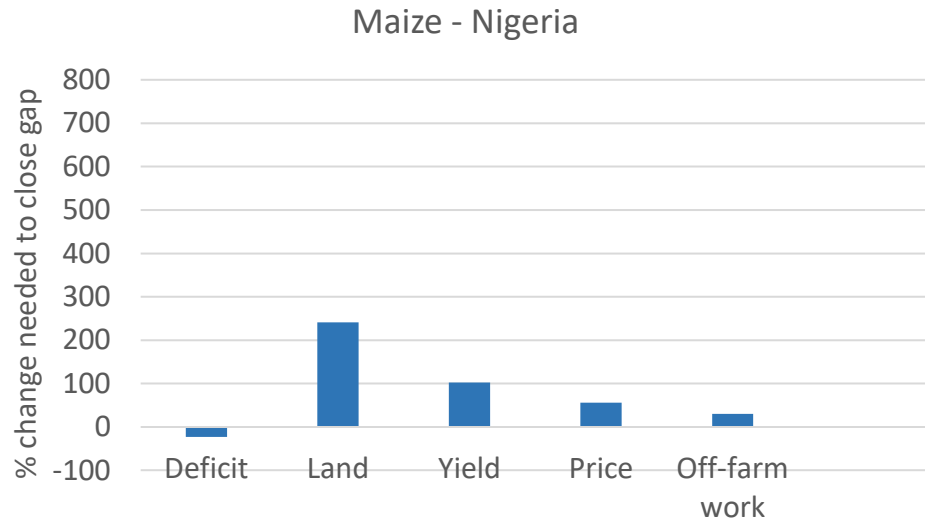
Finding 1: Living income benchmark levels



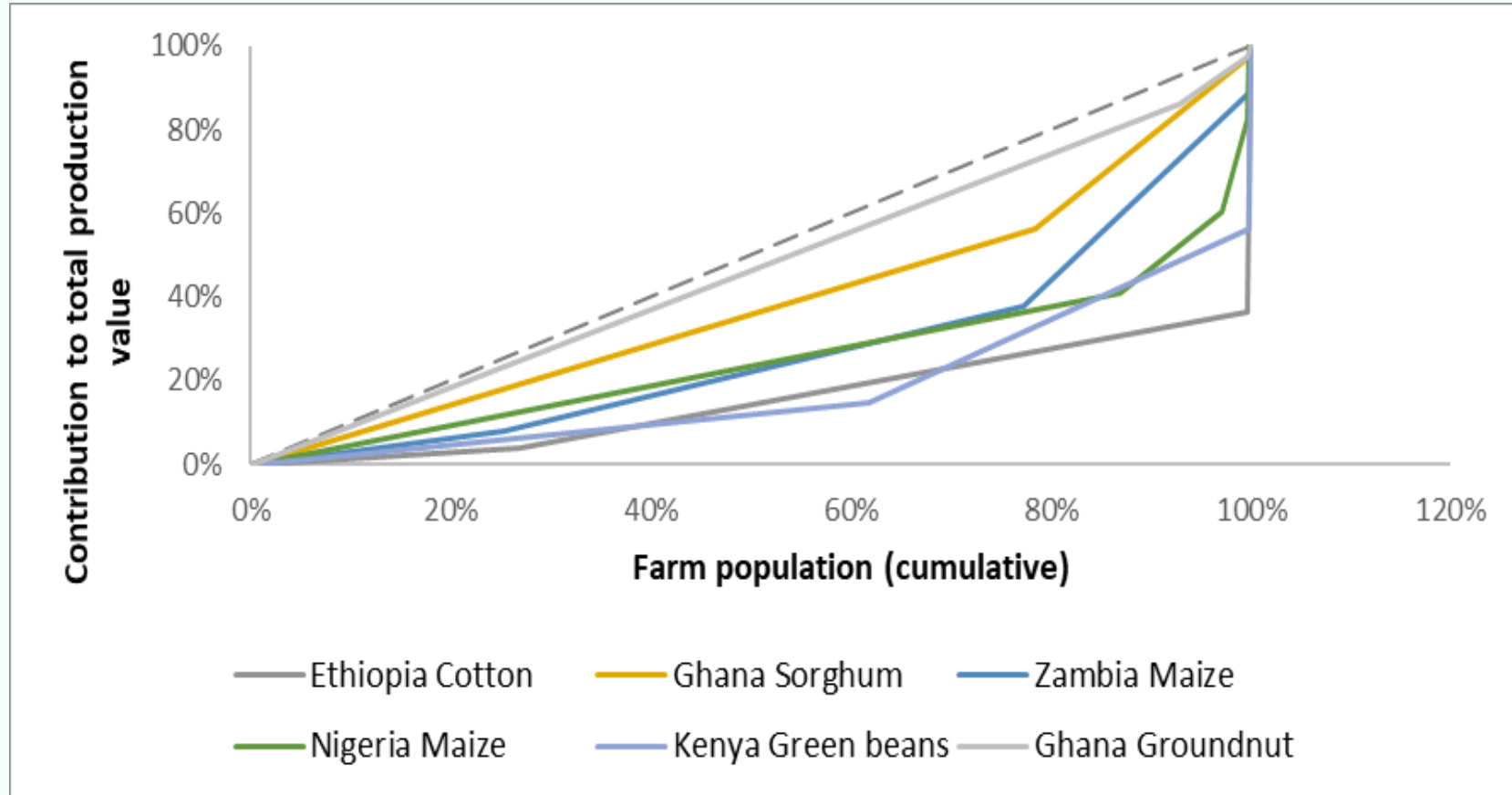
Higher Living Income Benchmark in countries with:

- Higher GDP growth
- Lower poverty rate
- Higher education

Finding 2: Different constraints & opportunities

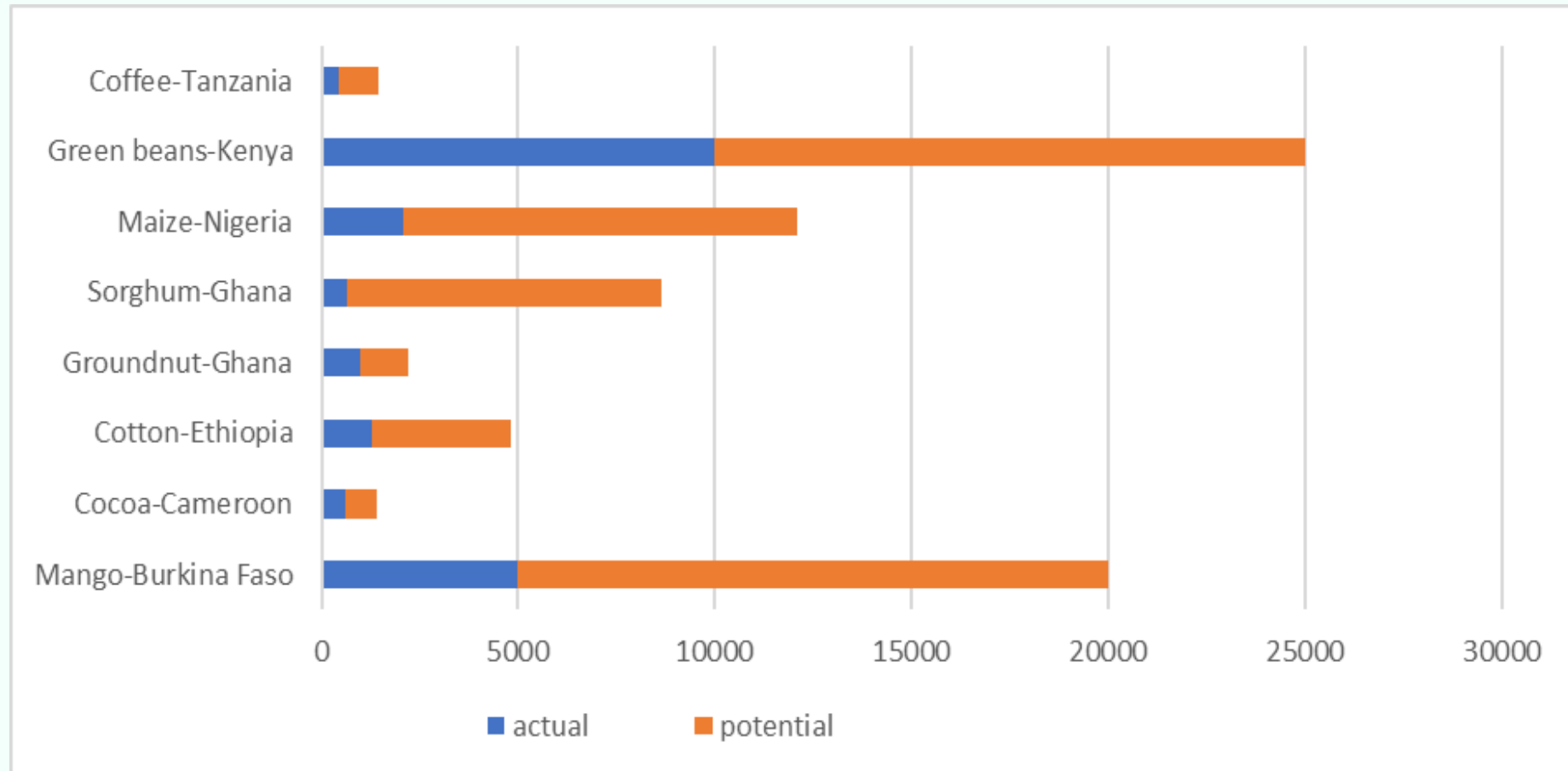


Finding 3: Land distribution



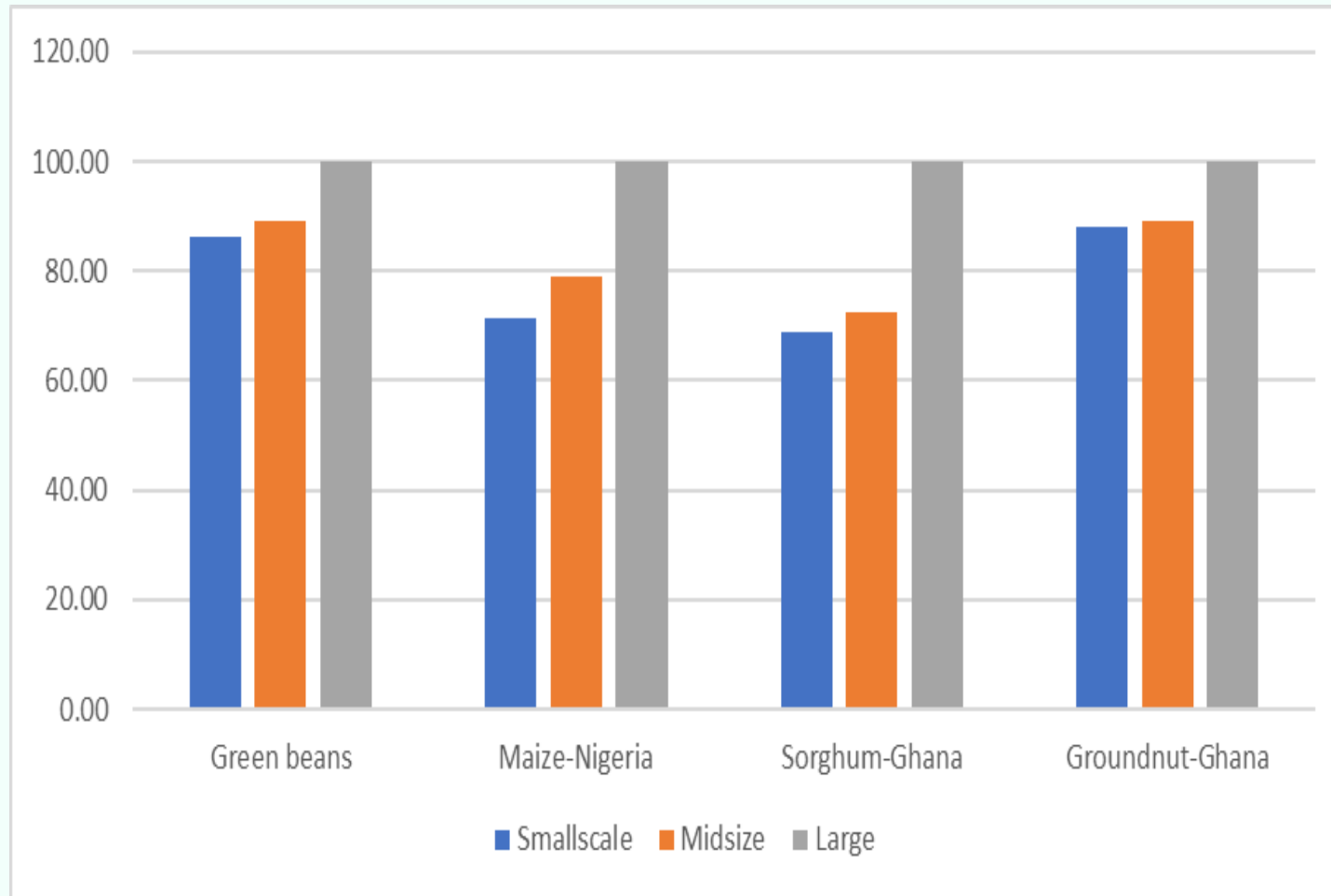
Land constraints lead to higher Inequality (Gini Ratio > 0.6)
More land constraints in more commercially-oriented systems
Continued land fragmentation in many contexts

Finding 4: Closing yield gaps (kilogram/ha)



Yield gaps vary between 20-30% (green beans) and 60-70% (cotton, maize, sorghum)
Many reasons why yield gaps are not closed easily (investment time and money, knowledge, access to inputs and technology)

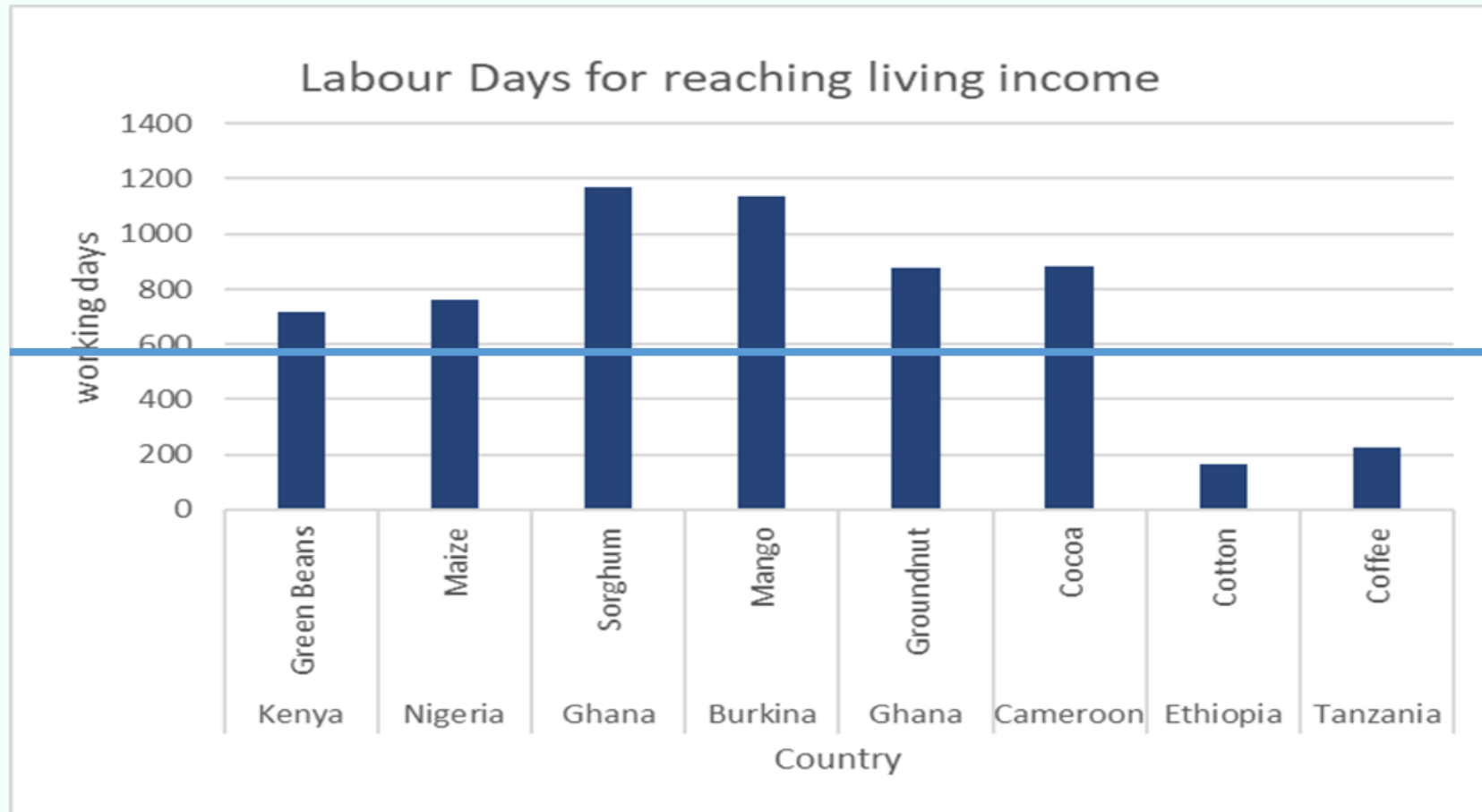
Finding 5: Reducing price differences



Price differences

Smallholder farmers receive 25-30% lower market prices

Finding 6: Employment creation



At current wage rates, many smallholder farmers need to engage > 600 days (= 2 full persons) in off-farm wage labour

Implications for policy strategies



Policies	Land constrained	Yield constrained	Price constrained	Labour constrained	VC cases
Land registration and tenancy	Light Green	Light Green	Yellow	Red	Cotton (Ethiopia), Groundnut (Ghana) Green beans(Kenya)
Rural extension & training	Yellow	Light Green	Light Green	Yellow	Green beans (Kenya), Cotton (IEthiopia) Mango (Burkina Faso)
Public investment in Market Infrastructure	Light Green	Light Green	Light Green	Light Green	Cocoa (Cameroon) , Cotton (Ethiopia) Maize (Nigeria) , Groundnut (Ghana)
Rural credit & crop insurance	Red	Light Green	Light Green	Light Green	Groundnut (Ghana) , Cotton (Ethiopia)
Vocational Education	Light Green	Light Green	Yellow	Light Green	Mango (Burkina Faso) , Sorghum (Ghana)
Social organization	Yellow	Yellow	Light Green	Light Green	Cotton (Ethiopia), Coffee (Tanzania) Mango (Burkina Faso)
Certification & labelling	Red	Yellow	Light Green	Yellow	Cocoa (Cameroon), Coffee (Tanzania) Mango (Burkina Faso)

Implications for policy & research



- **Important to look at costs and realistic impacts of different interventions to increase incomes for different segments of households**
- **Farm income increase through increasing yield or diversification may not be as relevant as often assumed for certain household segments if they require much investment in terms of money or time, or if they require a certain amount of land**
- **Price increases increase incomes for all farmers but the poorest households benefit least because they sell low volumes**
- **Important prospects for improving employment options and increasing wages outside of agriculture with repercussion for the agriculture sector.**

Implications for policy & research



- **Opportunities for reducing the gender wage gap as a strategy for pursuing living incomes because of differences in income gap between men and women.**
- **Smallholders producing commercial crops are better able to reduce nutritional deficiencies and improve labour productivity.**
- **Important prospects of (long-term) delivery contracts and collective action as mechanisms for reducing living income gaps.**




[VCA4D]
VALUE CHAIN ANALYSIS FOR DEVELOPMENT

**Value Chain Analysis for Development:
providing evidence for better policies and
operations in agricultural value chains**

CONFERENCE
18 and 19 January 2023
Brussels & Online



**Thank you
for your
attention!**

<https://europa.eu/capacity4dev/value-chain-analysis-for-development-vca4d-/events/conference-value-chain-analysis-development-providing-evidence-better-policies-and-operations>