

Statement of Research

By Javier Parada, Agricultural and Resource Economics Doctoral Student, UC Davis

The goal of policies that improve access to markets in developing countries is to enable the subsistence farmer, who previously only produced in order to survive, to integrate into the high-value supply chain of agricultural products and act as an entrepreneur. The growth and survival of small-scale farmers depends not only on their technical skills to run a profitable farm business, but on their entrepreneurial skills to invest, innovate, take risks and respond to opportunity. To be able to compete against large-scale farming, small farmers must overcome a series of social and economic barriers to profitability, including credit market barriers, lack of insurance and imperfect access to information, and improve their own managerial capacity to cope with risks and seize opportunities.

One of the main barriers limiting farmers' integration into markets in developing countries is the inadequate coverage and quality of the rural road networks, which result in high transaction costs and exclusion from social and economic facilities. These high transaction costs constrain poor smallholder farmers in remote rural areas into a restricted set of opportunities and a narrow range of access to facilities and markets limiting their ability to sell their fresh produce directly to the public and generate additional income. In my dissertation, I am studying how these high transaction costs isolate farmers and provide a significant explanation for the regional dimension of poverty and economic development. Just like long distances to schools lead to low school enrollment and long distances to health care facilities lead to higher mortality during child birth, farmers' isolation from markets drive up the fraction of the agricultural workforce that experiences difficulty in generating income and meeting basic needs.

My research is ongoing, and I am currently studying the role of road improvements in altering the underlying market structure for agricultural products. Between the farm gate and the final buyer there are intermediaries at different stages. Isolated households often rely on these intermediaries to buy their inputs and sell their outputs. The lack of alternate selling opportunities for an isolated farmer's crops allows intermediaries to be able to earn more than what they would in a competitive market by reducing purchase volumes and farm prices below the competitive levels. For that reason, better roads and improved access to urban markets could lead agricultural households to obtain higher prices for their produce from new buyers. Better roads could also allow them to obtain manufactured products more cheaply and directly from wholesalers.

There is little future for small-scale farmers in developing countries unless they become more entrepreneurial in their approach to farming. Besides improving the conditions of the rural roads, improving farmers' access to modern markets requires improving their connectivity to technology, insurance mechanisms, and new commercial models. In the future, I would like my research to consist of defining, implementing, evaluating, and experimenting with this kind of interventions aimed at improving farmers' ability to generate additional income by integrating into the increasingly complex food supply chain.